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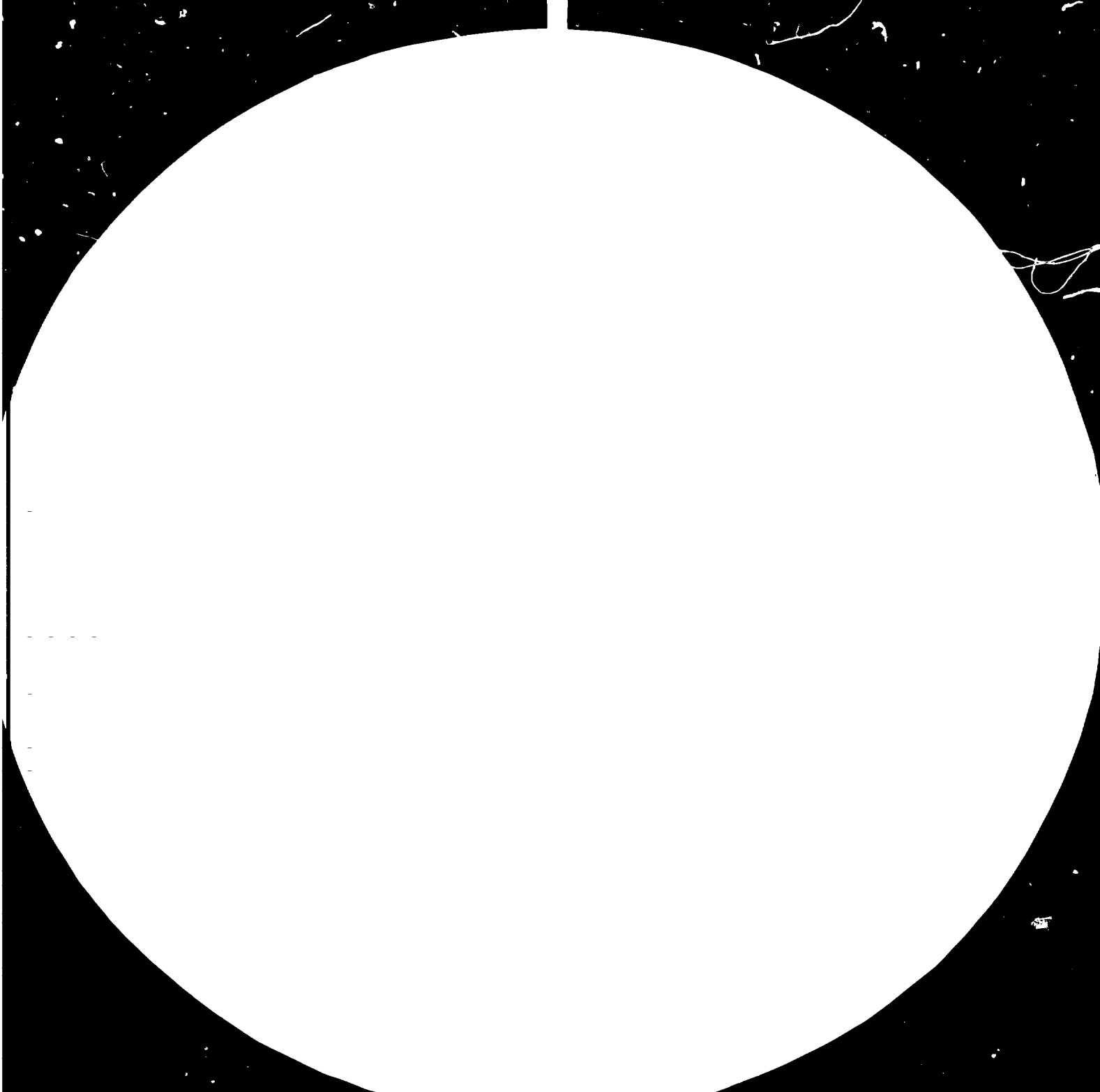
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THE UNIDO SYSTEM OF CONSULTATIONS AS
AN INSTRUMENT FOR INDUSTRIAL
REDEPLOYMENT AND DEVELOPMENT*

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Paper prepared by the UNIDO Secretariat for the Meeting of
United Nations Resident Representatives
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UNIDO System of Consultations

I. HISTORICAL BACKGROUND OF THE DECISION TO ESTABLISH A SYSTEM OF CONSULTATIONS IN THE FIELD OF INDUSTRY

Introduction

In December 1973, the General Assembly recommended that the Second General Conference of UNIDO should examine the cooperation of developed and developing countries as well as cooperation among the developing countries themselves for assisting the developing countries in accelerating their industrialization and in achieving a more equitable share of industrial activity.

In May 1974, at the Sixth Special Session, the General Assembly adopted a Declaration and Programme of Action on the Establishment of a New International Economic Order (resolutions 3201 (S-VI) and 3202 (S-VI)). All Member States pledged that they would make full use of the United Nations system in implementing the Programme of Action, which, inter alia, indicated that all efforts should be made by the international community to bring about a new international economic structure which should increase the share of the developing countries in world industrial production.

In December 1974, the General Assembly urged the Second General Conference of UNIDO to decide on measures necessary to enable UNIDO to develop into an effective institutional framework in order to expand its activities in a manner consistent with the requirements of the developing countries and the role of their industrialization within a new international economic order.

