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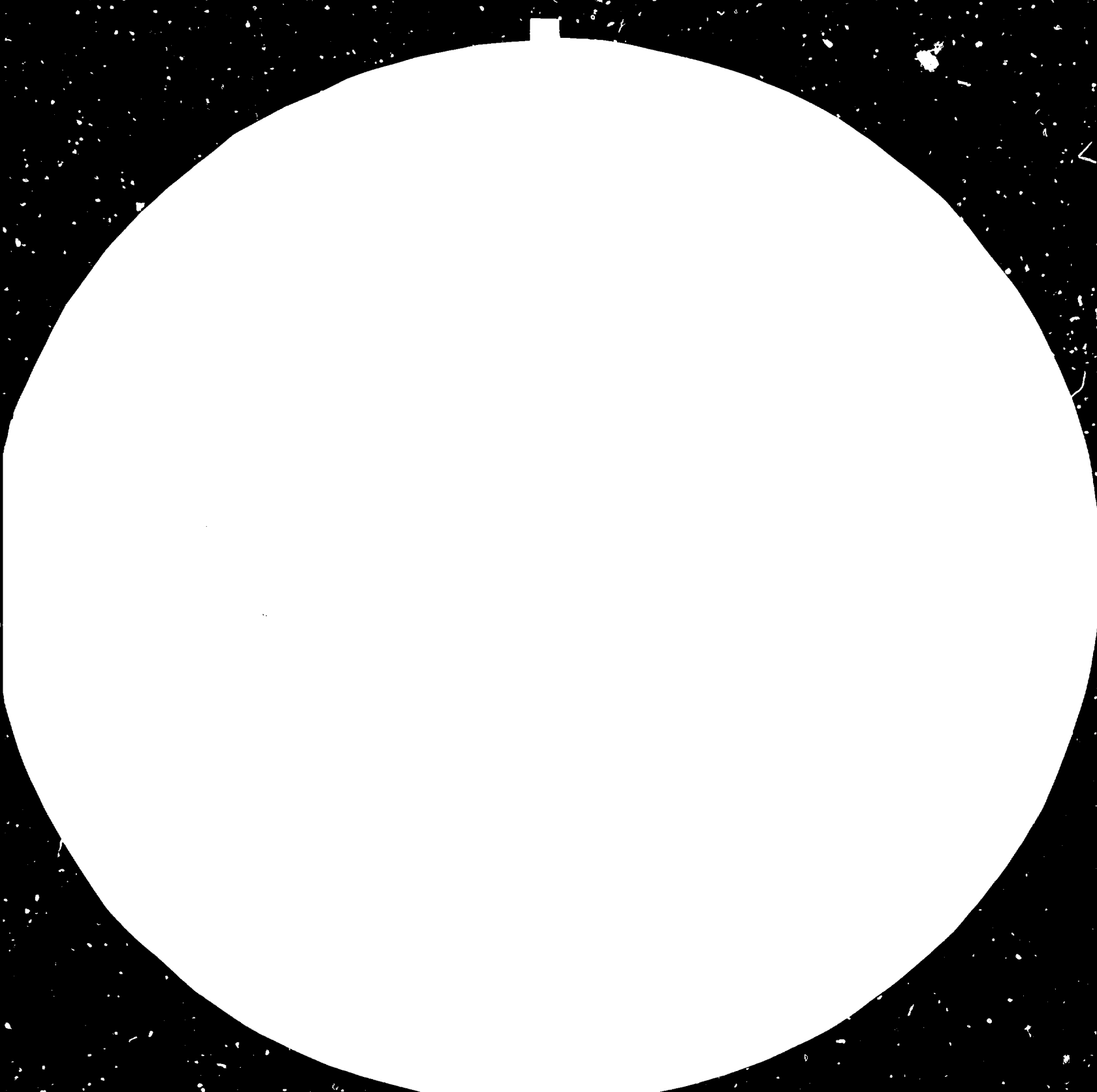
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REPORT OF THE ESCAP PREPARATORY MEETING OF MINISTERS
OF INDUSTRY FOR THE FOURTH GENERAL
CONFERENCE OF UNIDO*

Bangkok, Thailand, 15-16 March 1984

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Fortieth session
17-27 April 1984
Tokyo

ISSUES AND PROGRAMMES IN VARIOUS FIELDS OF
ACTIVITY OF ESCAP

(Item 7 (a) of the provisional agenda)

REPORT OF THE ESCAP PREPARATORY MEETING OF MINISTERS
OF INDUSTRY FOR THE FOURTH GENERAL
CONFERENCE OF UNIDO

I. ORGANIZATION OF THE SESSION

1. The ESCAP Preparatory Meeting of Ministers of Industry for the Fourth General Conference of UNIDO was held at Bangkok from 15 to 16 March 1984.

Attendance

2. The Meeting was attended by representatives of the following members and associate members of ESCAP: Afghanistan, Australia, Bangladesh, Bhutan, China, France, India, Indonesia, Iran, Japan, Kiribati, Malaysia, Maldives, Nepal, New Zealand, Pakistan, Papua New Guinea, Philippines, Republic of Korea, Sri Lanka, Thailand, Tonga, Union of Soviet Socialist Republics, United States of America, Vanuatu and Viet Nam.

3. The United Nations Industrial Development Organization (UNIDO), the United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) were also represented.

Opening address

4. In his inaugural address, H.E. General Prem Tinsulanonda, Prime Minister of the Royal Government of Thailand, welcomed the Ministers and stated that it was timely that the Ministers met to share experiences and to arrive at a common regional programme to be presented to the Fourth General Conference of UNIDO. Most of the countries' efforts had concentrated on the search for appropriate means to deal with the changing economic situation. Since 1980, Thailand had emphasized programmes and policies aimed at adjusting the economy so as to achieve a suitable medium-term balance-of-payments position while maintaining the impetus of growth. Growth of industry was supported by concrete policy measures to make industry more efficient, labour-intensive and export-oriented. Through industrialization Thailand had moved from the traditional to a more modern economic system, while maintaining the important role of the agricultural sector.

5. Growing protectionism was having a serious effect on programmes to increase manufactured exports. In that context, South-South efforts to expand regional co-operation should be strengthened. There appeared to be great possibilities for making use of the facilities and the economies of scale available within the region to increase manufactured exports. Thailand had made efforts through the Association of South-East Asian Nations (ASEAN) to build up manufacturing facilities on a joint basis. Such co-operative efforts should be enlarged to the regional level and specific programmes evolved to assist the process.

6. One important topic in discussions on the industrialization process was the role of technology, which was also of relevance to other aspects of development. It was necessary to build up the technological capacities to meet specific needs. There was a necessity to share the wide and varied experiences gained by members of ESCAP in that regard. Acquisition, absorption and assimilation of imported technologies, development of indigenous technologies, organization and management of research and development as well as training and information systems were all matters of importance.

7. The Prime Minister welcomed the participants to Thailand and hoped that the Meeting would conclude its discussions with a pragmatic response to the realities facing it.

8. The Executive Secretary, in his opening address, welcomed the Ministers and thanked the Prime Minister of the Royal Government of Thailand for having spared time to inaugurate the Meeting.

9. He noted that the past few years had witnessed several disquieting developments in the world economic situation that were likely to have a significant effect on prospects for further industrialization of the developing countries in the region. Those developments had necessitated a re-examination of industrialization strategies and policies and had given added impetus to exploiting existing potentials for self-reliant growth at the national and regional levels. He felt the convening of the Fourth General Conference of UNIDO later in the year was timely and appropriate as it provided an opportunity to assess the changes that were taking place and to formulate strategies to meet the new challenges of the 1980s and beyond. He stated that ESCAP was pleased to collaborate with UNIDO and to play an active and positive role in preparing for the Conference.

10. As part of the preparations for the Conference, the High-level Expert Group Meeting on Industrialization had been convened jointly by ESCAP and UNIDO in December 1983. The recommendations of that Group had been considered by the Senior Officials' Meeting Preceding the ESCAP Preparatory Meeting of Ministers of Industry for the Fourth General Conference of UNIDO and had been incorporated in their report to the Ministers, a report which highlighted the major issues with respect to accelerating industrial development in the region.

11. The Executive Secretary noted that the unfavourable international economic environment would induce greater regional and subregional co-operation. Such co-operation should take more pragmatic and operational forms and should be expanded beyond trade and finance to encompass other topics such as technology and human resources.

12. He further noted that the impact of external disturbances had fallen heavily on the small- and medium-sized low-income countries and particularly on the least developed and small island developing countries. Those were the countries that would pose the greatest challenge with regard to further industrialization in the region and they also represented the countries where modernization, industrial expansion and regional co-operation were likely to have the maximum impact.

13. With reference to the work of the secretariat, the Executive Secretary drew particular attention to the effort that had been initiated to harness technological resources to promote economic and social progress in the region. The ESCAP Plan of Action on Technology for Development had been drawn up which he hoped would make a substantial contribution towards making technology a more effective tool of economic and social development in the region.

14. The Executive Director of UNIDO, expressed his gratitude to the Prime Minister for inaugurating the Meeting and his appreciation of the effective arrangements made by ESCAP.

15. The Fourth General Conference of UNIDO would take place at a critical time when new moves for international partnership towards global recovery were needed. It must be recognized that a prerequisite for such recovery of the increasingly interdependent international economy would be accelerated industrialization in the third world. Such progress would stimulate also the developed countries' economies through better utilization of their partly idle capacities to produce items for the markets of the South. Industrialization of the South, the Executive Director emphasized, would indeed benefit both the South and the North.

