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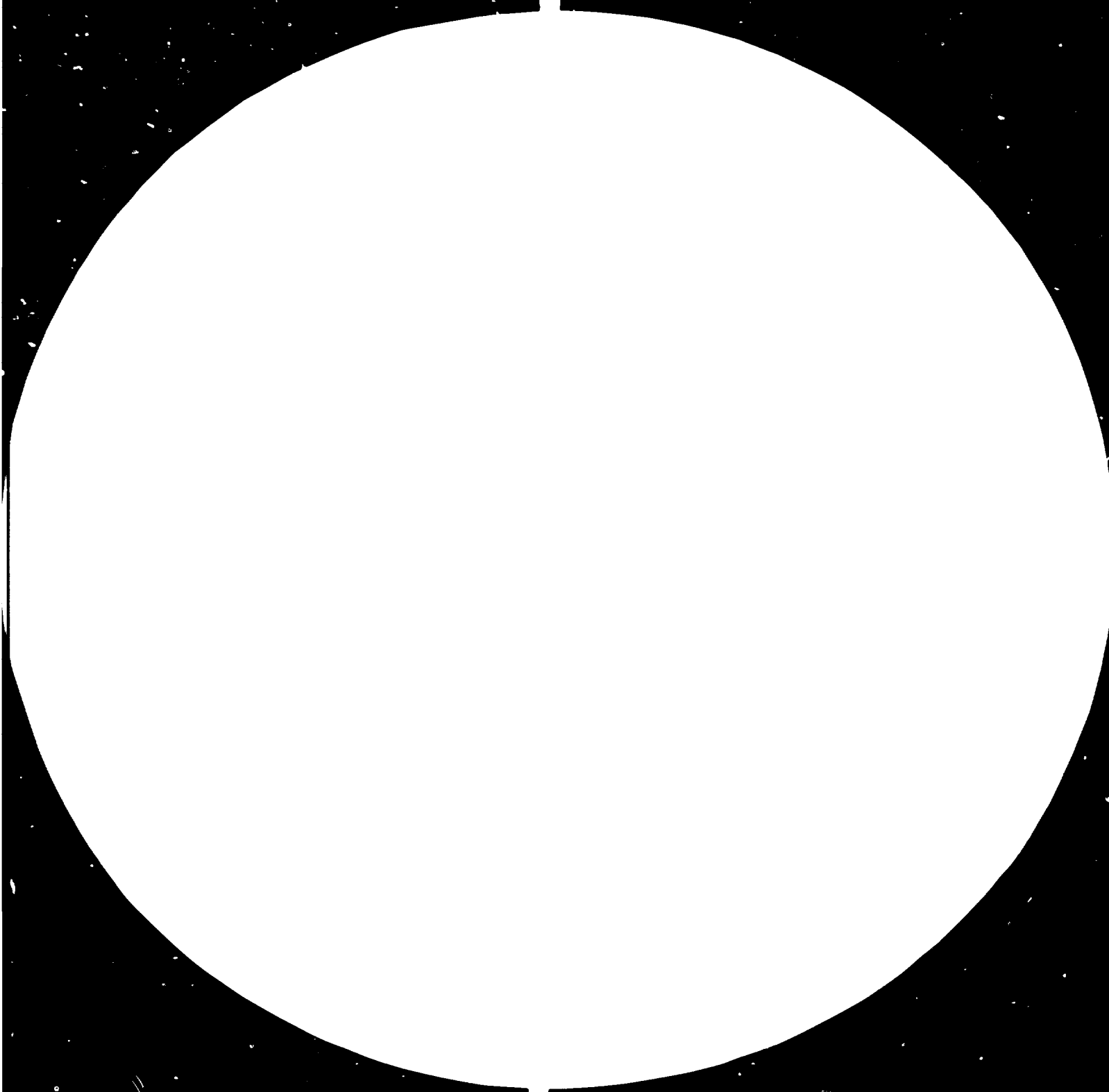
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Agenda item 5

REPORT OF THE ESCAP PREPARATORY MEETING OF MINISTERS OF
INDUSTRY FOR THE THIRD GENERAL CONFERENCE OF UNIDO^{*/}

Bangkok, Thailand

25 to 26 October 1979

^{*/} The attached report is available in English and French only, as supplied by the Economic and Social Commission for Asia and the Pacific.

**UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL**



GENERAL



**E/ESCAP/148
23 November 1979**

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**Thirty-sixth session
18-29 March 1980
Bangkok**

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

(Item 5 of the provisional agenda)

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

I. ORGANIZATION OF THE SESSION

1. The ESCAP Preparatory Meeting of Ministers of Industry for the Third General Conference of UNIDO was held at Bangkok from 25 to 26 October 1979.

Attendance

2. The Meeting was attended by representatives of the following members of ESCAP: Australia, Bangladesh, Bhutan, China, France, India, Indonesia, Iran, Japan, Lao People's Democratic Republic, Malaysia, Mongolia, Nauru, Nepal, Netherlands, New Zealand, Pakistan, Papua New Guinea, Philippines, Republic of Korea, Singapore, Sri Lanka, Thailand, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America and Viet Nam. The representative of Sweden participated in a consultative capacity under paragraph 9 of the terms of reference of the Commission.

3. The following United Nations bodies were represented: United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), United Nations Development Programme (UNDP), and United Nations Environment Programme (UNEP). The following specialized agencies were represented: International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), and World Health Organization (WHO). The following intergovernmental organizations were also represented: Asian Development Bank (ADB), Asian Productivity Organization (APO) and European Economic Community (EEC).

Opening addresses

4. The Executive Secretary of ESCAP, in his opening address, welcomed the Ministers and thanked H.E. Air Chief Marshal Dawee Chullasapaya, Deputy Prime Minister of the Royal Government of Thailand, for having spared the time to inaugurate the Meeting.

5. The Meeting of Senior Officials had considered the documentation submitted by the ESCAP and UNIDO secretariats. The report on the Meeting had identified the principal issues which required the attention of the Ministers. It had viewed the Third General Conference of UNIDO primarily as an exercise in implementation of the target established at Lima. In that perspective, it had identified the principal issues which should

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engage the attention of that Conference as well as in the remaining part of its preparatory phase. Pleas had been made for disaggregation of the global target fixed at Lima into regional and sectoral targets in order to establish the institutional and other measures required for their achievement. It had viewed the creation of manufacturing capacities in the developing countries as the crux of the industrialization process. Strengthening of such capacities should be the centrepiece of the approach to be evolved at the Third General Conference of UNIDO. The report had reiterated the continued validity of the directions of reorientation of industrial policies.