The Ministers of the Developing Countries held regional meetings in preparation for the Second General Conference of UNIDO in order to adopt a common stand in international negotiations. These meetings were followed by the Second Ministerial Meeting of the Group of 77 (Algeria, February 1975) which adopted a Declaration and Plan of Action on Industrial Development and Cooperation, which included the following paragraphs:

"That in order to facilitate the implementation of a new international economic order and the achievement of the targets set forth in the Declaration on that subject, a system of continuous negotiations and consultations should be elaborated between developed and developing countries.....

"In order to attain the above objectives, UNIDO should.... extend its activities to include the establishment of a system of continuing consultations, at global, regional and sectoral levels, with a view to implementing the agreed objectives designed to bring about a new structure for world industry. It should also function as a forum for negotiation of agreements in the field of industry between the developed and developing countries and between developing countries themselves."

Prior to the Lima Conference, there was a common understanding among Third World countries of the need to establish machinery for consultations in order to institutionalize a forum for consultation and negotiation in the field of industry.

These decisions reflected the consensus of the developing countries in the face of a deteriorating international economic environment. Inflationary forces which had been increasing since 1968 had not been brought under control by mid-1971. Industrial Production which averaged 7 percent in the previous decade had begun to slow down. Due to inflation in the developed market economy countries, the terms of trade of the developing countries were deteriorating, and many countries were faced with a large and growing debt burden. 1971 saw the breakdown of the international monetary system, continuing uncertainty in exchange rates, inflation of prices of manufactured goods imported from the industrialized countries, exacerbated in the 1973-74 period with adjustments to world energy prices. These events forced both developed and developing countries to take a fresh look at the concept of international interdependence and the need to establish economic relations on an equitable and just basis. Recognition grew of the need for improved or new forms of international cooperation which might alleviate the temptation to resort to protectionism in the industrialized countries, and of the view that direct foreign investment on the pre-1970's pattern could only be partial in the industrial development of the Third World.

The extraordinary co-existence of strong inflationary tendencies and recessionary symptoms made an appropriate combination of economic policies extremely difficult in most countries. A fundamental restructuring of the economic system appeared essential if the world was to recover. It is in this context that the General Assembly adopted a resolution on the Establishment of the New International Economic Order in May 1974 and this was the setting for the Second General Conference of UNIDO in March 1975.

The Lima Declaration and Plan of Action

The novel features of the Lima Declaration were an acknowledgement that the allocation of resources could not be left entirely to the play of market forces; the acceptance of purposive planning and concerted action for achieving accelerated industrialization; the recognition of industrialization as a potent force for establishing the New International Economic Order; the establishment of a quantitative target of 25 percent by the year 2000 for restructuring world industrial production and outlining broad policy instruments and institutional arrangements to achieve the Lima target. The System of Consultations was established as an instrument through which industrial sectors

in the world economy could be restructured through a process of consultation and negotiation to achieve a harmonious development of the world resources.

General Assembly Decision, September 1975

The General Assembly, at its seventh special session in 1975 endorsed the Lima Declaration and the Plan of Action and gave specific instructions to the Executive Director of UNIDO and the Industrial Development Board to establish the System of Consultations. (See Annex 1).

II. UNIDO SYSTEM OF CONSULTATIONS AS AN INSTRUMENT
FOR INDUSTRIAL REDEPLOYMENT AND DEVELOPMENT

The Lima target of 25 percent in terms of a trade target accepted by the Third World in the Arusha Declaration, February 1979 corresponds to a 30 percent share of world manufacturing trade by the year 2000. The present share of the developing countries is about 8-9 percent of industrial production and 11-12 percent in manufacturing trade. The industrial implications of the recognition that job creation is perhaps the most important problem confronting the Third World, together with the same implications of exploding urban population growth rates and a decline in previously low growth rates in agriculture, have come to be recognized. Any serious attempt to solve these problems will require very significant industrial investment in specific sectors together with a proper distribution of the output of such investment.

It is self-evident that to endeavour to achieve these goals, international cooperation on an unprecedented scale is essential. Strategies and policies adopted would cover the entire spectrum of industrial and commercial activities aimed at increased industrial production and expansion of trade. This in turn implies concerted measures at international level, a continuous process of restructuring in the present international economic relations, and the evolution of new international mechanisms such as UNIDO's System of Consultations.

The present scope of the System of Consultations

In accordance with the decision of the General Assembly, the Executive Director submitted to the Board at its tenth session in 1975 proposals for the establishment of a System of Consultations in the field of industry at the global, regional, inter-regional and sectoral levels. Subsequently, nine Consultation Meetings have been held in various sectors, as shown in Annex 2.

The activities of the System of Consultations at present authorized by the Industrial Development Board comprise further consultations in six industrial sectors, namely fertilizers, iron and steel, leather and leather products, vegetable oils and fats, petrochemicals and agricultural machinery industries and extensions to the System of Consultations to cover agro-based, pharmaceutical and capital goods industries in 1980-1981, preparatory and follow-up activities at the regional level related to these Consultation Meetings, together with consultations at a global level on the training of industrial manpower in 1981 and on industrial financing in 1982. In addition, the Joint Ad Hoc UNCTAD/UNIDO Group of Experts on Industrial Collaboration Arrangements will hold its second meeting in June 1981.