16. Developing countries would need to reiterate the vital role of industrialization for socio-economic development and reformulate their strategies to that end. The progress towards the Lima target - modest in nature - had so far been very limited. The international community would have to agree on a global strategy towards the implementation of that target. The Conference could serve as an important platform for those endeavours.

17. Referring to the Senior Officials Meeting, the Executive Director stated that the groundwork for new approaches had been laid which entailed inter alia an emphasis on internal growth dynamics, integration of various facets of industrial development including the linkage to social development, and global issues relating to the international finance and trading systems and the situation of the least developed countries. In that context, the Executive Director stressed the need for developing countries to build up their key industrial inputs, namely human, energy and finance resources and science and technology and to monitor and adjust to the rapid developments in production, trade and technology. Moreover, a continuous dialogue between all countries was needed more than ever before. The Conference would be an important event as it would take up those challenges and proposed actions and also guide UNIDO's work and its capacities as a future specialized agency. The importance of the resource rich, diversified and large developing ESCAP region gave special prominence to the Meeting which would be of great significance for the deliberations at the Conference.

Election of officers

18. The Meeting unanimously elected H.E. Mr. Ob Vasuratna (Thailand) Chairman. H.E. Mr. N.D. Tivari (India), H.E. Mr. Illahi Bakhsh Soomro (Pakistan) and H.E. Mr. Baron Vaea (Tonga) were elected Vice-Chairmen and Mr. L.S. Perera (Sri Lanka) Rapporteur.

Adoption of the agenda

19. The Meeting adopted the following agenda:

1. Opening of the Meeting
2. Election of officers
3. Adoption of the agenda
4. Report of the Senior Officials Meeting
5. Adoption of the report

II. CONSIDERATION OF ISSUES

20. The Chief of the ESCAP/UNIDO Division of Industry, Human Settlements and Technology introduced the report of the Senior Officials Meeting (see the annex). The report contained two substantive parts, a draft of the regional position for the Fourth General Conference of UNIDO and a review of progress in the work programme of the secretariat of ESCAP as it affected industry and technology. The Division Chief synthesized the main elements in the draft regional position and outlined the recommendations relating to the work of the secretariat.

21. The Meeting expressed its appreciation of the report of the Senior Officials, especially the draft of the regional position for the Fourth General Conference of UNIDO which provided an objective review of the industrialization in the region, made a realistic appraisal of its prospects, and presented a balanced picture of principal issues and problems of industrial development faced by the developing ESCAP countries in the 1980s. It commended the Senior Officials on their excellent work and endorsed their report. The participants thanked the ESCAP secretariat for its efficient preparation and organization of the Meeting and expressed special gratitude to the Government of Thailand for the courtesy and hospitality extended to them. The Meeting also expressed its sincere gratitude to His Excellency the Prime Minister of Thailand for his inaugural address which had provided a valuable basis for deliberations.

22. The participants reviewed the experiences of their respective countries in industrialization and outlined the prospects for further industrial development, keeping in view the current international economic situation and its likely development in the foreseeable future. The regional position for the General Conference had been formulated with that perspective in mind.

Regional position for the Fourth General Conference of UNIDO

23. The Meeting reaffirmed the key role of industrialization in the economic and social development of the developing countries. It constituted a critical factor in modernization, diversification and the promotion of self-sustained economic growth. The vital role of industrialization should be reiterated at the national, regional and global levels--at the national level in terms of a reorientation of industrial policies; at the regional level in terms of joint approaches and pooling of resources; and at the global level in terms of a strategy towards the attainment of the Lima target.

24. The Meeting re-emphasized the importance of the Lima target aimed at increasing the share of the developing countries to 25 per cent of world industrial production by the year 2000 and noted with regret the very limited progress achieved. A global strategy for implementing the target was urgently called for. The share of the developing ESCAP region had been estimated at 10 per cent, corresponding to the manufacturing growth target of 8.9 per cent in the regional development strategy for the Third United Nations Development Decade. In view of the past increase in the regional contribution to world manufacturing production (MVA) from 2.1 per cent in 1963 to only 3.4 in 1982 (excluding China), as well as the uncertainties which characterized the world economy at the current juncture, the hope of attaining the regional target was remote. Yet, the long-term prospects for industrialization in the region appeared to be promising. The developing ESCAP region was the largest developing region in the world, with approximately 55 per cent of world population and about 17 per cent of world area (including China). Its current share in world industrial production was estimated at 7.2 per cent, which suggested large scope for future development. Moreover, the region contained a variety of other resources and had inherent strength in the form of a vast market. With appropriate strategies and policies, the region could become a new centre of growth.

25. The Meeting noted that due to the size and heterogeneity of the developing ESCAP region, and the diversity of experience of its member countries, there was no single policy that could be considered as applicable with equal force to all. Each country must therefore formulate its own industrialization strategy in the light of its particular circumstances, its available resources, and its priorities and objectives. It followed that regional strategies for industrial development could only be discussed in general terms, in trying to bring out the key elements which were of common concern to most developing countries in the region. Such strategies and issues were discussed in the light of the main areas identified for discussion under item 5 of the provisional agenda of the Fourth General Conference of UNIDO.

26. Referring to the basic characteristics of the developing ESCAP region as the most populous developing region, constituting concurrently the largest concentration of poverty in the world, the Meeting emphasized that growth with social justice should continue to be the central focus of industrial

strategies as recommended by the ESCAP Meeting of Ministers of Industry in 1977. The strengthening of linkages between agriculture and industry, between large-scale and small-scale industries, dispersal of industries away from metropolitan areas, and increased production of basic need goods remained equally as valid as they had been at that time. In that context, the Meeting also stressed the need for strengthening the role of women in the industrial development of the region. The strategic approach to industrial development, with the important role of development planning and all-sector approach to solving the employment problems, recommended by the Ad Hoc Group of Ministers in 1981 would also continue to be relevant. Given the changing international economic environment in the 1980s, the Meeting called for the reorientation of industrial strategies and policies towards internal growth dynamics and systematic marshalling of national, regional and international efforts to promote industrial production, trade and technological development.

27. The Meeting emphasized that, in view of the fact that the developing ESCAP region embraced by far the largest portion of the world's population, its sheer magnitude underscored the role of human resources in the process of development in general and in industrial development in particular. The immense population dimension accentuated the need for translating the all-sector approach to resolving the unemployment problem from conceptual into operational terms. Moreover, the urgent need for continuous expansion of employment in industry, agriculture and the services sector under conditions of continuous scientific and technological progress would place a heavy burden on educational resources for the massive upgrading of general skills. Especially, the necessity to improve technological levels in industry would create new requirements for industrial training and skill formation. The Meeting emphasized that the accomplishment of those tasks was a challenge that required the effective merging of educational policies and planning with industrial and overall development policies and planning.

28. The Meeting stressed that modern technology would play the central role in the industrialization of the developing ESCAP region in the years to come, particularly in accelerating the pace of industrial growth and exports of manufactures, and in achieving greater efficiency. However, in view of the diversity among the developing ESCAP countries and the emphasis given to social aspects of development, in particular to employment generation, a selective

approach to technological choice would continue to be essential. In that connection, further efforts to facilitate access to and the flow of modern technology from the industrialized countries, and to develop or strengthen the indigenous technological capabilities of the developing countries would be imperative.

29. The Meeting suggested that the industrially advanced countries should adopt more flexible and more liberal attitudes to the transfer of technology. It called for closer co-operation among the developing countries of the region in that regard. It also pointed out the important role that foreign investment and transnational corporations could play in developing countries subject to the proposed code of conduct on those corporations when it was approved.

30. The adequate provision of financial resources being crucial for industrialization was stressed. Many countries of the developing ESCAP region had improved their fiscal performance and had increased the rate of savings through existing and newly established financial institutions. However, improved mobilization of internal financial resources was not adequate to meet the needed industrial investment. The Meeting emphasized that more international financing should be made available to the developing countries on concessional terms. What was required was reform or improvement of the international monetary and credit systems. External finance was needed not only to supplement domestic financial resources, but also to realize access to modern technology. It was proposed that the developed countries and the financial institutions should adopt a more liberal attitude in providing quick disbursement of development assistance for programmes rather than on a project by project basis. The Meeting urged special consideration for the least developed, land-locked and island developing countries in that regard. It suggested that the prospects for joint ventures at sub-regional, regional and international levels should be further explored.

31. The Meeting stressed that energy was a critical input in the current and future industrialization process of the ESCAP region. Rising costs of energy had contributed to increased prices of consumer goods in all the developing countries. That imposed an enormous burden on large segments of the population of the developing ESCAP region, especially in countries lacking petroleum, coal and natural gas. The Meeting emphasized the need for extensive

development of hydropower, as the region possessed large potentialities in that regard. However, huge financial resources would have to be mobilized at all possible levels to meet the investment requirements. The Meeting also urged further exploration and practical use of other sources of energy such as geo-thermal, bio-mass, solar and nuclear energy. It pointed out that new forms of co-operation at the regional and sub-regional levels should be formulated in support of such endeavours.

32. The Meeting stressed the need for structural adjustment in and redeployment of industries from developed countries to developing countries. In the developing ESCAP region, industrial restructuring would continue to bring about progressive changes in the relative size of sectors and industries and would manifest itself in adjustments of production processes, products and corporate structures. The restructuring of industry at the national level was seen as a dynamic process which included also substantial improvement in technology, labour skills, organization, management, planning and policies. Those changes would lead to the achievement of higher productivity, enhanced skill levels and greater competitiveness in foreign markets and could bring about sustained industrial development, provided they were based on continuous monitoring of the driving forces and trends at the national, regional and international levels. However, substantial efforts and resources - above all financial resources - as well as efficient macropolicies would be required to achieve that objective.