6. The Executive Secretary stated that UNIDO had prepared concrete proposals and recommendations directed to the implementation of the Lima target. The proposals were innovative and well formulated. Those proposals had to be considered in depth before any definite conclusions could be reached. He expressed confidence that deliberations at the Meeting would assist the national Governments in expediting the formulation of their specific views, so that consensus might be possible at the Conference.

7. The Meeting of Senior Officials had given consideration to the important regional programmes in the field of industrialization. It had recognized the value of the Regional Centre for Technology Transfer (RCTT), the Regional Network for Agricultural Machinery (RNAM), the ESCAP club for co-operation among the developing countries and some other ongoing regional projects and had recommended several measures to strengthen them.

8. He regretted that the Executive Director of UNIDO, Mr. Abd-El Rahman Khane, had been unable to be present due to sudden indisposition. He paid tribute to the dynamic leadership that the Executive Director had provided for the preparations for the Conference.

9. In his message, the Executive Director of UNIDO stated that two years previously, the Meeting of Ministers of Industry of the region had taken important decisions pertaining to reorientation of industrial policies and strategies. At its subsequent meeting the Ministers had taken steps to ensure continuing progress in the implementation of those decisions.

10. Despite recent setbacks, several developing countries of the region had achieved an encouraging pace of growth in both agriculture and industry. The share of the intermediate and capital goods in total manufactures had also been increasing. However, there was a further need to ensure that the

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capital goods and basic industries would achieve a rapid rate of development. Greater attention had also been paid to development of the rural-urban industrial linkages through integrated rural development.

11. The Third General Conference would, it was envisaged, give major attention to developing and strengthening instruments for enhancing national capabilities and mobilizing technical and financial resources. Additionally, strategies would have to be evolved to create a new framework of global relationships. The UNIDO system of consultations provided a forum for industrialized and developing countries to review and assess plans and problems of given sectors. Countries of the ESCAP region had played an active role in sectoral consultations. In view of the expectations of the Lima Declaration and Plan of Action, the Executive Director hoped that the system of consultations would be established on a permanent basis.

12. With regard to the least developed, land-locked and island developing countries, UNIDO and ESCAP had taken concrete steps to organize solidarity meetings, the first of which was held at Kabul and the second scheduled to be held in Bangladesh. The ESCAP measures to enhance co-operation through the proposed industrial survey, particularly in the South Pacific area were welcomed.

13. The Executive Director referred to the study entitled "Industry 2000: new perspectives", which presented eight major proposals for new initiatives in international co-operation. It also dealt with recommendations for supporting programmes that were in accordance with the existing mandates of the international organizations. The proposal to set up an international industrial finance agency to promote South-South co-operation merited specific consideration. The global fund for stimulation of industry would seek to make programme-financing loans to the developing countries with an aggregate total financing sizable enough to have a real impact on the global economy. While the proposed agency would seek to utilize the surplus funds available within the developing countries themselves, the Global Fund would realize its funds through bond issues in the international capital markets. The study also contained specific proposals concerning international flows of technology. In that connexion, the proposed international industrial technology institute was of particular relevance. The proposal to establish a body of international industrial law aimed at a regionally decentralized system for resolving industrial conflicts.

14. The Executive Director also referred to the transformation of UNIDO into a specialized agency and called upon all Governments to sign and ratify its new constitution as early as possible. In order to fulfil its obligations, UNIDO was in need of adequate resources. He hoped that, at the United Nations Pledging Conference, the United Nations Industrial Development Fund would receive increased funding. The Third General Conference of UNIDO represented a major opportunity for the international community to deal with the enormous economic problems facing the world. The Conference would not only seek the fulfilment of the Lima target but also, beyond it, contribute to laying the foundation of future international peace.

15. In his inaugural address, H.E. Air Chief Marshal Dawee Chullasapaya, Deputy Prime Minister of the Royal Government of Thailand, welcomed the Ministers and stated that there was an increasing consciousness among the international community of the need for greater joint efforts to resolve the serious international economic and political issues. Thailand had placed and would continue to place importance on the development of the manufacturing sector. Industry could provide the modernization of the entire economy. In addition to national efforts, Thailand had, through ASEAN, contributed to promotion of subregional co-operation. Such efforts for co-operation should be increased in the future and real and concrete programmes evolved to strengthen such co-operation.

16. As politicians, the Ministers were always conscious of social problems. Very little had been done, however, to deal with serious problems pertaining to poverty and unemployment. In that connexion, industry could play a key role. Thailand, as well as many other countries in the region, had reached a stage when further progress depended, to a large extent, upon international support and assistance. The increasing trend towards protectionism had had a serious effect on programmes for exports of manufactures. It was unfortunate that no concrete programme to deal with that aspect had emerged, despite discussion of the problem at various forums.

17. There were great possibilities for developing countries to make use of the facilities available within the region to increase their manufacturing capacities. Development in infrastructure had reached an advanced stage. However, the problems posed by energy shortages and price increases affected industrialization to a large extent. That was one of the major issues and called for increase in investments for exploration as well as for development of new sources of energy.

18. Two specific aspects of relevance to industrialization were technology and investment. The mere transfer of technology would not solve the problems in the developing countries. It was necessary to develop new technologies, which would meet the specific needs of the developing countries. There was a need not only to obtain technological know-how from outside, but also to apply the intelligence within the countries to adapt technology to local needs. The Regional Centre for Technology Transfer had an important and valuable contribution to make in that regard.

19. Thailand placed specific emphasis upon foreign investment. In addition to the need for financial resources, such capital contributed to transfer of technology, know-how and marketing.

20. The Deputy Prime Minister welcomed the participants to Thailand and hoped that the Meeting would make a useful contribution to the Third General Conference of UNIDO.