These nine sectors which so far have only been partially covered, are in the table in Annex 2 and account for about 44 percent of total industrial output in developing countries in 1970. If additional resources can be made available, the System of Consultations could be extended to additional sectors such as:

- (a) Other branches of the food processing industry, chemical industry and engineering industry, where UNIDO's resources have not permitted consideration of a number of very important industrial branches;
- (b) The other important industrial sectors listed in Annex 2 that account for about half of industrial activity in developing countries including textiles and clothing, pulp and paper and non-ferrous metal products.

Consultations at the global level will be convened in 1981 on the training of industrial manpower and in 1982 on industrial financing. Consideration may also be given to expand the scope of Consultations at the global level to include such topics as the restructuring of world industry and the industrial processing of natural resources.

The Second General Conference of UNIDO recommended and the General Assembly endorsed the recommendation that continuing Consultations be convened at the regional and inter-regional as well as at the global and sectoral levels (ID/CONF.3/31, chap. IV, para.66 and General Assembly resolution 3362 (S-VII), sect. IV, para 3). Consultations are to be held among developing countries themselves as well as between developing and developed countries, and could lead to the use of the forum provided by UNIDO for the negotiation of agreements in the field of industry, at the request of the countries concerned. It is important to note that at each Consultation Meeting held so far, the developing countries present have themselves suggested specific measures for cooperation among themselves.

The UNIDO secretariat envisages that Consultations at the inter-regional level may cover current and future industrial cooperation between any two or more regions in relation to any topic or sector and that Consultations at the regional level may cover in particular:

- (a) Problems related to the industrial development of the region;
- (b) Any topic or industrial sector relevant to the region, with a view to enabling the States within the region to undertake concerted action;
- (c) Any topic or industrial sector on which sectoral or global consultations have been held, to facilitate the implementation at the regional level of any recommendations there formulated, such as the follow-up Consultation for the African region in the agricultural machinery industry.

The approach of UNIDO to organizing Consultations

Consultations on an industrial sector provide an international forum in which all parties involved in industrial development - Governments, industry, labour, consumer groups etc. - can discuss and reach agreement on the following:

The changing patterns in the sector and the main trends governing future development;

Estimates of world demand in the sector up to the year 2000 and the share in total world production that developing countries might achieve, particularly in relation to the Lima target;

Short - long-term problems encountered by developing countries and consideration of ways to solve these problems;

Recommendations for action to expand and improve international cooperation so that developing countries may achieve a greater share of total world production in the sector together with the consideration of expansion of production in a manner which might reduce dislocation in export markets.

The preparations for consultation meetings consist of a number of elements. Worldwide studies prepared by the UNIDO secretariat giving a comprehensive picture of a particular industrial sector or common topic, provide the basis for discussion with interested parties in order to identify the main problem areas and issues for discussion and to elaborate possible solutions for consideration and recommendation. Since the problems are tested through expert

group meetings involving wide geographical distribution and regional preparatory meetings, measures designed to improve international economic cooperation have a better chance of being accepted and implemented. Preparations at the regional level help to involve developing countries more actively in the consultation process from the initial steps through the decision-making process and finally in the implementation stages.

It must be mentioned at this point that the Consultation Meetings are conducted in an atmosphere of frankness where concerns are expressed in a spirit of cooperation where mutually acceptable solutions are worked out to the problems encountered. While the aim of the System of Consultations is the creation of new industrial capacities in the developing countries and their redeployment from industrialized countries, it has to be noted that understandings and agreements can be difficult in a first round of discussion. There are different viewpoints and interests to be accommodated which necessarily lead to a continuous process of discussions and consultation in order to arrive at an understanding of problems and of their solutions. The industrial issues considered by the System of Consultations are delicate involving political as well as economic and technical and social considerations, as shown in Annex 3. However, both industrialized and developing countries have found the System useful as providing inputs to their determining their future industrial projects, plans and policies.

Since 1976, the System of Consultations has evolved under the guidance of the Industrial Development Board on an experimental basis. In 1980 the IDB agreed that the System be permanent. Participants from member countries have included not only officials but also representatives of other groups, as deemed appropriate by Governments, attending at their own expense. Annex 4 indicates the participation of developed and developing countries; it should be noted that participation has been higher from industrialized than from developing countries and lowest from the least developed countries.

Cooperation with other United Nations agencies

In preparing for an holding Consultation Meetings, UNIDO has worked in close cooperation with other United Nations agencies in their areas of competence, which have a relevance to the System of Consultations, so that ILO, UNESCO, UNCTAD, ITC, FAO and the World Bank have participated in the preparation for or at some of the nine Consultation Meetings held so far. Thus UNIDO endeavours to utilize accumulated knowledge and experience within and outside the United Nations system, in its efforts to promote industrial collaboration on an international scale. This has been beneficial

to developing countries who have brought up at a Consultation Meeting all problems connected with a particular industrial sector, i.e. problems of technology, trade, training, financing, the availability of raw materials etc., so that these problems have been examined in an integrated manner rather than in a fragmentary way in approaching several organizations separately. Thus decision-makers can come to conclusions within the context of a global assessment; this global assessment is kept up to date and refined at subsequent Consultations.