33. The Meeting considered that resource-based industrialization policies were an important issue for all countries characterized by rich resource endowment. It was essential to pursue a systematic increase in the industrial processing of agricultural and mineral raw materials in order to increase value added in production, thereby stimulating the linkage effects between manufacturing and agriculture on one hand, and mining on the other. A number of countries had launched industries based on agriculture, forestry, marine-resources, mining and energy not only to meet domestic demand but also for exports. The Meeting noted that many developing ESCAP countries had bright prospects for resource-based industrialization but required external inputs in terms of expertise and capital goods. Regional co-operation was seen as an important vehicle in that regard.

34. The Meeting noted the constraints on industrialization in the least developed, land-locked and island developing countries of the ESCAP region and urged the international community to further expedite their efforts towards enlarging their support for such countries. It also emphasized that Pacific island countries and other similar island developing countries faced specific problems of territorial scatter and geographical dispersal which meant that those countries needed special attention. The Meeting specially urged effective implementation of the Substantial New Programme of Action (SNPA) at the regional and global levels and the preparation of a special programme to assist in the industrialization of the least developed countries. It also urged that more bilateral and multilateral assistance be extended to the least developed and island developing countries in order to cater to their urgent requirements. It further urged the ESCAP member countries to participate actively in the investment promotion meeting to be held in Nepal next June.

35. The level of industrialization and economic development in many developing ESCAP countries was still very low. That was due mainly to imperialist and colonialist domination. The Meeting emphasized that industrialization could play a central role in rural development in many countries of the developing ESCAP region. Since the economy of most of those countries was still based on agriculture, the share of which reached about 56 per cent of the total labour force and some 27 per cent of GDP, the strengthening of linkages between agriculture and industry would remain an important principle of economic and social development in rural areas. Most agro-industries in rural areas could be developed on the basis of small- or medium-scale enterprises processing agricultural raw materials or supplying products of agricultural origin for further processing. Thus a strong link among the imperatives of industrial policy reorientation - agro-industries based on small-scale enterprises in the rural areas - emerged as one of leading directives for integrated rural development.

36. The Meeting observed that the international economic environment had a marked influence on the rate and pattern of industrial growth in the developing countries. In that regard, it expressed concern over the recent difficulties in the world economy. The protracted recession in the industrialized countries, the uncertain recovery currently underway and stagnation in world trade had an adverse impact on the developing countries. That created balance of payments

/difficulties

difficulties which disrupted industrial production and reduced the investment necessary to expand new capacity. It also resulted in difficulties in servicing the mounting debt burden. The situation was aggravated by growing protectionism, dumping, unstable exchange rates and high and variable interest rates, and other harmful practices, such as policies of coercive economic pressures, blockades and embargoes against many developing countries. Such practices should be eliminated.

37. The Meeting emphasized the need for strengthening South-South co-operation in the wake of uncertain external prospects. It noted that practical action for such co-operation was contingent upon the political will and commitment of the developing countries. Account should also be taken of the constraints hindering progress in co-operation such as a lack of appropriate policies, institutional mechanisms and financial and technological capacities to foster co-operation among the developing countries. Mention was made of the existing potential for industrial co-operation and the possibility of its extension beyond trade liberalization to encompass other areas such as industrial planning, investment, human resources, technology and energy. The Meeting noted with interest some significant achievements in ASEAN and South Asian regional co-operation (SARC) in regard to industrial co-operation. Reference was made to item 6 of the provisional agenda of the Fourth General Conference of UNIDO and to the general support that was needed to be given to the Industrial Development Decade for Africa.

38. While stressing the need for strengthening South-South co-operation, the Meeting emphasized that that in no way was a substitute for North-South co-operation. On the contrary, the two were mutually reinforcing. The Meeting also urged that the developed countries should also indicate their political will and extend their hand of co-operation to the developing countries. Japan's support for industrial co-operation in ASEAN was a good case in point. In that connection, the Meeting also observed that restoring growth in the industrial countries, resistance to protectionist pressures and undertaking of needed structural adjustments and institutional reforms in world production and trade would serve the interests of both the North and the South. Many delegations stated that recent problems in the world economy attested to the urgent necessity for the establishment of the new international economic order and the implementation of the International Development Strategy for the Third United Nations Development Decade.

39. It was suggested that the scope for expansion of industrial co-operation with centrally planned economies - East-South co-operation - was wide. It was noted that several countries had already made use of closer co-operation with centrally planned economies, carried out within the framework of long-term programmes of economic, trade and scientific-technological co-operation.

40. The Meeting felt that public industrial enterprises continued to play an important role in the process of industrialization in most developing ESCAP countries. Some participants noted that it was necessary for the public sector in the mixed economies of their countries. The inadequacy or non-availability of private investment, especially in large-scale enterprises, made public investment imperative in those countries. It was emphasized that public enterprises should also earn financial returns so that mobilization of greater domestic resources for further investment could be achieved. Improvement in the managerial and economic efficiency of such enterprises therefore was a critical issue. Public enterprises could also be used as a tool to attain certain social objectives. The Meeting urged that, assistance should be strengthened by international organizations such as UNIDO and ESCAP in that regard.

41. Many delegations stressed the important role of the private sector in the industrialization process of the developing countries of the region. Several noted the useful role the private sector could play in promoting the flow of foreign capital, transfer of technology, managerial know-how, and access to markets which would assist the process of industrial growth. The Meeting agreed that a proper balance and mix of the public and private sectors should be attempted at the national level to ensure maximum benefits from both sectors. Emphasizing the importance of both the public and private sectors, the Meeting urged that international assistance should be extended to both those sectors.

42. Three delegations underscored the importance of the problems of peace, detente and disarmament. Most other delegations, however, did not consider the subject relevant to the Fourth General Conference of UNIDO as they were dealt with by other forums and by the General Assembly which had adopted a resolution on the subject.

43. In their statements, delegations made special reference to UNIDO and its current and future work and resources. UNIDO, it was emphasized, had through its ambitious programmes made an essential contribution to the region's industrial development. It was particularly as a follow-up of the Second General Conference of UNIDO held at Lima as well as the Third General Conference at New Delhi that the organization had embarked into programmes so vital for industrialization, such as technological information systems, consultations and economic studies, and had taken important initiatives in respect of technological advances, co-operation among developing countries etc. On the eve of the Fourth General Conference it was necessary for the countries of the region not only to re-emphasize the importance of UNIDO's work for the member countries but, above all, to outline various programmes of special priority and to call for the provision of adequate resources, including to the United Nations Industrial Development Fund, to enable UNIDO to undertake its work. Among future activities specifically mentioned were the programmes for skill upgrading, energy and technology acquisition and generation as well as the programmes relating to industrial redeployment and restructuring. Some delegations from Pacific Island countries referred to the critical situation they were facing and to the need for special efforts to ensure continued UNIDO support to their industrial development in a time of diminishing United Nations funding.

Review of activities

44. The Meeting endorsed the activities of the secretariat's work programme following the policies and strategies as recommended by the Meeting of Ministers of Industry in 1977 and the minimum programme of action and the Ad Hoc Group of Ministers of Industry in 1981. It reiterated the continuing validity of those recommendations. It, however, urged the secretariat to strengthen its activities in areas where progress had not been so satisfactory and to ensure the speedy implementation of other projects which had not yet been implemented on account of various constraints.

45. In the field of industry, greater attention was to be paid to the strengthening of co-operation among developing countries, assistance to the least developed, land-locked and Pacific Island and other developing island countries. In that respect, attention was drawn to programmes such as the development of small- and medium-scale industries, agro-industrial linkages and industrialization of non-metropolitan areas.

46. The Meeting emphasized the strengthening of technological capacities and the capabilities of developing countries to accelerate the industrial growth process. It would enhance efficiency in industrial production and increase the export of manufactured products.

47. Having reviewed the developments in industrialization since the Lima Declaration and the contributions made by UNIDO and ESCAP, and having considered the main issues discussed, the regional members agreed that in the current unfavourable international situation there had arisen a need for:

- (a) Reorientation of policies at national, regional and global levels;
- (b) Closer regional co-operation to combat protectionism and dumping;
- (c) Increased intra-regional marketing;
- (d) Sharing technological development;
- (e) Continued North-South co-operation in finance and technology transfer;
- (f) Encouragement of private sector and foreign private capital participation where appropriate;
- (g) Improving and consolidating public sector investments as appropriate;
- (h) Accelerating and upgrading human resources development;
- (i) Intensifying of integrated rural development;
- (j) Identifying and developing appropriate energy options;
- (k) Special attention to Pacific Islands and other similar island developing countries, least developed and land-locked countries with small domestic markets;
- (l) Promoting and strengthening South-South co-operation;
- (m) Integrating the role of women in industrial development in the region, including entrepreneurship.

and proposed that UNIDO and ESCAP develop appropriate policies and mechanisms to achieve those objectives.

III. ADOPTION OF THE REPORT

48. The Meeting adopted its report on 16 March 1984.

Annex

REPORT OF THE SENIOR OFFICIALS' MEETING PRECEDING THE ESCAP PREPARATORY
MEETING OF MINISTERS OF INDUSTRY FOR THE FOURTH GENERAL
CONFERENCE OF UNIDO

I. ORGANIZATION OF THE MEETING

1. The Senior Officials' Meeting Preceding the ESCAP Preparatory Meeting of Ministers of Industry for the Fourth General Conference of UNIDO was held at Bangkok from 12 to 14 March 1984.