Election of officers

21. The Meeting unanimously elected H.E. Mr. Kasame Chatikavanij (Thailand) Chairman, H.E. Mr. A.R. Soehoed (Indonesia) and H.E. Mr. Denzil Fernando (Sri Lanka) were elected Vice-Chairmen, and H.E. Mr. Reza Asefi (Iran), Rapporteur.

Agenda

22. 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 of the Meeting of Ministers

II. CONSIDERATION OF ISSUES

23. The report of the Senior Officials' Meeting (attached as an annex) was presented by its Chairman with a brief statement in which he highlighted its main features. The Meeting considered the report to be good and well balanced, dealing adequately with the problems under consideration. It pursued the perspective which had guided the previous deliberations of the Ministers of Industry. The Meeting whole-heartedly endorsed the report and complimented the Senior Officials on the excellent work they had accomplished.

24. It also commended the well-conceived documentation prepared by the ESCAP and UNIDO secretariats, which had enabled the Senior Officials to accomplish their task.

25. Referring to the detailed analysis contained in the documents, the Meeting underlined the unsatisfactory rate of industrial growth in the developing countries and the projection that the persistence of that pace would enable the developing countries to reach only a 13.5 per cent share in the global manufactured product by the year 2000, while their combined population would then be about 71 per cent of the global population. Even that prospect was further clouded by the adverse aspects of the global economic climate, such as the unsatisfactory structure of international economic relations, the continuing stagflation and protectionism in most industrialized market economy countries, the energy situation, etc. Some delegations referred to the obstacles posed to industrialization by the persistence of the vestiges of colonialism and neo-colonialism. The Meeting, therefore, stressed the point made by the Senior Officials that extraordinary efforts were called for to enable the developing countries to approach the LIMA target. The Meeting looked to the Third General Conference of UNIDO as an opportunity for mounting the requisite innovative and effective efforts.

26. It also endorsed the recommendation that the Lima target be disaggregated into specific sectoral and regional targets and suggested that ESCAP formulate perspective strategies aimed at the achievement of those targets. The Meeting also supported the view that the basic character of the Third General Conference should be that of an exercise in implementation of the over-all target already established at Lima. Its thrust should be towards creating the wherewithal for the achievement of that target. The Meeting also agreed that the Conference should be seen as a forum of co-operation and not of confrontation between the developed and the developing countries. It reiterated the relationship between development and peace, security and disarmament.

27. The Meeting observed that document E/ESCAP/IHT/SPMI-UNIDO(3)/2, presenting the regional perspectives for industrialization, which had been endorsed by the Senior Officials, belonged to the stream of work flowing from the deliberations of the ESCAP Meeting of Ministers of Industry held in November 1977 and the subsequent meeting of the Ad Hoc Group of Ministers of Industry held in January 1979. The Meeting pointed out the value of the Ad Hoc Group of Ministers of Industry in guiding such work and suggested for the consideration of the Commission that it be strengthened and put on a regular basis.

28. The Meeting reiterated the validity of the directions of reorientation set by the previous Meeting of Ministers of Industry, namely, strengthening of linkages between agriculture and industry, balanced spatial dispersal of industry within the countries, promotion of small-scale industries and their linkages with large and modern industries and the reorientation of industry to satisfy the basic needs of the people. It endorsed the combination of the imperatives of raising the national manufacturing capacities with that approach. It fully agreed that it was only through such capacities that the countries could maintain the momentum of industrial growth, imbibe and absorb foreign inputs such as technology and resources and respond to opportunities for trade. The Meeting used the expression "capacities" not in the narrow sense of hardware machinery and equipment but in the broader sense of encompassing the entire wherewithal needed for operating and production system. It would include technology and skills, infrastructure (physical and institutional), basic industry, finance and availability of energy. Without those, the Meeting found it difficult to visualize any abiding achievement in industrialization. The Meeting called for national policies, international co-operation and the assistive role of the United Nations to be geared to the enhancement of such capacities of the developing countries. The important role of the State and planning in industrial development was also stressed by some delegations.

29. The Meeting regarded the directions of reorientation set by the previous Meeting of Ministers, supplemented by the new emphasis on the creation of manufacturing capacities, as constituting the distinct perspective of the ESCAP region on industrialization, to be projected at the Third General Conference of UNIDO.

30. The Meeting endorsed the various recommendations by the Senior Officials in regard to the proposed study of the production of alcohol from agro-wastes, strengthening the resource base of RCTT, extension of RWAM, the ESCAP club for co-operation among the developing countries, the ESCAP project on industrialization in non-metropolitan areas and the organization of regional arrangements for generation of industrial projects. The Meeting agreed that a detailed case setting out the justification and functions of a regional bureau on fiscal documentation should be prepared. The Meeting also supported the recommendation of the Senior Officials that ESCAP undertake a study on the production of alcohol from agro-products.

31. Commenting on the aspect of technology, the Meeting felt that the comprehensive programme of action adopted by the United Nations Conference on Science and Technology for Development (UNCSTD) relating to industrial technology should be taken into account by the Third General Conference of UNIDO and should be further elaborated so as to translate it into practicable details. The Meeting also emphasized the important role of RCTT and urged that the measures recommended by the Senior Officials for augmenting the availability of resources the RCTT on a continuing basis be implemented expeditiously. It was also emphatic in stating that an adequate part of the fund of \$US 250 million established at UNCSTD must be earmarked to provide institutional support to regional centres such as RCTT.

32. As suggested in document E/ESCAP/IHT/SPMI-UNIDO(3)/2, the Meeting agreed that international co-operation in the field of industry should go deeper than mere trade and should cover all matters relevant to the manufacturing capacity of the developing countries. It could relate to exchange of expertise and sharing of training facilities, transfer of technology, joint industrial projects and expansion of trade in manufactured products. The Meeting considered the important initiatives which had been taken within the framework of subregional and other groupings, such as the Association of South-East Asian Nations (ASEAN) and the Council for Mutual Economic Assistance (CMEA) and felt that a study of their experiences could suggest useful avenues and modalities for inter-country co-operation.

33. The Meeting considered the proposals and recommendations contained in UNIDO document ID/CONF.4/3 "Industry 2000: New Perspectives" as imaginative, bold and well-formulated. It was agreed that the immense potential of international co-operation in the field of industry called for the venturing of proposals of significant magnitude.