The impact of this global assessment can be significant. For example, the large increase in demand for fertilizers in developing countries up to the year 2000 forecast by UNIDO has reassured those developing countries planning new capacities. The same impact can be seen in the iron and steel industry, where developing countries have planned to increase production of steel from 67 million tons in 1975 to 140 million tons in 1985. The acceptance of the share in world production that developing countries might achieve at various points in the future has been a feature at some Consultation Meetings, as shown in Annex 5.

A common theme at each Consultation has been the request to UNIDO to develop more extensive information (a) on world demand and supply of the final products of the industry, and (b) on the raw materials the industry requires. UNIDO has examined and will continue to examine the structure of world markets for a number of raw materials and final products in a number of sectors in collaboration with relevant United Nations organizations, thus demonstrating the importance of Consultations as a forum in which world development in an industrial sector can be monitored by the United Nations system. Hitherto, such monitoring has been carried out only by groups of developed countries (CMEA, OECD) and by groups of developing countries (such as the Sistema Económico Latino-Americano, Andean Group and the Association of South-East Asian Nations).

It was because the usefulness of the System has been recognized that decisions taken at UNIDO III and the fourteenth session of the Board have led to the establishment of the System on a permanent basis (see Annex 6 for details).

Consultations have demonstrated that the developing countries could increase their share of total world output in each sector by a combination of the following:

- (a) Establishing new capacities to supply their growing home markets;

- (b) Establishing capacities to process their own raw materials to the maximum extent possible for export;
- (c) Establishing export capacities where they have raw material, energy and other cost advantages;
- (d) Relocating capacities existing in developed countries whenever acceptable to the receiving developing countries.

The relative importance of each of the above measures has been considered in a preliminary way at Consultations and will need to be considered further. The opportunities for and the risks of establishing export capacities have been discussed; the need to avoid protectionist measures that would put a brake on increased international trade has been confirmed. Annex 7 shows in greater detail how problems faced by developing and industrialized countries have been brought out into the open in an international forum with both groups of countries being actively involved in finding solutions.

The great range and variety of problems identified underline the importance of the Consultations System as a forum where new forms of international cooperation to solve these problems can be elaborated by joint efforts. UNIDO strives to achieve a consensus among participants at Consultation Meetings on the action that needs to be taken, in the expectation that this approach offers a good chance for recommendations to be implemented. The involvement of UNIDO in elaborating such agreed new forms of industrial collaboration strengthens the capability of UNIDO to provide a forum for the negotiation of agreements in the field of industry. It is also useful to note that the System of Consultations has enabled UNIDO to more clearly identify the problems of industry in developing countries and this has led to a very considerable increase in the provision of technical assistance, as indicated in Annex 8 on the relationship of overall UNIDO activities to the System of Consultations.

III. The main characteristics of the UNIDO System of Consultations

The main characteristics of the UNIDO System of Consultations are:

- (a) The involvement of high level representatives of Governments, industry and labour from a wide range of countries to assist the UNIDO secretariat in identifying the problems that need to be discussed;
- (b) The consideration of the points of view of industry and labour as well as those of Governments at each Consultation;

(c) The practice that the recommendations of Consultations are made on the basis of a consensus; even where there have been conflicting views, they have been accommodated and participants from developed and developing countries have agreed to work together to achieve practical solutions;

(d) Solutions based on a balancing of the interests of the various parties. To arrive at these solutions requires extensive testing and refining between Consultations;

(e) Their continuing nature; there is an opportunity to pursue the process of Consultations until it achieves practical results;

(f) In addition to the large number of countries participating, the effective involvement of other international organizations such as FAO, ILO, UNCTAD, UNESCO and WHO that have cooperated with the UNIDO secretariat in the preparations for the Consultations and subsequent follow-up work within their fields of competence.

IV. FUTURE DEVELOPMENT OF THE SYSTEM OF CONSULTATIONS

There is a growing recognition at Consultations that faster industrialization of developing countries is needed not only to raise their living standards, but also to achieve higher levels of industrial activity in the developed countries. This fact is certainly more widely recognized than it was four years ago, and new attitudes and approaches to economic cooperation between the North and the South are just beginning to be adopted.

The relationship between developing and developed countries is particularly important in industry for the following reasons:

(a) The developing countries now form a substantial part of the world economy; about one-third of the world's new industrial capacities to be created in the period 1980-2000 will be established in the developing countries;

(b) Manufactured goods are a large and dynamic part of international trade; therefore industrial problems can no longer be considered purely national problems but must be dealt with in an international context;

(c) The industrial development of developed and developing countries is interdependent; the developing countries need the cooperation of developed countries in the supply of technology and capital goods; 1/ supplying these goods in turn has a positive impact on the economies of the developed countries; 2/

1/ In the last five years, developing countries have been the main growth market for capital goods. The share of the total exports of engineering products by developed countries purchased by developing countries has increased between 1973 and 1978 from 17 to 25 percent for Western Europe, from 23 to 32 percent for North America, and from 39 to 43 percent for Japan. GATT, International Trade 1978/1979.

2/ Europe - Third World Interdependence, Facts and Figures. (Commission for the European Communities, Brussels, 1979) in particular chap.4 "Industrialization of the Third World - danger or good fortune for Europe."