Attendance

2. The Meeting was attended by representatives of the following members and associate members of ESCAP: Afghanistan, Australia, Bangladesh, Bhutan, China, France, India, Indonesia, Iran, Japan, Malaysia, Maldives, Nepal, Pakistan, Papua New Guinea, Philippines, Republic of Korea, Sri Lanka, Thailand, Tonga, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, the United States of America, Viet Nam, Kiribati and Vanuatu.

3. The following United Nations bodies and specialized agencies were represented: United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), and International Labour Organisation.

Opening addresses

4. In his opening address, the Executive Secretary of ESCAP stated that the High-level Expert Group Meeting on Industrialization, which had been held in December 1983, had made a careful analysis of developments in the region, taking due account of trends in the international economy and keeping in view the issues that had been identified as being of major concern for the Fourth General Conference of UNIDO. The experts had drawn attention to several unfavourable factors in the world economic scene that would necessitate a reassessment of existing industrialization strategies and which provided an additional impetus to the strengthening of regional co-operation.

5. Owing to the continuing concern with social justice and the urgent need to alleviate mass poverty in most developing countries, the anti-poverty orientation should remain a key element in the industrialization strategies of the 1980s. There was also a need to take account of existing diversities among countries in the region in the formulation of regional policies and strategies for industrial development.

6. The secretariat's work programme had concentrated on the minimum programme of action outlined by the Meeting of the Ad Hoc Group of Ministers in 1981. That programme had a direct bearing on the main issues to be discussed at the Fourth General Conference.

7. The crucial role of technological process in accelerating industrial development was recognized. Other important factors were development of human resources, promotion of agro-based rural and small-scale industries, expansion of export industries, industrial financing and special measures for the industrialization of the least developed countries. Regional co-operation had a special significance in all aspects of economic and social development.

8. The secretariat would continue to pay attention to the implementation of the minimum programme of action as outlined by the Ad Hoc Group of Ministers in 1981. Special measures would be taken to follow up the implementation of the Vienna Programme of Action, expansion of technical advisory services and other projects that would be determined on the basis of the Commission's consideration of the ESCAP Plan of Action on Technology for Development.

9. The Special Representative of the Executive Director of UNIDO to ESCAP and Senior Industrial Development Field Adviser to Thailand, Malaysia, Singapore, Brunei and Hong Kong, on behalf of the Executive Director of UNIDO, stated that UNIDO had co-operated closely with ESCAP in discussing problems of industrial development and formulating proposals for implementing the Lima Declaration and Plan of Action. The developing ESCAP region with its leading role in industry in the third world could play a significant role in identifying and framing the basic issues and problems for consideration at the global level on international industrial co-operation.

10. The Fourth General Conference of UNIDO was to take place during a period of critical constraints and drastic changes in the industrial development process of the developing countries. The magnitude and complexity of those problems should be fully appreciated by the international community in order to ensure joint commitment towards their solution. In retrospect, the Lima target had been determined at a time of industrial optimism. In spite of its modest nature, progress towards its fulfilment had been halted by the continued world recession. The recession had revealed the asymmetrical interdependence between the South and the North and the vulnerability of the developing countries' industrialization process to external shocks and internal policies of the North.

11. There was a need to re-establish a basis for a self-sustained industrialization process in developing countries by reducing economic asymmetry and vulnerability and adopting a new strategic approach. Technology, energy, skills formation, industrial co-operation among developing countries and innovative economic strategies, policies and institutional measures were of critical importance in that regard.

12. In order to maintain and expand industrial capacity in developing countries threatened by foreign-exchange crises, financing constituted an important element. There was a need to evolve international mechanisms to enable the mobilization of external financial resources for industry.

Election of officers

13. The Meeting unanimously elected Mr. Djakkrit Puranasamriddhi (Thailand) as Chairman. Mr. Wep Kanawi (Papua New Guinea) and Mr. I.L. Shrestha (Nepal) were elected Vice-Chairmen and Mr. L.S. Perera (Sri Lanka) was elected Rapporteur.

Adoption of the agenda

14. The following agenda was adopted:

1. Opening of the Meeting
2. Election of officers
3. Adoption of the agenda
4. Main problems and issues in the industrialization of the developing ESCAP region and the Fourth General Conference of UNIDO.
5. Review of progress since the second Meeting of the Ad Hoc Group of Ministers and consideration of specific issues for action
6. Adoption of the report

II. CONSIDERATION OF ISSUES

A. Main problems and issues in the industrialization of the developing ESCAP region and the Fourth General Conference of UNIDO

15. The Chief of the ESCAP/UNIDO Division of Industry, Human Settlements and Technology introduced the working document "Industrialization in the developing ESCAP region in the 1980s: selected problems and issues" (E/ESCAP/IHT/SPMI-UNIDO(4)/1), prepared by the ESCAP secretariat with UNIDO's assistance, and also UNIDO and ESCAP papers, distributed as background documentation. The working paper had been submitted to the High-level Expert Group Meeting on Industrialization held at Bangkok from 6 to 8 December and revised on the basis of the Group's comments. The deliberations at the Senior Officials Meeting should result in the preliminary formulation of the regional position to be presented to the ESCAP Preparatory Meeting of Ministers of Industry for the Fourth General Conference of UNIDO. To facilitate that task, the discussion under agenda item 4 might be focused on three main groups of questions:

1. Review and appraisal of industrialization in the developing ESCAP region;
2. Consideration of prospects for industrialization;
3. Regional position for the Fourth General Conference of UNIDO.

16. The Meeting expressed its satisfaction with the quality of the documentation prepared by the ESCAP and UNIDO secretariats for its deliberations. It particularly appreciated the comprehensive nature and selection of issues and problems brought out in the documentation and noted that the working paper fully reflected the views of the High-level Expert Group Meeting on Industrialization. While expressing its basic agreement with the analysis and main findings, the Meeting also made a number of comments and observations to be incorporated in the regional position for the Fourth General Conference of UNIDO.

17. The Meeting observed that, in the course of the last few years, the world economy had experienced one of the most difficult and prolonged crises since the great depression of the 1930s. The slackened pace of growth and increasing levels of unemployment characterizing the recession in developed countries, combined with high and variable interest rates, fluctuating exchange rates and growing protectionism, had adversely affected the economies of developing countries. The reduced demand in developed countries for manufactures and commodities from developing countries and the diminishing flow of capital and aid obtainable only under harder terms meant drastic impediments to the industrialization of those countries. In that connection, stress was given by one delegation to the need to stop all coercive measures, economic blockade and embargo which were not in conformity with co-operation among countries aimed at accelerating economic development, especially industrial development.

18. The signs of recovery were accompanied by great uncertainties and by unfavourable tendencies, especially in international trade and finance. Hence the prospects for faster progress in the industrialization of developing countries did not appear to be bright. In view of the prevailing global interdependence, the stagnation and hardship in the third world needed to be combatted through the strengthening of economic co-operation among all major groups of countries, the developing and the developed - market economies and centrally planned economies alike.

19. It was in that critical period that the Fourth General Conference of UNIDO was being convened. It offered an opportunity for the international community to review past industrial performance, assess the current situation and design new strategies, policies and programmes to assist developing countries in their industrialization efforts and attain their economic and social development objectives.

20. Based on a better understanding of mutual problems, the Conference could establish a breakthrough in co-operation between developing and developed countries in the field of industrial development and lay the foundation for an international economic environment conducive to global restructuring of industry.

1. Review and appraisal of industrialization in the developing ESCAP region

21. The Meeting noted that, during the last two decades, economic progress in the developing ESCAP region had been accompanied by a transformation of the traditional structure of GDP, in which agriculture, which accounted for the largest share (44 per cent), was being superseded by the services sector (41 per cent). It was industry, with manufacturing as the most important subsector, which had achieved the most rapid growth rate (7.0 and 7.8 per cent respectively) and its contribution to total production of goods and services had increased most (from 23 to 32 per cent and from 11.5 to 19 per cent respectively) of all those sectors. The structural shift away from agriculture to industry was therefore the principal structural trend in the developing ESCAP region.

22. The move towards industrialization was not a simple and straightforward process. Regional generalizations tended to conceal considerable country differences and problems. The already high share of three developed countries in regional manufacturing production (MVA) had increased to some 69 per cent in 1980. In respect of the developing ESCAP countries and areas, the contribution of the Republic of Korea, Iran, Thailand, Singapore and Hong Kong to the regional MVA, had increased relatively, while in India, the Philippines and Pakistan a downward trend existed. In particular, the share of the least developed countries, already small at the beginning of the period under review, had declined a great deal at its end. Despite those shifts, the top three producer countries, India, the Republic of Korea and Iran, had still been responsible for about 55 per cent of the regional MVA in 1980. Thus, the progress of industrialization had been accompanied by a continuous concentration of MVA in several more advanced developing ESCAP countries and by increasing intercountry disparities among the rest.

23. Despite its upward trend, industry remained the smallest of all major sectors in several countries, including those with large economies. In analysing the fundamental causes of the relatively low level of industrial development in many countries of the region, one delegation indicated that

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imperialism and colonialism were the primary obstacles to the industrialization of the Asian and Pacific region. Furthermore, the decline in the share of agriculture could hardly be considered a desirable development if it was not associated with increased agricultural production per head. The expansion of the services sector to a dominant position appeared to have been excessive in view of the fact that the basic needs of the population for food, clothing and shelter had not been satisfied. Those and other structural imbalances revealed a limited integration of industrial activities with other sectors. Finally, a similar pattern of industrial growth and structural change indicated a lack of complementarity in industrial production among many countries.