34. The Meeting noted the assessment made by UNIDO that the requirement of funds in annual manufacturing investment by the year 2000 was of the order of \$ 500 billion at 1975 prices and recognized that to meet those massive investment needs for fulfilment of the Lima objective, the flow of foreign exchange resources to the developing countries would have to be very substantially increased.

35. A consensus emerged at the meeting that there was a critical need to increase the flow of funds for industrialization in the developing countries in order to enable them to attain the Lima target. Reference was made to

(a) the preoccupation of the existing financing institutions in financing infrastructure development, agriculture and social services projects and attaching lower priority to industrial projects, (b) their inability to provide adequate programme financing and commodity loans and (c) the lack of capacity to handle the large accumulations available in the capital markets. From that perspective there was a pressing need to evolve additional arrangements and create conditions which could enable additional funds to be channelled for industrial development in the developing countries. It was recognized that the UNIDO proposals addressed themselves to that perspective. It was agreed that from that felt need for additional resources flowed the question of the establishment of new financing institutions and the implications thereof might be examined in detail by member countries before the Third Conference of UNIDO.

36. Some representatives supported the two proposals relating to the legal aspects of international industrial enterprise co-operation but emphasized the need to avoid any duplication with the existing institutions. Some representatives also supported the three proposals on international flows of technology which they mentioned had been discussed in somewhat different forms in the past. They felt, in particular, that the establishment of the proposed international industrial technology institute would be a natural corollary of the successful functioning of RCTT at the regional level. Some countries supported the manufacturing trade target for the developing countries envisaged in proposal No. 8 while some others expressed differing views.

37. It was realized, however, that, keeping in view the innovative character and the far-reaching ramifications of the proposals and recommendations, those all had to be considered fully before the representatives could indicate the definite views of their Governments. The Meeting, however, had a useful exchange of views which, it was felt, would assist the national Governments and the world community to reach conclusions at the Third General Conference.

38. The Meeting welcomed the clarification given by the representative of UNIDO that all the proposals would not entail the establishment of new institutions; many of them were in the nature of new functions which could be performed by some existing organizations. The Meeting also noted that UNIDO need not automatically be the executing agency in respect of the proposals which might be finally accepted by the Third General Conference.

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The Conference, it was hoped, would indicate the lead agencies. The representative of UNIDO also pointed out the mutually supporting nature of the proposals which had been evolved after comprehensive identification of the needs of the developing countries to mount an effort for industrialization of the order necessary to achieve the Lima target.

39. The Meeting acknowledged the usefulness of the system of consultations started by UNIDO as a means to promote redeployment of industry to the developing countries and to assist in the restructuring of world industry. The consultation meetings had included representatives of Governments, industry and trade unions. Their free exchange of views had been useful in indicating opportunities for industrial development in the developing countries, their constraints and the possibility of the assistance that could come from the industrialized countries. The recommendations made by the meetings had been valuable. The pragmatic and informal nature of their discussions had been a notable feature. Most of the representatives supported the continuance of the consultations on a permanent basis. Some delegations wished to see the existing informal nature of the consultations retained. Several representatives supported the extension of the coverage of consultations to additional sectors. However, some others desired such extension to await consideration, by the Third General Conference, of the in-depth analysis of the experience which was being carried out by UNIDO in response to a directive of the Industrial Development Board. The Meeting felt that the utility of consultations would be greatly enhanced if they were accompanied by preparatory and follow-up activities at the regional level.

40. Some delegations supported the recommendation which sought to promote international co-operation through mobilizing the potential of medium-sized enterprises and non-transnational corporations.

41. The Meeting emphasized the urgent need of the developing countries, particularly the least developed countries, for assistance in preparation of industrial projects. The recommendation which sought to create such facilities was generally supported.

42. The Meeting appreciated the work done by UNIDO in the field of redeployment of industry from the developed to the developing countries and suggested that further in-depth studies be undertaken in specific sectors. Redeployment could take place on the principle of dynamic comparative advantage.

43. The Meeting complimented UNIDO on starting the innovative mechanism of solidarity meetings to promote the flow of assistance to the least developed countries from the other developing countries. It also supported the proposal to hold investors' forums for the promotion of investments in selected countries.

44. The Meeting endorsed the recommendation of the Senior Officials that special measures to deal with problems of the least developed countries should be an important element of the programme of action to be evolved at the Third General Conference of UNIDO.

45. To facilitate the work of the Conference, there was a suggestion that the Industrial Development Board of UNIDO might consider the question of constituting separate committees to deal with the main subjects which would be taken up at the Conference. It was also suggested that if any member countries desired interaction between them, the UNIDO and ESCAP secretariats might provide assistance.

III. ADOPTION OF THE REPORT

46. The Meeting adopted the report on 26 October 1979.

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Annex

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

I. ORGANIZATION OF THE SESSION

1. The Senior Officials Meeting Preceding the ESCAP Preparatory Meeting of Ministers of Industry for the Third General Conference of UNIDO was held at Bangkok from 22 to 23 October 1979.

Attendance

2. The Meeting was attended by representatives of the following members of ESCAP: Australia, Bangladesh, Bhutan, China, France, India, Indonesia, Iran, Japan, Republic of Korea, Lao People's Democratic Republic, Malaysia, Mongolia, Nepal, Netherlands, New Zealand, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Singapore, Thailand, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America and Viet Nam. The representative of Sweden participated in a consultative capacity under paragraph 9 of the terms of reference of the Commission.

3. The following United Nations bodies were represented: United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO) and United Nations Development Programme (UNDP). The following specialized agencies were represented: International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO) and World Health Organization (WHO). The following intergovernmental organizations were also represented: Asian Development Bank (ADB), Asian Productivity Organization (APO) and Commission of the European Economic Community (EEC).

Opening addresses

4. The Executive Secretary of ESCAP, in his opening address, welcomed the Senior Officials and expressed the hope that their deliberations would provide a sound groundwork for the Ministers to arrive at definite conclusions. He thanked His Excellency Group Captain Wimon Wiriyawit, Deputy Minister of Industry of the Royal Government of Thailand, for having spared the time to inaugurate the Meeting of Senior Officials. He also thanked the Royal Government of Thailand for providing the excellent facilities.