(d) The process of planning new industrial capacities and of adjusting the structure of manufacturing output in individual countries to changing circumstances is a long-term one that should be given the earliest possible consideration. 1/

At Consultations, developed and developing countries have the opportunity to understand the plans and aspirations of each other, so facilitating necessary readjustments in the industrial sector on a world scale and by the parties concerned - Government, industry, labour etc. By anticipating trends in the development of the sector realistically, Consultations make clear to all parties the conditions for viability in the future. For example, the following recommendation made by the First Consultation on the Petrochemical Industry could equally well apply to other sectors:

"/ Governments of developed countries should not⁷ provide public assistance to the continuing operation of existing petrochemical plants or the development of new production capacities that are not economical as compared with supplies offered in fair competition by the developing countries."
2(m)(ii)).

Consultations are stimulating developed countries to give more attention to their international policy on the industrial sectors covered by Consultations. Some developed countries have decided to anticipate changes required and to review all industrial sectors in order to identify those activities that are likely to remain competitive in the years ahead. This positive approach contrasts strongly with the regulation introduced by the Multifibre Textile Arrangement, which restricts the growth of imports of textile and clothing produced by industries already established in developing countries.

Thus Consultations are helping to achieve implementation of another part of the Lima Declaration and Plan of Action:

"/ The developed countries should⁷ facilitate development of new and strengthen existing policies, taking into account their economic structure and economic, social and security objectives, which would encourage their industries which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy, thus leading to structural adjustments within the developed countries, and redeployment of

1/ Ibid., in particular the introduction by Claude Cheysson, Member of the Commission of the European Communities.

the productive capacities of such industries to developing countries and promotion of a higher degree of utilization of natural resources and people in the latter" (para. 59(c)).

The Second General Conference of UNIDO was convened between the sixth and seventh special sessions of the General Assembly, in which the General Assembly established a programme of action to achieve a new international economic order. To implement this programme of action, the developing countries are now proposing negotiations on international economic co-operation. 1/ With the decision of the Committee of the Whole in New York to organize, such negotiations, UNIDO's System of Consultations, if requested by the General Assembly, has the potential to make concrete in specific industrial sectors. international agreements arrived at in the Committee.

1/ Resolution on global negotiations relating to international economic cooperation for development, adopted by the Committee of the Whole (established under General Assembly resolution 32/174) at its third session, 10-14 September 1979.

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ANNEX 1

THE SYSTEM OF CONSULTATIONS AS ENVISAGED BY THE SECOND GENERAL CONFERENCE OF UNIDO AND GENERAL ASSEMBLY AND AS IMPLEMENTED BY UNIDO

Recommendation of the Second General Conference of UNIDO, March 1975

The establishment of the system of continuing consultations in the field of industry was recommended by the Second General Conference of UNIDO convened at Lima, Peru, in March 1975, as follows:^{1/}

"That in view of the low percentage share of the developing countries in total world industrial production, ... their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000 ..." (para.28)

"The new distribution of industrial activities envisaged in a New International Economic Order must make it possible for all developing countries to industrialize and to obtain an efficient instrument within the United Nations system to fulfil their aspirations." (para. 63)

"Industrialization must be pursued in such a way as to promote the global harmonious development of the countries of the international community." (para.64)

"In order to attain the above objectives, UNIDO should ... include among its activities a system of continuing consultations at global, regional and sectoral levels, for the purposes set forth in paragraph 61 (d) above. UNIDO should be prepared to serve as a forum for negotiation of agreements in the field of industry between developed and developing countries and among developing countries themselves at the request of the countries concerned." (para.66)

Co-operation between developing and developed countries should take the following form (among others):

"Urgent consultations, taking into account appropriate information with respect to the development of demand and supply, availability of production factors and their costs, the possibilities and conditions of investment and the availability of appropriate equipment and technologies, with a view to facilitating, within a dynamic context and in accord with authorities available to Governments, the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. These consultations should in particular relate to industries processing raw materials exported by developing countries or which consume vast quantities of energy, and should result in concrete proposals for inclusion in the development programmes of participating developing countries;" (para.61(d))

The decision of the General Assembly, September 1975

At its seventh special session, the General Assembly, in its resolution 3362 (S-VII), endorsed the Lima Declaration and Plan of Action, and gave specific instructions to the Executive Director of UNIDO and the Industrial Development Board to establish the system of consultations:

"A system of consultations as provided for by the Lima Plan of Action should be established at the global, regional, interregional and sectoral levels within the United Nations Industrial Development Organization and within other appropriate international bodies, between developed and developing countries and among developing countries themselves, in order to facilitate the achievement of the goals set forth in the field of industrialization, including the redeployment of certain productive capacities existing in

developed countries and the creation of new industrial facilities in developing countries. In this context; the United Nations Industrial Development Organization should serve as a forum of negotiation of agreements in the field of industry between developed and developing countries and among developing countries themselves, at the request of the countries concerned.

"The Executive Director of the United Nations Industrial Development Organization should take immediate action to ensure the readiness of that organization to serve as a forum for consultations and negotiation of agreements in the field of industry. In reporting to the next session of the Industrial Development Board on actions taken in this respect, the Executive Director should also include proposals for the establishment of a system of consultations. The Industrial Development Board is invited to draw up, at an early date, the rules of procedure according to which this system would operate."^{2/}

^{1/} Report of the Second General Conference of the United Nations Industrial Development Organization (A/10112), chap.IV, The Lima Declaration and Plan of Action on Industrial Development and Co-operation.

^{2/} Chapter IV para 3 and 4 of General Assembly Resolutions 3362(S-VII).