24. In contrast with the sectoral structure of production, the sectoral structure of employment was marked by rigidity over time among the developing ESCAP countries reviewed. Although the major trends were the same, the relative increase in the services sector (almost nine percentage points) had been greater than in industry (about five percentage points). As compared with profound changes in the structure of GDP, the traditional pattern of the structure of employment, with agriculture in the leading position (57 per cent) followed by the services sector (28 per cent) and industry (15 per cent) in the last place, remained much the same as 20 years ago. Although the growth performance of the industrial sector had been satisfactory, the majority of the people still lived in rural areas, engaged mainly in agricultural activities.

25. The production effect of industrialization had therefore been much stronger than its employment effect. Even if one took account of the fact that small-scale industries tended to generate less powerful production effects than employment effects, the existing pattern of industrial development had brought about considerable progress in modernizing the economies but its contribution to the solution of the employment problem had been less significant. In a number of developing ESCAP countries, unemployment would have reached even more alarming dimensions if prosperity in several Middle Eastern OPEC countries had not provided rapidly growing job opportunities for emigrant workers from the region.

26. Furthermore, rising inequalities in relative sectoral productivity reflected another sensitive tendency to widening intersectoral disparities in income distribution. That provided an additional argument for concentrated efforts to improve economic and social conditions in agriculture and raised the issue of income distribution in both the industry and the services sectors. Since the developing ESCAP region was the most populous developing region in the

world (over 2.5 billion people, accounting for 55 per cent of the world total), social aspects of industrialization were of primary importance. About 700-800 million people were estimated to live below the poverty line, constituting the largest concentration of poverty in the world.

27. The progress in industrialization of many developing ESCAP countries was also affected by a variety of other factors such as technological under-development, consequences of the energy crisis, lack of financial resources and concentration of industrial activities in metropolitan areas. Almost all countries faced some problems in industrial planning and encountered serious obstacles, particularly in plan implementation.

28. The importance of the private sector in the industrialization of market economies in the ESCAP region was also recognized. The Meeting therefore urged UNIDO to give appropriate attention to activities which assisted the private sector in the development of new industry. Although the public sector played a significant role in the process of industrial development, its role was influenced by political and social as well as economic considerations. Owing to various combinations of those factors, a number of industrial public enterprises were operating at a financial loss. In many countries, the public sector continued to play an important role and would have to continue to do so for some time as the private sector was not yet capable enough to shoulder fully the responsibility of industrialization.

29. Compared with the appreciable growth performance of industry and manufacturing in the course of the previous two decades, industrial growth had slowed down dramatically (to some 2.0 per cent annually) and manufacturing growth markedly (to slightly more than 5 per cent) during the period 1979-1982. That decelerated growth had been accompanied by considerable subsectoral variations and had had an adverse impact on the social conditions of broad strata of the population. Several factors were responsible for those unfavourable developments: the deterioration in the conditions of the world economy, originating mainly from the poor performance of the major market economies; the slow progress in the necessary international economic and industrial restructuring; the prevailing pattern of industrialization in many developing ESCAP countries, which largely failed to attain growth with social justice; and various internal constraints in individual countries.

30. Despite numerous problems faced and serious difficulties encountered, many countries of the developing ESCAP region had made a great step forward in their industrialization efforts during the previous two decades. They had also revealed greater resilience than the other developing regions in meeting the

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adverse effects of economic disturbances during the recent recession. Moreover, the region appeared to possess a high capacity for future industrial development.

2. Prospects for industrialization

31. The Meeting reiterated that the Lima target aimed at increasing the share of the developing countries to 25 per cent of world industrial production by the year 2000. The targeted share of the developing ESCAP region was estimated at 10 per cent, corresponding to the manufacturing growth target of 8.9 per cent in the regional development strategy for the Third United Nations Development Decade. In view of the past experience, when the regional contribution to world MVA had increased from 2.1 per cent in 1963 to only 3.4 in 1982, as well as the uncertainties surrounding the world economy, the hope of attaining the disaggregated Lima target was now more remote than ever before.

32. Industrialization of the region would proceed under the pervasive influence of developments in the world economy owing mainly to global interdependence and the strong links of many developing ESCAP countries with the international markets. Hence, developments in the industrialized countries, their interrelationships and their impact on the economy of the developing ESCAP countries would remain an important factor in determining further industrial development in the region. Consequently, the countries of the region would have to continue their efforts to achieve reforms in the existing international monetary and trade relations and to explore new possibilities for expansion of trade. Special efforts would have to be made to strengthen economic co-operation among themselves, with industrial co-operation as the central component. However, the Meeting stressed that, while further progress in industrialization would emanate primarily from the internal dynamism of the ESCAP developing countries, themselves, keeping in view the limited resources of the developing countries, the role of external assistance in their industrialization could not be ignored.

33. Even under those circumstances, the long-term prospects for industrialization should be considered promising. The developing ESCAP region was the largest developing region in the world, with approximately 55 per cent of the total world population and more than 17 per cent of the total world area. By contrast, the region's current share in world MVA, estimated at 7.2 per cent, fell far short of those broad resource shares and suggested impressive scope for future development. Moreover, the region contained a variety of other resources -- minerals, arable land, forest, water and energy sources, technological knowledge and productive skills -- a factor of special significance for industrial development human resources. It therefore had inherent strength in the form of a vast market and industrial growth potential.

34. At the current juncture, the Meeting expressed the view that one of the major aspects neglected so far had been just that huge market potential for manufactures within the region and that the potential should be harnessed for the benefit of the developing countries of the ESCAP region. ESCAP and UNIDO could play a catalytic role in that direction. They could analyse the causes of slow progress in regional and/or subregional efforts to utilize effectively that market potential and to prepare a plan of action to make full use of it. With appropriate strategies and policies, the region could undoubtedly become a new centre of growth, generating powerful sources for accelerated industrialization.

35. Bearing in mind the strategic significance of long-term prospects, the Meeting stressed that the immediate task was to halt the substantial deceleration process in industrial growth which had characterized many developing ESCAP countries of late. The renewal of industrial dynamism and the reorientation of the industrialization strategies, with emphasis on increased efficiency and attainment of social goals, were necessary for further economic and social progress in the region. The economic recovery in developed market economies was an important factor but national efforts to introduce and implement new and appropriate policies and strategies and the strengthening of economic and industrial co-operation at the regional and subregional levels appeared to be more essential in achieving those aims. Clearly, the developing ESCAP countries had to rely primarily on their own internal dynamism, not external influences, for the attainment of economic and social well-being by their people.

3. Regional position for the Fourth General Conference of UNIDO

36. The Meeting emphasized that the countries of the developing ESCAP region recognized the important role of UNIDO as a global organization supporting industrialization in the third world, including the developing ESCAP region. UNIDO had been rendering efficient technical assistance, had been promoting industrial co-operation among the member countries and had been providing expertise, advisory services, industrial studies, industrial training, institution-building and other forms of assistance. As a new initiative, UNIDO's assistance in the analysis of industrial policy issues and policy making had been particularly appreciated and should be expanded in the future. Its activities in the field of redeployment of industry, including the creation of new industrial capacities in developing countries, also deserved greater support and should gradually be expanded using the system of consultations as an important forum. Keeping in view the resources available, UNIDO should continue to disseminate technological information and additionally

function as a bank for advanced technology which should be updated from time to time. The developing countries of the region could then draw upon that bank while formulating new projects or modernizing existing projects. Such a UNIDO function would strengthen the systematic building up of technological capabilities in developing countries. In the hope that the Fourth General Conference of UNIDO would contribute to further industrial progress in the ESCAP region as well as the other developing regions, the developing ESCAP countries wished to express their full support for it and wished it every success in its deliberations.

37. In preparation for the Conference, the Meeting considered the following issues concerning international co-operation and national action including policies and UNIDO's contribution in critical areas of industrial development during the period 1985-2000.

38. Primarily, the Meeting noted that, in addition to its huge size and plentiful resources, the developing ESCAP region was one of the most heterogeneous and diverse regions in the world. The developing ESCAP countries differed in terms of geography, area, population, resource endowments, economic levels, economic size and socio-economic and political conditions. Despite certain commonalities in their development patterns and the existence of common problems, the differences among countries were therefore such that it would be difficult, if not impossible, to recommend a uniform industrial development strategy. For that purpose, some broad categories could perhaps be distinguished, such as newly industrializing export-led economies, least developed countries and an intermediate group of developing economies, and they could be classified further according to levels of development, size, resource endowment and/or other appropriate criteria. The Pacific island countries and similar island countries faced specific problems as a result of their geographical situation and territorial scatter.

39. Regardless of any classification, however, each country set its own goals, determined its own strategies and formulated its own policies and plans of industrialization according to its specific conditions. In accordance with the main objective of the regional position paper notwithstanding, some issues and strategic considerations in the ensuing text reflect by and large the prevailing regional dimension and trends.

40. Having reviewed the past progress in industrialization and having considered the new emerging problems and challenges, the Meeting stressed that growth with social justice would continue to be the central focus in the industrial strategies as recommended by the ESCAP Meeting of Ministers

of Industry in 1977. Its main principles, the strengthening of linkages between agriculture and industry, between large-scale and small-scale industries, dispersal of industries away from metropolitan areas and increased production of basic-need goods remained equally valid now as they had been seven years previously. The strategic approach to industrial development, emphasizing the important role of development planning, and an all-sector approach to solving the employment problem suggested by the Ad Hoc Group of Ministers in 1981 would also continue to be relevant during the remaining part of the decade. Most of them were also reflected in the regional strategy for the Third United Nations Development Decade.