5. In so far as the ESCAP region was concerned, the preparatory meeting was not a sporadic exercise. The ECLP Meeting of Ministers of Industry held in November 1977 as well as the Meeting of the Ad Hoc Group of Minister of Industry held in January 1979 had initiated certain measures towards re-orientation of industrial policies. Those had been followed up and a collective viewpoint of the ESCAP region had emerged on issues related to industrialization. The Executive Secretary felt that that viewpoint was a distinct contribution of the ESCAP region to the Third General Conference of UNIDO and was reflected in the documentation submitted to the Meeting. Additionally, ESCAP had prepared its contribution to the over-all development strategies for 1980s, which had indicated the position of industrialization in relation to other sectors of development. He called upon the Meeting to provide its comments on that document.

6. The documents submitted by the UNIDO and ESCAP secretariats analysed the contemporary economic realities and prospects. They brought out the factors that constrained the developing countries in their efforts towards industrialization and also suggested some future approaches. The main contribution expected from the Meeting was that it would distill those proposals.

7. The theme that stood out in the documentation was that, while the Second General Conference of UNIDO had established the targets, the Third General Conference should substantially devote itself to creating the means with which to realize those targets; its focus would be on creating manufacturing capacities in the developing countries. The Executive Secretary explained that that theme implied a definite direction of advance in indigenous industrial policies, inter-country co-operation and the assistive role of the international organizations.

8. In terms of national policies, the approach called for greater significance being attached to technology and skills, basic and processing industry and infrastructure. The energy problem acquired a new dimension.

9. The UNIDO proposals for international co-operation had also to be viewed in the context of the contribution they would make of the manufacturing capabilities of the developing countries. The Executive Secretary commended those proposals for the support of the Meeting. They had obvious relevance to the needs of the developing countries and were constructive.

10. The Executive Secretary explained that the Meeting was being held in lieu of the session of the ESCAP Committee on Industry, Housing and Technology due to be held in 1979. He mentioned some of the important matters relating to the functioning of the Division which would, therefore, require the attention of the Meeting. These included the activities of the Regional Centre for Technology Transfer (RCTT), the ESCAP club for co-operation among the developing countries and the ESCAP project on industrialization in non-metropolitan areas. He also solicited the recommendations of the Meeting on proposals for regional arrangements for the generation of industrial projects and for the promotion of foreign investment.

11. The Executive Secretary paid tribute to the Executive Director of UNIDO, who had directed the formulation of the UNIDO proposals for the Third General Conference.

12. In his message, the Executive Director of UNIDO welcomed the Senior Officials. He 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.

13. The conclusions and recommendations emerging from the regional meetings would be fully taken into account by the Industrial Development Board of UNIDO, which was to meet the following month in a special session to review the preparations for the Third General Conference. The Conference would cover three broad areas, namely, the world industrial situation, the strategies for further industrialization in the 1980s and beyond, and a review of institutional arrangements.

14. The continuing stagflation and increase in protectionism had and would seriously affect the prospects of developing countries in achieving the Lima target of a 25 per cent share in the world industrial production by the year 2000. It was, therefore, necessary that new mechanisms and methods of industrial co-operation be evolved, in terms of both strengthening collective self-reliance among the developing countries and achieving more equitable global co-operation. UNIDO had, accordingly, formulated specific proposals which were before the Meeting.

15. A number of measures had been taken by UNIDO towards implementing the Lima Declaration. Those related to global consultations, measures to strengthen and develop national technological capabilities and introduction of effective

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international co-operation. Those measures had added relevance in the context of the current developments and needed to be further strengthened.

16. UNIDO was highly appreciative of the interest expressed in the Asian and the Pacific region in the preparations for the Third General Conference. The results of the deliberations of the Meeting would do much to ensure that the region's point of view would be fully reflected in the deliberations of the Third General Conference.

17. His Excellency Group Captain Wimon Wariyawit, Deputy Minister of Industry, Royal Government of Thailand, inaugurating the Senior Officials Meeting, stated that Thailand had all along placed importance on the activities of ESCAP and that it would continue to do so in the future. Industry must play a key role, in view of its implications in all areas of economic activity. The documents prepared by the ESCAP and UNIDO secretariats had been well conceived and brought out clearly the problems and issues confronting the region.

18. Thailand had had an impressive record of industrial growth. Despite such growth, problems of unemployment, unequal income distribution and inadequacy of resources had continued to hinder the fullest realization of the development goals. The industrial growth rate of the country had for several years been around 15.5 per cent. Exports of manufacture and semi-manufactures had, however, met major difficulties. Every effort must be made by the international community to remove protectionism and to enable the developing countries to realize the full potential of manufacturing capacities.

19. He referred to the initiatives for subregional co-operation under the Association of South-East Asian Nations (ASEAN), which had continued its good work and was about to set up a number of regional industries. Manufacturing plants for urea were to be set up in Indonesia and Malaysia, and for rock salt-soda ash in Thailand. A NP/NPK and ammonium sulphate fertilizer plant was to be set up in the Philippines, while a diesel engine plant was to be established in Singapore. Those initiatives should be looked upon as a start in the countries' great effort to set up a more integrated economic system within the area.

20. The Deputy Minister then referred to several problems faced by Thailand. The influx of refugees was at the moment causing diversion of attention from the more important areas of economic development. He called for the co-operation of the international community to solve that problem peacefully and without long-term damage to the economy. That problem was one which affected not only Thailand, but several other countries of the region.

21. The documentation presented by ESCAP and UNCTAD had drawn attention to a number of important matters. Among those, technology and investment were of fundamental importance. The region was the first to set up a body such as the Regional Centre for Technology Transfer. A great deal of support and assistance could be provided by that Centre to the member countries. It had already commenced the preparation of subnetwork programmes to deal with specific problems of selected countries. The Royal Government of Thailand would continue to provide support to the activities of the Centre. The Regional Network for Agricultural Machinery (RNAM) had also made headway and had identified a number of technical possibilities in the field of manufacturing simple tools required within the region. The work of RNAM would contribute substantially to the modernization of agriculture in the region.

22. Investment constituted an important area for consideration. ESCAP had undertaken a number of activities in that field which had assisted the member countries substantially in reviewing their fiscal systems, so as to make investment in industry more attractive.