ANNEX 2

Industrial importance of the sectors covered by Consultations
(Percentage)

The proportion of total industrial output in 1970 accounted for by each sector

ISIC	Sector	In developing countries	
		In developed countries	In developed countries
<u>Sectors partially covered by Consultations</u>			
311	Food products, including vegetable oil and fats	15	9
322,323	Leather and footwear	3	1
	<u>Chemicals</u>		
351	Fertilizers	}	}
352	Petrochemicals		
	Pharmaceuticals		
	Other chemical products		
371	Iron and steel	4	6
	<u>Capital goods</u>		
361	Fabricated metal products	}	}
382	Non-electrical machinery, including agricultural machinery		
383	Electrical machinery		
384	Transport equipment		
385	Professional, scientific equipment		
	Subtotal	—	—
		44	58
<u>Sectors not covered by Consultations so far</u>			
313,314	Beverages and tobacco	7	3
321,322	Textiles and clothing	17	7
331,332	Wood products, furniture	3	4
341,342	Paper and printing	5	8
353,354	Petroleum refining etc.	7	2
355,356	Rubber, plastic, china	}	}
361,362	and glass products etc.,		
369	including building materials		
372	Non-ferrous metals	7	9
381	Metal products		
390	Other manufactures	2	2
		56	42
	Total all sectors	100	100

Source: World Industry since 1960: Progress and Prospects
(ID/CONF. 4/2) p. 70, table III.3 (figures have been rounded).
(United Nations publication, Sales No. E.79.II.B.3).

TABLE 2 PROGRAMME FOR CONSULTATION MEETINGS

Consultation Meetings held 1977-1978-1979	Consultation Meetings approved by 13th IDB for 1980-1981 (Tentative dates)	Preparation for Future Consultation Meetings 1982-1983
<p style="text-align: center;"><u>1977</u></p> <p>First C.M. on Fertilizers Vienna, 17-21 January</p> <p>First C.M. on Iron and Steel Vienna, 7-11 February</p> <p>First C.M. on Leather/Leather Prod. Innsbruck, 7-11 November</p> <p>First C.M. on Vegetable Oils/Fats Madrid, 12-16 December</p> <p style="text-align: center;"><u>1978</u></p> <p>Second C.M. on Fertilizers Innsbruck, 6-10 November</p> <p style="text-align: center;"><u>1979</u></p> <p>Second C.M. on Iron and Steel New Delhi, 15-19 January</p> <p>First C.M. on Petrochemicals Mexico City, 12-16 March</p> <p>First C.M. on Agricultural Machinery Stresa (Italy), 15-19 October</p>	<p style="text-align: center;"><u>1980</u></p> <p>Second C.M. on Leather/Leather Products Cologne, 23-27 June</p> <p>Third C.M. on Fertilizers Brazilia (tentative), 6-10 October</p> <p>First C.M. on Pharmaceuticals Lisbon (tentative), 8-12 December</p> <p style="text-align: center;"><u>1981</u></p> <p>Second C.M. on Petrochemicals</p> <p>First C.M. on Capital Goods</p> <p>First C.M. on Training of Industrial Manpower (US - tentative)</p> <p>First C.M. on Food Processing December (site not yet selected)</p>	<p style="text-align: center;"><u>1982 - 1983</u></p> <p>Third C.M. on Iron and Steel</p> <p>Second C.M. on Agricultural Machinery</p> <p>First C.M. on Industrial Financing</p> <p>Second C.M. on Vegetable Oils and Fats</p>