41. The Meeting emphasized that the advancement of technology played a central role in accelerating the pace of industrial growth and exports of manufactures and in achieving greater efficiency. It was pointed out that one of the major reasons for the wide gap between developing and developed ESCAP countries was the limited accessibility, generation and adaptation of technology in the developing ESCAP countries. Even among the developing countries of the region, it was evident that the acquisition and development of that critical factor had already shown wide differences in industrial growth rates and patterns. Countries which had acquired and adapted modern technologies in a more effective way were able to attain higher industrial development levels than many other countries of the developing ESCAP region. Several delegations noted the important role of foreign investment, particularly by transnational corporations, in facilitating the transfer of such technologies. The Meeting agreed that the TNCs should abide by the code of conduct on them.

42. In that respect, the Meeting recognized the existence of both the traditional and the modern sectors in the various economies in the Asian and Pacific region and emphasized that technological choices in the industrial sector would have to be made carefully. On the one hand, there was a need for modern, large-scale capital-intensive and sophisticated technologies, producing mass consumption goods and export-oriented items, on the other hand, because of employment promotion compulsions and the rural-based nature of a large segment of the economies, it was essential that small-scale labour-intensive technologies be promoted.

43. The Meeting recommended that the countries should aim at upgrading technological levels through mutual co-operation in information sharing and research and development activities and enact further efficient measures for improving the manpower skills. It was emphasized that institution building for research and development and also for technical skills enhancement was a

basic prerequisite for technological advancement and adaptation. Assessment of the socio-economic impact of technological advances was equally important. UNIDO should further strengthen its information and forecasting network for technological development. It was pointed out that many nations of the Asian and Pacific region lacked comprehensive technological policies and even those which had such policies had yet to enact measures for proper integration of technological and development planning.

44. The Meeting also dealt with difficulties in effective transfer of technologies to the developing countries and some delegations urged the developed countries to be more liberal in the transfer process. The Meeting noted that some newly industrializing countries of the region were already providing assistance to other developing and least developed countries in technology transfer and development processes and in that regard it urged others to provide the same.

45. The Meeting noted that technological advance was intimately associated with the development of human resources. Moreover, as the developing ESCAP region embraced by far the largest portion of the world's population, the sheer magnitude of human resources underscored their significance in overall industrial development. The need for continuous expansion of employment in industry and other sectors and the exodus of skilled workers to the oil-exporting Arab countries in years to come would place a heavy burden on educational resources in the massive upgrading of general skills. In particular, the need to improve technological levels in industry would create new requirements for industrial training and skills formation. The Meeting emphasized that the accomplishment of those and other tasks was a challenge that required the effective merging of educational and manpower planning with industrial and overall economic policies.

46. The Meeting felt that adequate provision of financial resources was crucial in accelerating the pace of industrial development both for creating new capacities and for adjusting and improving the utilization of existing capacities. It noted with satisfaction that almost all the developing countries of the ESCAP region had improved the mobilization of internal financial resources, mostly by developing financial institutions and by improving the effectiveness of the fiscal systems. However, that improved mobilization of financial resources was not fully adequate to meet the required investments in the industrial sector. The Meeting urged the member countries further to gear up their efforts in internal resource mobilization, as it constituted the major share in financing their industrialization efforts.

47. The Meeting emphasized that the countries in the developing ESCAP region needed access to external financing to supplement domestic financial resources in their industrialization efforts. For instance, the introduction of modern technology would require access to external financing. In that respect, the developing countries urged the speedier reform of existing international financial and monetary systems. They cautioned, however, that the present international financial crisis could not be overcome without substantial assistance from developed countries. The Meeting also urged increased multilateral and bilateral assistance to the least developed countries.

48. The Meeting emphasized that energy continued to be a critical input for rapid industrial development in the developing ESCAP region. It noted with concern that the shortage and costs of energy had assumed alarming proportions and that energy supply remained a major constraint to the industrial development of developing countries in the region. It also noted, however, that the ESCAP region had sources of energy such as gas, coal and hydropower, all of which required large-scale investment. It urged the various international agencies to provide funds for harnessing such energy resources, especially renewable resources. It also called for bilateral co-operation in those areas. The Meeting drew attention to alternative energy sources and emphasized the development of mini-hydropower, bio-mass and geothermal energy. It stressed that poverty and under-development could not be alleviated until energy was made available easily and at lower costs for developing the various economic sectors like industry, agriculture and transport. The Meeting noted with appreciation that ESCAP had launched the regional energy development programme in 1982, with the long-term objective of assisting the participating countries in fostering co-operation in planning and management of energy programmes, efficient use of energy and development of both conventional and new and renewable sources of energy.

49. The Meeting stressed the need for a gradual increase in the developing countries' share in world industrial production as part of the process of global industrial restructuring. That would entail structural adjustment in and redeployment of industries from developed countries to developing countries as well as profound changes in the international division of labour. It was in that context particularly that the developing ESCAP countries supported UNIDO's system of consultations as an important forum for restructuring. In the developing ESCAP region, industrial restructuring would continue to bring about progressive changes in the relative size of

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sectors and industries and would manifest itself in adjustments of production processes, products and corporate structures. The restructuring of industry at the national level was seen as a dynamic process which also included substantial improvement in technology, labour skills, organization, management, planning and policies. Those changes would lead to the achievement of higher productivity, enhanced skill levels and greater competitiveness in foreign markets and could bring about sustained industrial development, provided that they were based on continuous monitoring of the driving forces and trends at the national, regional and international levels.

50. The Meeting emphasized that industrialization could play a central role in rural development in many countries of the developing ESCAP region. Since most of those countries were still based on agriculture, the share of which reached about 56 per cent of total labour force and some 27 per cent of GDP, the strengthening of linkages between agriculture and industry would remain an important principle of economic and social development in rural areas. Most agro-industries in rural areas could be developed on the basis of small or medium-scale enterprises processing agricultural raw materials or supplying products of agricultural origin for further processing. Thus, a strong link among the imperatives of industrial policy reorientation -- agro-industries based on small-scale enterprises in the rural areas -- emerged as one of leading directives for integrated rural development.

51. The Meeting felt that, irrespective of significant variations, public industrial enterprises would continue to play a significant role in the industrialization process in a number of countries of the developing ESCAP region. Many countries needed to mobilize greater domestic resources for additional investment and, therefore, the contribution from public enterprises could be crucial and would need further strengthening. It was mainly for that reason that improvement in the managerial and economic efficiency of such enterprises was of critical importance. The Meeting noted that public industrial enterprises could be used as promising instruments of industrial policy reorientation and achievement of social objectives. It urged that, in order to help to accomplish those tasks, international organizations like UNIDO should effectively strengthen their assistance in the field of organization and management, while ESCAP should initiate research, provide a forum for exchange of views and experiences and disseminate information in that area.

52. The Meeting emphasized that the role of public enterprises would remain influenced by political, social and economic factors, varying from

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country to country. However, it felt that government intervention, planning and promotion of public enterprises when applied in an appropriate manner were not always incompatible with the market mechanism and private initiatives. It also felt that private sector's role in the industrialization process was significant. The major issue to be resolved concerned the national efforts to find an appropriate mix and balance between the public sector and the market forces in furthering industrial development in the developing ESCAP region.

53. The Meeting expressed serious concern over the prevailing socio-economic conditions in the least developed countries (LDCs), particularly since as much as 42 per cent of the total population of all the LDCs lived in the ESCAP region. It noted the slow pace of industrialization in those countries and called for special action at the regional level to alleviate various constraints so that a reasonable pace of industrial and socio-economic development could be attained. In that regard, the Meeting emphasized that the effective implementation of the Substantial New Programme of Action should be further pursued. The Meeting recognized that LDCs suffered basically from technological under-development, lack of skilled human resources and lack of adequate financial resources. While recognizing the efforts of ESCAP to assist the LDCs of the region, the Meeting emphasized that special attention by the international community was more than ever required in order to enhance their technological capabilities, strengthen the skills development efforts and enable access to soft-term financing on a short- and long-term basis. The Meeting felt that special industrial co-operation programmes should be launched to help the LDCs in their industrialization process. Furthermore, it recommended that an industrial development co-operation programme be launched, recognizing the non-reciprocity principle at the regional, subregional and international levels. There was a strong need to design and launch special programmes basically aimed at helping the LDCs in their industrialization efforts. The Meeting generally endorsed the industrial development strategies for LDCs as outlined in the secretariat paper.

54. Since four out of the seven least developed countries in the ESCAP region happened to be land-locked also, the Meeting emphasized that the specific problems of such countries relating to industrialization be favourably looked at.

55. As mentioned, Pacific island countries and other similar developing island countries faced specific problems as a result of their geographical situation and territorial scatter. Those included: extremely limited trained and professional manpower; small and fragmented markets and resources; difficulties and extremely high costs of communication and transportation; poor and inadequate infrastructure and inaccessibility and lack of information on remunerative and competitive markets; and proneness to natural disasters.

56. As a consequence of those serious constraints, the Pacific island countries and other similar developing island countries were faced with difficulties in attracting and structuring viable industrial investments, difficulties in negotiating suitable financial and business arrangements, difficulties in appropriate industrial development conception, planning and policy formulation for maximizing the use of material and human resources and difficulties of raising adequate development finance.