23. The Meeting of Ministers of Industry in November 1977 had been a landmark. Strategies and policies had been drawn up by that Meeting and those recommendations were now being implemented by ESCAP, in co-operation with UNIDO. The objective of policy orientation was to improve people's participation in industrial development. The linkages recommended between industry and agriculture and between small industries and basic industries, the building up of industrial capacities in rural and non-metropolitan areas, and the setting up of facilities to meet the basic needs of the poor were matters of substantial importance. The programme for non-metropolitan industries would have a very important impact on spreading the effects of industrialization to rural areas and reducing congestion in the urban sectors.

24. He also referred to the aspect of energy which currently constituted a tremendous burden on the developing countries. There was a need to take immediate steps to solve the current problems; but the long-term resolution had to be attempted through greater efforts at research and development of non-traditional energy sources. Substantial investments would have to take place to determine resources of traditional and non-traditional fuels.

Election of officers

25. The Meeting unanimously elected Mr. Pisoot Sucasna (Thailand) Chairman. Mr. R. Hasan (Bangladesh), Mr. F.M. Bennett (Australia) and Mr. Ekonia Boas (Papua New Guinea) were elected Vice-Chairmen and Mr. I.O.K.G. Fernando (Sri Lanka), Rapporteur.

Agenda

26. The Meeting adopted the following agenda:
1. Opening of the Meeting
 2. Election of officers
 3. Adoption of the agenda
 4. Review and appraisal of the industrialization of the region and consideration of regional perspectives for the Third General Conference of UNIDO
 5. International co-operation for industrial development
 6. Adoption of the report for submission to the Meeting of Ministers of Industry.

II. CONSIDERATION OF ISSUES

Review and appraisal of the industrialization of the region and consideration of the regional perspective for the Third General Conference of UNIDO

27. The relevant documents were introduced briefly by the representatives of ESCAP and UNIDO. The Meeting felt that documents E/ESCAP/IHT/SPMI-UNIDO(3)/2, ID/CONF.4/2 and ID/CONF.4/4 presented a complete and thorough analysis of industrialization in the past two decades and of the prospects in relation to the Lima target. The Meeting congratulated the ESCAP and UNIDO secretariats on the high standard of the documentation, which reflected the range and complexity of the outstanding issues.

28. The Meeting noted that though, in recent years, the developing countries of the ESCAP region had achieved an impressive over-all rate of industrial growth in historical terms, the pace of progress was inadequate to achieve the Lima target. Progress had been uneven among the countries and the lower-income countries had generally recorded slower rates of growth. Their prospects were now seriously inhibited by the unsatisfactory structure of international economic relations, the continuing stagflation and the growing protectionism in most industrialized market economy countries against imports of manufactured goods and the energy situation. In the face of such stupendous problems, industrialization of the developing countries posed an unprecedented challenge, calling for an extraordinary effort.

29. Some delegations suggested that, as had been pointed out in the Lima Declaration, vestiges of colonialism and neo-colonialism were a great obstacle to the economic development of certain countries in the region.

30. The Meeting felt the need for disaggregating the Lima target into properly articulated regional and sectoral targets. The aggregated Lima target had served to indicate the broad magnitude of the effort required for mounting industrialization of the third world. More detailed targets would lend themselves to pointed effort.

31. The Meeting recognized that while in the choice of national policies the individual countries would be guided by their perception of their own historical experience, resource endowment and other relevant circumstances, a mutuality of interests between the developed and the developing countries was now clearly perceptible. The Meeting, therefore, expressed the hope that the Third General Conference of UNIDO would be a forum of co-operation between them and not one of confrontation or acrimony. The Meeting noted that there was a relationship between development and peace, security and disarmament. Attention was drawn to the continuing need for the developed countries to assist in raising the manufacturing capabilities of the developing countries. That would, in fact, through the absorption of the capital goods manufactured in the North, provide the much-wanted impetus for the resumption of industrial growth in the developed countries. It was suggested by some delegations that the developed countries could consider promoting transfer of technology to developing countries at subsidized prices or imparting technical training bearing a part of the cost. The Meeting pointed out the constraints imposed by protectionism against the exports of manufactures by the South. The Meeting called for the removal of those constraints, as speedily as possible, through enlightened adjustment promotion policies in the industrialized countries.

32. The Meeting emphasized the significance of restructuring of the manufacturing sector in the developed countries, to assist in redeployment of the industries in which the developing countries had a comparative advantage. Such advantage had to be judged in relation to the dynamic economic considerations and not against the back-drop of a static setting. In that connexion, the Meeting commended the useful work undertaken by UNIDO on redeployment of industry.

33. The Meeting felt that the system of consultations started by UNIDO could be a useful means of promoting reemployment of industries to the developing countries and to assist in the restructuring of world industry. Several delegations recommended that the consultations, which had already demonstrated their usefulness, could be put on a permanent basis. But some delegations wished to see the existing in informal status retained. The consultations should relate to the industrial sectors which were considered to be of priority significance and should be accompanied by preparatory and follow-up activities at the regional level.

34. The Meeting recalled the earlier Meeting of the Ministers of Industry held in November 1977 and that of the Ad Hoc Group of Ministers of Industry held in January 1979, which had indicated certain lines of reorientation of industrial policies. Those were: strengthening of linkages between agriculture and industry, balanced spatial dispersal of industry within the countries, promotion of small-scale industries and their linkages with modern and large-scale industries and reorientation of industry to satisfy the basic needs of the people. The Meeting felt that those directions of reorientation had been well combined in document E/ESCAP/IPT/SPMI-UNIDO(3)/2 with the imperatives of raising the manufacturing capabilities of the developing countries. It felt, therefore, that that document could be taken as a good basis for presenting the regional viewpoint on industrialization.

35. The Meeting reiterated the significance of balanced intersectoral development and, in particular, of strengthening the quality and durability of linkages between agriculture and industry. It complemented the ESCAP secretariat on the excellent study on agriculture-industry terms of trade, the report of which was before the Meeting. With regard to further work in that field, the Meeting recalled the recommendation of the Ad Hoc Group of Ministers that some new and non-traditional agro-industries be taken up for development, on the basis of healthy intersectoral linkages. Some delegations suggested specifically that ESCAP taken up a study for the production of alcohol from agro-products. Apart from promoting agro-industries, such a study could disclose the economic viability of an alternative source of energy.