Table 1. Summary of issues considered by consultation meetings

Date	Production goals of developing countries	Supply of raw materials	Construction of plants	Financing of plants	Infrastructure required for plants	Operation of plants	Empower training	Marketing and exchange of products	Co-operation among developing countries	Production facilities in LDCs	Capital goods required by the industry
Jan. 1977	First Consultation Meeting on the Fertiliser Industry	Self-sufficient production as soon as possible. Surplus for export. World balance supply/demand	Contract proceed- ured. Coor- dination of existing iron plants/ equipment	Priority already given to financing fertiliser plants	Infrastructure for production and distribution of fertilisers	-	-	-	UNIDO support for co-operative efforts	-	High cost of plants was recognised
Nov. 1978	Second Consultation Meeting on the Petrochemical Industry	Monitoring of new deposits. UNIDO/IBRD/FAO Working Group on fertilisers	Model forms of bilateral insurance schemes	Agreed guidelines for terms and conditions for financing infrastructure	Agreed guidelines for terms and conditions for financing infrastructure	-	-	-	Agreed programme of action and establishment of UNIDO Steering Committee	Opportunities to establish facilities in LDCs were considered	Ways to reduce costs discussed; equipment standardisation considered
Feb. 1977	First Consultation Meeting on the Iron and Steel Industry	Need to examine future supply problems on iron ore and coking coal	-	Terms and conditions suitable for steel plant financing	Measures to economise on use of coking coal	-	Executive scope and size of training needed	-	-	-	Need to develop facilities in capital goods
Jan. 1979	Second Consultation Meeting on the Iron and Steel Industry	Need to elaborate contracts and joint exploration of iron ore deposits	Criteria for assessing new steel and iron projects	Examine financing requirements to 1990	-	-	Proposals for training management and technologists	Need to examine market structure was recognised	Exchange of experience on criteria to assess new plants	-	-
May 1977	First Consultation Meeting on the Leather and Leather Products Industry	Supply of leather recognised as major constraint on industry's development	-	Directory of potential partners for joint ventures needed	Local production of tanning chemicals	Programme of action to improve quality of leather and leather goods	Establishment of regional centres recommended	Recognition of trade barriers and need to develop fashion intelligence centres	Exchange of information and technical expertise through regional centres	Opportunities to establish plants in LDCs were reviewed	Need to develop facilities to manufacture accessories
Dec. 1977	First Consultation Meeting on the Vegetable Oils and Fats Industry	Developing countries face competition from temperate zone oils	Co-operation for later stages of processing of oil seeds agreed	-	-	Need for guidelines for co-operation agreement recognised	-	Some recognised for regional marketing between developing countries with surplus or deficit	Establishment of regional co-ordination committees	Potential to establish facilities in 12 LDCs recommended	Potential to establish facilities to manufacture spare parts and equipment
Mar. 1979	First Consultation Meeting on the Petrochemical Industry	Agreed that World Bank and Supply for 25 products should be metted by UNIDO Working Group	Basic for producing basic and intermediate petrochemicals	UNIDO to expand investment promotion activities	UNIDO to prepare study on industrial uses of flared gas	International petrochemical industry to assist development of various fields	International petrochemical industry to assist development of various fields	Specific measures agreed to facilitate marketing of petrochemicals produced in developing countries without oil resources	UNIDO to ensure expanded role of operation for establishing petrochemicals industries in developing countries without oil resources	UNIDO to ensure expanded role of operation for establishing petrochemicals industries in developing countries without oil resources	UNIDO to ensure expanded role of operation for establishing petrochemicals industries in developing countries without oil resources
Oct. 1979	First Consultation Meeting on the Agricultural Machinery Industry	Goals to be formulated at national and regional levels	Agreed that specification of raw materials need to be defined by UNIDO	Recommended Investment Meetings at regional level - first Africa	Basic engineering facilities to be examined by UNIDO	UNIDO to prepare guidelines for design of agricultural machinery and equipment	Recommended establishment UNIDO/FAO/IBRD/IFAD/IMR Working Group on training	UNIDO asked to examine role of exchange of products in agreement for progressive local manufacture	Recommended scope and forms of co-operation to be considered at a meeting to be held in China	Special programmes to be developed by UNIDO	Type of capital goods required to be identified by UNIDO

SYSTEM OF CONSULTATIONS

Nature of participation at Consultation Meetings

Table 1

Consultation Meeting (Date and location)	Number of Participants								GRAND TOTAL
	Government	Industry	Trade Unions	Sub-total country	U.N. + Agencies	I.C.O.s	N.G.O.s *	Other ind. Organizat.	
1. FERTILIZERS I Vienna, 17-21 January 1977	106	83	2	191	10	9	20 ^{a/}	6	236
2. FERTILIZERS II Innsbruck, 6-10 Nov. 1978	77	97	1	175	8	6	10 ^{b/}	9	208
3. IRON AND STEEL I Vienna, 7-11 February 1977	102	66	12	180	7	7	10 ^{c/}	2	215
4. IRON AND STEEL II New Delhi, 15-19 Jan. 1979	78	67	6	151	9	1	11 ^{d/}	2	174
5. LEATHER AND LEATHER PRODUCTS I Innsbruck, 7-11 Nov. 1977	61	71	5	137	8	3	5 ^{e/}	5	158
6. VEGETABLE OILS AND FATS I Madrid, 12-16 December 1977	63	70	5	138	5	4	1	12	160
7. PETROCHEMICALS I Mexico, 12-16 March 1979	61	67	3	131	5	7	3 ^{f/}	3	149
8. AGRICULTURAL MACHINERY I Stresa (Italy), 15-19 Oct. 1979	68	86	2	156	8	5	2	1	172

* Including participants from three trade union confederations as follows: (a) ICFTU, WFTU; (b) WFTU; (c) ICFTU, WFTU; (d) ICFTU, WFTU; (e) ICFTU, WFTU; (f) WCL, WFTU

NOTE: List of participants is included in the final report of each Consultation Meeting (symbol number: No. 1: ID/WG.242/8/Rev.1; No. 2: ID/221; No. 3: ID/WG.243/6/Rev.1; No. 4: ID/224; No. 5: ID/WG.258/7/Rev.2; No. 6: ID/WG.260/8/Rev.2; No. 7: ID/227; No. 8: ID/239)

PARTICIPATION OF DEVELOPING COUNTRIES IN CONSULTATION MEETINGS

Table 2

Consultation Meetings Date and place	AFRICA		MIDDLE EAST		ASIA		LATIN AMERICA	
	Total number of countries in the region	Total number of countries participating	Total number of countries in the region	Total number of countries participating	Total number of countries in the region	Total number of countries participating	Total number of countries in the region	Total number of countries participating
First C.M. on the Fertilizer Industry Vienna, 17-21/1/1977	50	15	13	5	24	8	27	10
Second C.M. on the Fertilizer Industry Innsbruck, 6-10/11/1978	50	18	13	5	24	11	27	6
First C.M. on the Iron and Steel Ind. Vienna, 7-11/2/1977	50	11	13	5	24	9	27	11
Second C.M. on the Iron and Steel Ind. New Delhi, 15-19/1/1979	50	9	13	2	24	9	27	6
First C.M. on the Leather and L. Ind. Innsbruck, 7-11/11/1977	50	12	13	2	24	7	27	5
First C.M. on the Vegetable Oils + Fats Madrid, 12-16/12/1977	50	14	13	3	24	6	27	3
First C.M. on the Petrochemical Ind. Mexico, 12-16/3/1979	50	7	13	5	24	6	27	10
First C.M. on the Agricultural Machinery Industry - Stresa (Italy), 15-19 October 1979	50	16	13	2	24	10	27	5