57. For that purpose, the Pacific island countries and other similar developing island countries merited special consideration in accommodating requests for fostering industrial development at both the national and the regional level. That should include mobilization of additional industrial development finance at the bilateral and multilateral levels; organization of special training programmes for managerial and vocational purposes; establishment of a task-force for the implementation of selected national and regional industrial undertakings; and provision of UNIDO expertise on a long-term basis to assist national Governments in promoting industrial and infrastructure development.

58. The Meeting noted that several unfavourable developments in the international economic situation in recent years had significantly affected the pace of industrial growth in the developing countries of the region. The protracted recession in the industrial economies and the slow and uncertain recovery currently under way had had a highly adverse impact on the economies of the developing countries and had considerably dampened prospects for accelerating their industrialization processes. World trade, which had been characterized by slow growth in the latter half of the 1970s, had stagnated in 1981 and actually declined in 1982.

59. Sluggish international demand, reinforced by growing protectionism and adverse movements in terms of trade, had serious consequences on the balance of payments of the developing countries. The payments difficulties were aggravated by instability in the foreign exchange markets and high and variable interest rates that had been associated with increasing dependence on the private international capital market.

60. Those difficulties had placed severe strains on the developing countries in meeting their mounting external debt burden. Recent experience indicated that for many countries export earnings had mostly gone towards meeting debt servicing requirements. The unprecedented growth in the debt burden of developing countries over the previous few years raised doubts about their ability to service it. The problem was magnified by the decline in official development assistance in terms of both its real magnitude and its quality.

61. The deterioration in the balance-of-payments position of the developing countries had had a marked effect on their industrial sectors. It had necessitated cut-backs of imports such as industrial raw materials, intermediate goods and spare parts, which had disrupted industrial production and led to underutilization of existing capacity. Furthermore, import shortages and foreign exchange constraints had delayed completion of industrial projects under implementation and resulted in the postponement or cancellation of plans for the creation of new capacity.

62. The Meeting observed that several countries in the region had achieved impressive rates of expansion in their manufactured exports over the previous decade. Their example had been followed by several others, with varying degrees of success. In view of the depressed world demand and rising protectionism, there was a need to make a careful reassessment of export possibilities, particularly in the long run. Despite those constraints, several countries stated that export expansion was high on their list of priorities owing to the need to earn foreign exchange. In the light of the uncertain prospects for further expansion of third world exports, it was stressed that countries should make a concerted effort to take advantage of available opportunities through greater efficiency and improved competitiveness of their products on world markets.

63. The Meeting placed considerable stress on the need to reorient policies and strategies towards industrial expansion based on internal dynamism, supporting independent national industrial development. The region had several large countries that could profitably exploit the potential internal demand to fuel further industrial expansion. Orientation towards the domestic market had the added advantage of encouraging production of essential goods for the majority of the local populations and would also create greater opportunities for domestic employment.

64. The Meeting held the view that the real challenge of the uncertain international economic situation would fall on the countries that were at the initial stages of industrialization. That group consisted of a number of small and medium-sized low-income countries, the least developed countries and the small island developing countries. They were characterized by small domestic markets and inadequate physical and institutional infrastructure and they lacked resources in terms of both capital and skilled labour. While they might adopt a policy of domestic resource-based industrialization using

small-scale processes, the Meeting placed particular emphasis on the urgent need to assist them through initiating innovative and pragmatic approaches of international industrial co-operation.

65. The Meeting observed that a sense of vulnerability to events in the industrialized countries had stimulated efforts towards self-reliance and regional co-operation. The need for greater South-South co-operation, particularly in view of uncertain external prospects, had been emphasized at recent international forums and was a major item for discussion at the Fourth General Conference. Moreover, economic and technical co-operation among developing countries had been accorded high priority in the work programmes of both ESCAP and UNIDO.

66. It was recognized that, while the international situation had created imperatives for South-South co-operation, their translation into practical action depended primarily upon the political will and commitment of the developing countries. That in turn could only be engendered if co-operation was based on equality and mutual benefit. Such co-operation would further ensure a true sense of mutual interdependence among the developing countries and provide a safeguard against the rise of asymmetrical economic relations between the relatively more and less industrialized countries of the South.

67. Promotion of intra-South co-operation must take due account of its major constraints. Among them, there were those arising out of the region's previous economic and political history. As a result of historical circumstances, trade and economic ties as well as institutional infrastructure were predominantly geared towards serving the links between the developing and developed countries. Further, appropriate policies, institutional mechanisms and financial and technological capacities to foster co-operation among developing countries had generally been inadequate. A clear recognition of those obstacles and resolute efforts to overcome them through the adoption of the required policies and institutional mechanisms and the marshalling of the necessary resources would provide a sound basis for effective South-South co-operation.

68. Notwithstanding the difficulties, intra-South co-operation had received increasing attention over the years and industry in particular had been called upon to play a greater role in the process owing to the possibilities for joint action in overcoming difficulties associated with economies of scale, market size, access to technology and mobilization of financial resources. Moreover, it had been stressed that industrial

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co-operation should extend beyond trade liberalization to encompass such areas as industrial planning, investment, physical and infrastructural development, human resources, technology and energy.

69. However, the Meeting expressed the view that despite the strong support it had received among the countries of the South, the practical achievements of economic and technical co-operation among developing countries had thus far fallen short of the high expectations placed on it. Nevertheless, some modest though significant gains had been made. In that context, reference was made to several notable achievements of industrial co-operation among the ASEAN countries. Those attested to the political will of those countries to co-operate for mutual benefit.

70. While recognizing the importance of intra-South co-operation, the Meeting placed particular stress on the fact that it should not be considered as a substitute for North-South co-operation. On the contrary, the view was expressed that the two could be mutually reinforcing. The North could play a useful role in assisting economic co-operation among the developing countries, and intra-South co-operation, by redressing some of the imbalances in the present world economic order, would promote a greater sense of partnership and co-operation for mutual benefit in the relations between the North and the South. More specifically, the Meeting suggested that the scope of industrial co-operation with centrally planned economies, currently limited but possessing appreciable potential, should be expanded and strengthened and that industrial co-operation with developed market economies should continue. It was noted that several countries had already made use of closer co-operation with centrally planned economies, carried out within the framework of long-term programmes of economic, trade and scientific-technological co-operation.

71. The Meeting observed that uncertainties and difficulties had emerged on the world scene at a time when there was growing interdependence among countries in their economic relations and greater integration had been achieved in global trade and financial markets. In view of that interdependence, the Meeting underscored the necessity of implementing measures to promote steady but modest growth in industrial economies, to resist protectionist pressures and to undertake the needed structural adjustments and institutional reforms in world production and trade. It believed that such measures would promote the best interests of both the developed and the developing countries.

72. Two delegations underscored the importance of the problems of peace, detente and disarmament. Several other delegations, however, did not consider those subjects relevant to the Fourth General Conference of UNIDO as they were dealt with by other forums and the United Nations General Assembly, which had adopted a resolution on the subject.

III. REVIEW OF PROGRESS SINCE THE SECOND MEETING OF THE
AD HOC GROUP OF MINISTERS AND CONSIDERATION
OF SPECIFIC ISSUES FOR ACTION

73. In introducing document E/ESCAP/IHT/SPMI/UNIDO-4(2), "Review of progress since the Second Meeting of the Ad Hoc Group of Ministers of Industry and consideration of specific issues for action", the Chief of the ESCAP/UNIDO Division of Industry, Human Settlements and Technology observed that the objective was to evaluate the progress made by the secretariat in its work in the field of industry and technology and the suggested main lines for its work in that field. It was observed that although progress had been more than satisfactory in some areas such as agro- and allied industries and small and medium-scale industries, it had been constrained in the areas of public sector industries and spatial dispersal of industry owing to lack of financial resources. He reported with satisfaction that the Division carried out most of its work utilizing its own resources while some other areas of work were done in co-operation with UNIDO.

74. With regard to technology, the major concentration had been on the strengthening of research and development institutions and promotion of research activities in selected important areas. A number of publications had been issued on numerous important aspects of technology and research. Those activities supplemented the work carried out by the Regional Centre for Technology Transfer (RCTT) and the Regional Network for Agricultural Machinery (RNAM).

75. The subject of technology for development would be discussed as the theme topic at the forthcoming session of the Commission at Tokyo in April. In that regard, an ESCAP Plan of Action had been approved by an inter-governmental meeting held in February for presentation to the Commission at its fortieth session. A number of activities would emerge from that Plan of Action and they would cover most of the important areas which were relevant to developments in the field of science and technology.

76. The Meeting observed with satisfaction that the secretariat's work programme followed the policies and strategies as recommended by the Meeting of Ministers of Industry in 1977 and the minimum programme of action outlined by the Ad Hoc Group of Ministers of Industry in 1981. The Meeting emphasized

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that the directions, guidelines and policy reorientation were still valid and pertinent in the current context of industrial development. Some representatives observed that progress in respect of the implementation of some priority projects was not satisfactory. However, with the proposed setting up of the technical advisory group, the secretariat would be able to undertake the tasks more effectively. One delegation stated that his Government would consider agreeing to the setting up of the technical advisory group provided that the task of the group would include technology for development and report to the appropriate organ of the secretariat.

Industry

77. In view of the prevailing conditions in most countries of the region, the Meeting emphasized the need to give added impetus to policies addressed at strengthening the linkages between agriculture and industry and between small and medium-scale agro- and allied industries. In that context, the Meeting endorsed the findings of the surveys undertaken by the secretariat regarding the introduction of selected industries, such as mini fertilizer plants and mini paper mills.