36. In the context of strengthening linkages between industry and agriculture, the Meeting reiterated the importance of the ongoing project of the regional network for agricultural machinery and called upon participating countries, UNDP and other relevant international organizations to continue their support of the project; it recommended the extension of the second phase of the project as much work remained to be done in the network.

37. The Meeting also reiterated the significance of industrial dispersal away from the metropolitan agglomerations so as to extend the spread effect of industrialization, to secure greater employment and to promote harmonious development of agriculture and industry. It cautioned, however, that financial implications of too much dispersal had to be kept in view and that in the short term, industrial development in selected growth centres could be a more feasible approach. Experience had shown that absence of adequate infrastructure outside the metropolitan areas seriously inhibited the growth of industry. The Meeting expressed its appreciation of the ESCAP project on industrialization in non-metropolitan areas and urged that steps be taken for the early implementation of the pilot projects which had been developed for seven member countries. It suggested the sending of a mission to the financing agencies and the potential donor countries to explore the possibilities of external assistance for the implementation of the pilot projects. The Meeting expressed its appreciation of the contribution that had been made by the Governments of Japan and India in the earlier phase of the project. It noted the indication given by the representative of Japan that, depending on the outcome of the proposed mission and specific requests of the countries concerned on a bilateral basis, his Government would consider providing the appropriate assistance for the implementation of the pilot projects.

38. The Meeting also recalled the importance attached by the earlier Meeting of Ministers to vertical linkages within the manufacturing sector, through subcontracting arrangements. In fact, it was desirable also to promote international subcontracting through appropriate institutional mechanisms.

39. The Meeting referred to the experience of some countries in which the high rates of economic growth had not necessarily led to reduction of income disparities. It was felt that measures aiming at better distribution of incomes should be an essential element of the development policies.

40. Some delegations emphasized the important role of the State in forcing the pace of industrialization and directing its pattern. That role was particularly significant in the fields of socio-economic planning, infrastructure, scientific and technological institutions and basic industry. The State had also to ensure that the functioning of the foreign private capital conformed to the national plans and priorities. The Meeting also emphasized the need for securing the widest participation of the people in the industrialization programmes.

41. Some delegations emphasized that socio-economic restructuring was a prerequisite for a successful industrialization strategy. Without such restructuring it would be unrealistic to expect a real improvement in the rate of growth or in the living standards of the people.

42. The Meeting supported the main theme presented in document E/ESCAP/IPT/SPMI-UNIDO(3)/2 that the building up of national manufacturing capabilities was really the core of the process of industrialization. It was only through such capabilities that the countries could maintain the momentum of industrial growth, imbibe and absorb foreign inputs (capital resources and technology) and exploit opportunities for trade. The Meeting urged that a major focus of the Third General Conference of UNIDO should be on strengthening the manufacturing capabilities of the developing countries. It was to that end that the national policies, international co-operation and assistance of the international organizations should be directed. In that context, the Meeting underlined the role of technology and skills, infrastructure and capital goods industry. Reference was also made to the domestic processing of primary products (minerals as well as agricultural products), which would enable the developing countries to derive a high value added, improve their terms of trade in exports and also assist in the promotion of industrialization in non-metropolitan areas, intersectoral linkages and employment. However, the difficulties involved, relating to process technology, markets, skills and capital, were similar to those encountered for industrialization in general and called for concerted efforts.

43. The Meeting recognized the growing shortage of energy as constituting a major constraint on the future industrialization effort of the non-oil-producing developing countries of the region. Their paramount need was to secure a fair share of oil and to step up the exploration and exploitation of their own oil, gas and coal reserves. The Meeting called upon UNIDO to play a role in supporting the energy resources development programmes. In that context the energy requirements of the developing countries for achieving the Lima target would have to be projected.

44. Attention was drawn to the sources of hydroelectricity in many of the member countries and the possibility of inter-country co-operation in their exploitation, for sharing of benefits, on an equitable basis.

45. The Meeting recognized that the main thrust of the activities of UNIDO and ESCAP in the field of technology was on the improvement of the technological capabilities of the developing countries. Such capabilities would enhance their capacity to make the best choice of the available technologies, acquire them on suitable terms and absorb them in relation to their needs and resource endowment. The Meeting acknowledged, in that connexion, the very important role of the Regional Centre for Technology Transfer (RCTT) and of the technology institutions in the countries. It reiterated the strong support of the member countries to RCTT which, through its network activities, had already created a perceptible impact. The Meeting regretted, however, that adequate resources had not been made available to that institution to enable it to acquire the requisite in-house strength to be able to support its growing network of activities. It called upon the member countries to pledge larger funds to the Centre. It was even more important to ensure the regular and timely flow of funds on a dependable basis. That could be done only through annual budget forecasting and commitment of funds by the member countries on a recurrent annual basis.

46. The Meeting was strongly of the view that an adequate amount should be earmarked from the fund of \$US 250 million created at UNCSTD for providing institutional support to regional centres such as RCTT.

47. The representative of UNDP reiterated the commitment of that organization to continue to provide financial support for the programme activities of RCTT. He stated that a proposal for programme support for RCTT of the order of \$US 467,000 had been received from ESCAP and was under appraisal.

48. The representative of Japan reiterated the offer of his Government to host an RCTT seminar on a suitably selected technological subject. He also indicated his readiness to discuss with the ESCAP secretariat the other support that his Government might provide to RCTT.

49. The Meeting noted with appreciation the statement of the representative of Australia that his Government would endeavour to provide a substantial contribution to RCTT, as it had done in the past.

50. Lack of expertise to generate techno-economically viable industrial projects was considered to be a significant gap in capabilities, particularly of the less advanced among the developing countries. It was suggested that consideration be given to a mechanism for the generation of subregional industrial projects as well as to assist the member countries in enhancing their project generation capabilities.

51. A number of delegations strongly supported the establishment of a regional bureau on fiscal documentation, to disseminate information on investment opportunities and incentives and to undertake research on investment and tax matters. The Meeting suggested that the proposal be worked out in greater detail to elaborate the case for such a regional mechanism and to clarify its functions.

52. The Meeting emphasized the new significance of South-South co-operation in view of the varying degrees of capabilities which the developing countries were in a position to share for their mutual benefit. There was an immense scope for trade, collaboration in manufacturing activities and transfer of technology and skills between them. The Meeting also felt that co-operation among the developing countries should go beyond the realm of trade and should be deep enough to make an impact on their manufacturing capabilities. It was also recognized, however, that industrial co-operation could be forged only on the basis of shared priorities and objectives and on established mutuality of benefits. Even the bilateral co-operative ventures had experienced considerable teething troubles. A major concern of the regional and international organizations should be to carefully identify the industrial opportunities which lent themselves to inter-country co-operation and to elaborate appropriate modalities for such co-operation. The Meeting took note of the work that had been undertaken on those lines among the ASEAN countries. The Meeting also took note of the project to promote engineering industries in the ASEAN countries, on the basis of complementarity, which was being financed by UNDP.

53. The Meeting also observed that greater economic co-operation among the developing countries did not in any way conflict with North-South intercourse; in fact, it was wholly consistent with the general context of the world economic interdependence.

54. The Meeting expressed its whole-hearted support for the ESCAP club for co-operation among the developing countries, which had already demonstrated its success in securing assistance for some member countries. The Meeting recommended that the scope of activities of the club be extended. It was agreed that work be initiated to identify the specific needs of Bangladesh and to project them to the other member countries. The Meeting also called upon the member countries to provide adequate resources to enable the ESCAP secretariat to carry on its work in relation to the club. The representative

of Nepal expressed the wish of his Government to take advantage of the mechanism of the club in the near future. The Meeting also urged consideration of the inputs needed from international organizations as "link funds" in arrangements of co-operation between the developing countries and also as "seed funds" to develop arrangements of co-operation.

55. The Meeting highlighted the peculiar problems of the least developed countries and urged that special measures to deal with them be included in the programme of action to be evolved at the Third General Conference of UNIDO. Some delegations supported the measures suggested in that connexion in document ID/CONF.4/3, chapter 10, paragraph 10.2.1.

56. The Meeting also took note of the steps being taken to promote industrialization of the island countries in the South Pacific. It noted with appreciation the launching of the South Pacific industrial survey, with assistance provided by UNDP and the Asian Development Bank. It was hoped that the survey would result in the generation of bankable industrial projects.

57. Note was also taken of the progress made by the prime-mover industry project in Nepal. The feasibility study for the establishment of an industrial estate had been completed.

III. INTERNATIONAL CO-OPERATION FOR INDUSTRIAL DEVELOPMENT

58. Document ID/CONF.4/3, "Industry 2000: new perspectives" was introduced to the Meeting by a representative of UNIDO. He explained five basic principles which set up the analytical framework for the study, namely: (a) that the beginning of a new international economic order had already arrived through recent changes in the international economy; (b) that there was progress towards mutuality in the framework of global interdependence; (c) that there was urgent need to deepen South-South co-operation within the framework of global interdependence; (d) that developing countries might consider adopting a domestic policy of endogenous development, and (e) that higher costs of alternative energy resources in the future would require a new generation of energy-saving technology. It had also been assumed that the current economic recession would continue or deepen by the time of the holding of the Third Conference of UNIDO. Against that background, the approach was based on non-concessionary mechanisms for inducing greater international resource flows, which currently faced certain gaps or hurdles. Eight major proposals and nine supporting recommendations were designed to fill those gaps, the major proposals being:

1. An international industrial finance agency
2. A global fund for the stimulation of industry
3. A commission for international industrial development law
4. A system for the resolution of industrial conflicts
5. An international industrial technology institute
6. An international centre for the joint acquisition of technology
7. An international patent examination centre
8. A manufacturing trade target.

The supporting recommendations related to restructuring and redeployment of industry within the UNIDO system of consultations, international financial flows, industrial enterprise co-operation, flow of technology, mining and mineral resources and the absorptive capacity of the developing countries. The last recommendation, to set up a fund for industrial project preparation, was of particular relevance to the least developed countries. The representative of UNIDO also clarified that only proposals 1 and 2 would require legal frameworks of their own; the remaining proposals were in the nature of new functions which could well be taken on by existing institutions and organizations.

59. With reference to the two proposals aimed at stimulating international financial flows, it was pointed out that they represented significant improvements on the past approaches because they substantially relied on mechanisms of the capital markets and not on concessional assistance. It was also pointed out that those proposals were timely because they proposed to seize an opportunity available in the current economic circumstance for securing larger financing for industrial investment in the South. The proposals came at a time when inadequacy of the existing global financing institutions to meet the special requirements of developing countries was being generally realized.

60. It was further emphasized that, while the proposals relating to the international industrial finance agency was based on South-South co-operation, the one for the global fund for stimulation of industry would significantly help the countries of the North to overcome the current recession. By channelling their surplus funds into investment in the countries of the South, the demand for their capital goods manufactures would in turn be stimulated.

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The need to mobilize the potential of medium-sized enterprises and non-transnational corporation sources of investment as well as to attract capital through State channels was particularly emphasized.

61. The Meeting complimented the UNIDO secretariat on the excellent document, which reflected an imaginative perspective and contained certain innovative recommendations. They were well formulated and had considerable supporting material. The statement by the representative of UNIDO that the proposals would not bring proliferation of the bureaucratic machinery was very much appreciated by the Meeting. While the Meeting agreed that the document could provide a basis for discussions at the forthcoming Regional Meeting of Ministers, it was recognized that many of the proposals and recommendations had far-reaching consequences and would have to be carefully considered before the Governments could express their definite views on them.

62. In the discussion of the recommendations for supporting programmes, the Meeting attached special significance to the recommendations in the field of redeployment of industry, the system of consultations within the framework of UNIDO, and also the industrial project preparation facility.

63. The Meeting was of the opinion that all the major proposals and supporting recommendations required careful consideration by the forthcoming Meeting of Ministers of Industry.

IV. ADOPTION OF THE REPORT

64. The Meeting adopted the report on 23 October 1979 for submission to the ESCAP Preparatory Meeting of Ministers of Industry for the Third General Conference of UNIDO.

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