78. The Meeting held the view that the recommendations of the Inter-governmental Meeting on Agro- and Allied Industries at its fourth session, held in 1982, were of current relevance as a means of accelerating the growth of agro- and allied industries in the region. The Meeting considered the ESCAP programme of work in the development of agro-industrial linkages and the strengthening of agro- and allied industries, which included development strategies and exchange of experiences in a number of agro-industrial sectors such as food, oils and fats, leather, jute, rubber and silk processing industries. In that context, it emphasized the need to formulate appropriate mechanisms for intercountry co-operation. It reiterated the benefits of such co-operation, which, inter alia, promoted sharing of knowledge and experience, training, R and D planning and implementation. In addition to existing activities for the promotion of technical co-operation among developing countries, new mechanisms for co-operation in specific industrial sectors had to be explored. The Meeting emphasized that the private sector should be encouraged to participate in those activities.

79. The Meeting recommended that, in addition to providing the needed physical infrastructure, new institutional facilities should be developed taking into consideration such neglected aspects as access to credit, human resources development, provision of centralized supportive services and other measures by Governments that would increase the flow of resources to the development of agro- and allied industries.

80. In recent years there had been vast changes in agricultural technology. The new technologies had had a substantial impact on production and productivity. The process of mechanization and the introduction of new and proven technology would undoubtedly contribute to the modernization of the agricultural sector. In order to take full advantage of those developments, countries should adopt such policies and strategies as were most conducive to the promotion of balanced and rapid growth of both agriculture and industry by strengthening their interdependence.

81. The Meeting attached specific importance to the development of small and medium-scale industries. In that connection, it noted the important role of such industries in enhancing employment opportunities, facilitating income distribution and strengthening the social and economic base for overall economic advancement. It noted that the survey missions for consultation with Governments on small and medium-scale industries to selected member countries of the region had now been completed. The findings of the report would serve as a basis for identifying activities which needed to be undertaken for implementation in the immediate future.

82. The Meeting recommended that the Small Industry Bulletin published by the secretariat should be upgraded and that the information provided in it should serve as a practical guide to entrepreneurs engaged in small and medium-scale industrial activities. It noted that the survey reports would be followed up with an expert group meeting on strategies, policies and measures for development of small and medium-scale industries and that there would also be a workshop on modernization and improvement of the efficiency of small and medium-scale industries in the region. It endorsed the implementation of those two projects.

83. The Meeting urged that the project on industrialization in non-metropolitan areas be revitalized owing to its importance and significance for the countries of the region. It suggested that the project be reviewed as recommended by the thirty-ninth session of the Commission with a view to accelerating its implementation. One representative, while recalling the support extended by his Government and the lack of positive and concrete response from recipient countries, called upon other delegations to express their views with regard to specific follow-up activities.

84. With regard to industrial co-operation among the developing countries and assistance to least developed countries, the Meeting noted such activities as the ESCAP/ADB/SPEC industrial survey of the South Pacific, the prime-mover

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industry project, the organization of industrial promotion meetings and solidarity ministerial meetings and the need to continue with such arrangements.

85. The Meeting endorsed the proposals to expand the activities of the club for industrial and technical co-operation. It felt that the club mechanism could with advantage be applied more widely - both intra- and interregionally - to allow more effective channelling and dissemination of industrial assistance and co-operation, particularly in favour of LDCs. Some delegations referred to the importance of maintaining the principle of universality and transparency as had so far been observed.

86. The Meeting also endorsed the strategy of identifying small-scale subregional projects, in co-operation with such organizations as CHOGRM and SPEC, which involved the processing of raw materials primarily for export.

87. The increased involvement in the provision of advisory services and joint-venture investment promotion, including ESCAP participation in meetings such as those in Nepal and the South Pacific in 1984, would also expand the scope of the club's activities. In that connection, the Meeting welcomed proposals initiated on activities such as assessment of various modes of power to support village industry and the preparation, in collaboration with RCTT, of a simple manual on rice-husk ash cement production techniques.

88. The value of projects initiated in the fields of technical co-operation and energy use in industry including the publication of two booklets on international project business and energy-saving actions respectively and a pilot project on techniques and training for energy saving in small-scale industries was commended.

89. The Meeting noted with interest the progress of the project on regional review and appraisal of industrial progress. Phase I of the project covered past trends together with a survey of medium-term plans and an analysis of selected strategic issues. It urged the early completion of phase II, concentrating on selected sectoral studies as recommended by the Committee on Industry, Technology, Human Settlements and the Environment at its seventh session. It recommended that the project be extended to include other important manufacturing sectors.

90. The Meeting welcomed the advisory services rendered by the secretariat to member countries in such areas as formulation of industrial policies and strategies, project preparation for foreign investment and institutional measures for the development of selected industries and emphasized the necessity of strengthening such services.

Technology

91. The Meeting noted the secretariat's participation in a number of joint activities which had been set up by the ACC Task Force on Science and Technology in the implementation of the Vienna Programme of Action and its continuing role as the regional focal point for those activities. It urged the member countries to provide their comments and observations on the projects to the secretariat in order that the projects could be further refined, modified and priorities determined.

92. The Meeting took note of the secretariat's proposal to undertake, in May-June 1984, the mid-term review and appraisal of progress achieved in the implementation of the Vienna Programme of Action and its operational plan and urged the member countries to give the secretariat their fullest co-operation.

93. The Meeting welcomed the progress of the secretariat's activities, carried out in co-operation with UNIDO, in promoting the development of the project generation capabilities and consultancy services of the developing member countries and called for the early establishment of a regional network for the development of industrial consultancy.

94. Similarly, the Symposium on Contracts for the Construction of Oil and Gas Pipelines organized in association with UNIDO in 1983 had also made a number of useful recommendations. It had resulted in a fruitful exchange of experiences among contracting parties. The recommendation for the preparation of an authoritative draft manual and guidelines on the preparation and negotiation of pipelines construction contracts should be implemented early as it would prove to be useful to countries which had limited capabilities in that field.

95. An important aspect in the area of technology pertained to management of research and development institutes. Industrial research and service institutes performed a vital role in carrying out multidisciplinary R and D activities which should be readily accessible to a broad range of users within the developing countries. The Meeting welcomed the initiatives taken by the secretariat and felt that the workshop held at Seoul in 1983 should be followed up with other activities, particularly with respect to promoting work in respect of commercialization of research results.

96. The Meeting noted that the secretariat's intended study on the pattern of science and technology policies and institutional framework and their relation to industrial development would be useful. The suggestion was also made that the secretariat should undertake a study on energy management in industry.

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In that regard, the Meeting drew attention to the useful work done by UNIDO and felt that ESCAP should undertake further action of relevance to the region.

97. It was recommended that the secretariat establish a data bank on technology in order that member countries would have ready access to available technology for their own industrial use and development. In that connection, the Meeting noted that there were several indigenous technologies developed within the region which could prove to be less costly and more useful to other member countries of the region.

98. In view of the importance of standardization, quality control, metrology, certification marking and testing in industrial development, the Meeting welcomed the steps taken by the secretariat to hold a workshop at Beijing in the second half of 1984 to exchange experiences and examine problems involved in that field. It felt that the workshop would prove beneficial particularly to those developing countries which did not as yet possess adequate facilities in standardization.

99. With regard to the proposal of the Commonwealth Secretariat for joint implementation of its Asian and Pacific metrology programme, the view was expressed that, prior to reaching a decision on the subject, the secretariat should hold consultations with member countries of the region to avoid possible duplication of work with other international and regional organizations.

100. The legal and technical advisory services provided by the secretariat to member countries on technology transfer had been of real benefit to many countries. The Meeting noted that the services had also become, in many cases, project-specific. Assistance had been provided on specific technology transfer agreements and in setting up joint enterprises and other contractual agreements. The Meeting urged that the present arrangements should be consolidated on a more permanent basis with adequate regular staff support.

101. The expert advisory services provided by the secretariat on post-harvest technology had similarly proved to be extremely useful to member countries. The Meeting felt that, in view of the relevance and importance of the experiments carried out to innovate cost-effective technologies in that area of work, the secretariat should expand the scope of the work and disseminate information on it to all member countries. The Meeting called for strengthening of support activities in post-harvest technology.

102. The Meeting noted the secretariat's preparations for the theme topic of "Technology for development" for the fortieth session of the Commission. It endorsed the Plan of Action prepared by the secretariat. It felt, however, that more thought should be given to its implementation and to concretizing it.

103. The Meeting noted that RNAM had proved to be an extremely useful inter-country project. It had contributed substantially to mechanization and modernization of the agricultural sector among the participating countries. The Meeting generally approved the extension of the project through 1985 and 1990. The work programme was currently under preparation and was due to be considered at the next session of the Technical Advisory Committee by the middle of 1984. The Meeting noted with appreciation the support given by the Governments of Australia and Japan.

104. The Meeting also recommended a further five-year extension of the project, by which time it could be more self-sustaining, the beneficiary countries would have substantially increased their contributions and the UNDP contribution would also continue to be available for programme support.

105. The Meeting recommended that the secretariat should take the necessary steps to strengthen the RNAM programme further and also to secure additional funding in view of its usefulness and the increasing impact of its work in promoting agricultural mechanization and manufacture of agricultural machinery in the countries of the region.

106. The Meeting generally endorsed the RCTT activities in the field of technology transfer, technology development and technology information. Member countries were urged to make more substantial contributions in order that the project could continue its activities. In that connection, the Meeting welcomed the proposed tripartite review to be undertaken shortly.

IV. ADOPTION OF THE REPORT

107. The Meeting adopted the report on 14 March 1984 for submission to the ESCAP Preparatory Meeting of Ministers of Industry for the Fourth General Conference of UNIDO.

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