SYSTEM OF CONSULTATIONS
Participation of the Least Developed Countries

Table 3

L. D. C.s	FERTILIZER I Jan 1977	FERTILIZER II Nov 1978	IRON STEEL I Feb 1977	IRON STEEL II Jan 1979	LEATHER I Nov 1977	VEG. OILS I Dec 1977	PETROCHEM. I Mar 1979	AGR. MACH. I Oct 1979	Total Consult. Mtg attended
A - AFRICA									
1. Benin						+		+	2
2. Botswana					+	+			2
3. Burundi								+	1
4. Central Afr. Rep.		+							1
5. Chad					+	+			2
6. Ethiopia		+			+				2
7. Gambia								+	1
8. Lesotho		+						+	2
9. Malawi								+	1
10. Rwanda					+				1
11. Sudan	+	+			+		+	+	5
12. Uganda			+	+	+				3
13. U. R. of Tanzania	+	+	+	+	+	+		+	7
14. Upper Volta		+			+			+	3
(Total LDCs in Africa: 20)									
B - MIDDLE EAST									
1. Dem. Yemen						+			1
(Total LDCs in Middle East: 2)									
C - ASIA									
1. Afghanistan		+							1
2. Bangladesh	+	+	+	+		+	+	+	7
3. Lao-People's Dem. Rep.								+	1
(Total LDCs in Asia: 5)									
D - LATIN AMERICA									
(Total LDCs: 1)									
TOTAL OF LDCs IN THE WORLD: 31 — PARTICIPATED: 18									

Table 4 COUNTRIES WHO HAVE NOT PARTICIPATED
IN ANY CONSULTATION MEETING

<u>AFRICA</u>	<u>ASIA</u>	<u>MIDDLE EAST</u>
1. Angola	1. Bhutan *	1. Bahrain
2. Cape Verde *	2. Burma	2. Oman
3. Comoros *	3. Democratic Kampuchea	3. Yemen *
4. Congo	4. Fiji	
5. Djibouti	5. Maldives *	<u>LATIN AMERICA</u>
6. Equatorial Guinea	6. Mongolia	1. Bahamas
7. Gabon	7. Nepal *	2. Barbados
8. Guinea *	8. Papua and New Guinea	3. Chile
9. Guinea Bissau	9. Solomon Islands	4. Dominican Republic
10. Mali *	10. Singapore	5. El Salvador
11. Mozambique	11. Western Samoa *	6. Grenada
12. Niger *		7. Guyana
13. Sao Tome		8. Haiti *
14. Seychelles		9. Honduras
15. Somalia *	<u>EUROPE AND OTHERS</u>	10. Jamaica
16. South Africa	1. Albania	11. Nicaragua
17. Togo	2. Byelorussian SSR	12. Paraguay
	3. Iceland	13. Suriname
	4. Liechtenstein	
	5. Luxembourg	
	6. Monaco	
	7. Ukrainian SSR	

* Least Developed Countries

ANNEX 5

Acceptance of the share in world production that
developing countries might achieve

At Consultations, participants agree on the share in world production that developing countries could achieve in the years to come, as illustrated by the examples given below.

The First Consultation on the Fertilizer Industry agreed that developing countries should strive to become self-sufficient in fertilizer production as soon as possible and produce some fertilizer for export. UNIDO estimated that this would require that developing countries produce about 40 per cent of the world's nitrogen and phosphate fertilizers by the year 2000 as compared with 18 per cent in 1975.

The First Consultation on the Iron and Steel Industry agreed that the share of developing countries in world steel production by the year 2000 might be as much as 30 per cent compared with 10 per cent in 1975.^{*/} The Second Consultation agreed to consider scenarios for the period up to 1990 as a basis for determining the immediate measures required to achieve this goal. UNIDO has also examined the availability of iron ore and coking coal required for the long-term expansion of steel production throughout the world with a view to facilitating the appropriate investment decisions required to increase raw material supplies in the late 1980s, and in particular to ensure sufficient supplies of raw materials for the further expansion of the steel industry, particularly in developing countries.

The First Consultation on the Petrochemical Industry considered UNIDO projections of world demand up to the year 2000 and the suggestion that rising energy costs could favour production of basic and some intermediate petrochemicals in oil-producing developing countries. It recommended, inter alia, that future plants for basic and intermediate

^{*/} "Report of the First Consultation Meeting on the Iron and Steel Industry" (ID/WG.243/6/Rev.1) (ID/224), p. 6, para. 6.

products be constructed, preferably in developing countries, taking into account all other cost factors as well as socio-economic conditions. It further recommended that Governments and the international petrochemical industry take action that would facilitate the marketing of petrochemicals produced in developing countries in international markets.

At the First Consultation on the Vegetable Oils and Fats Industry, participants from developed countries indicated their intention to rely increasingly on their own production of oilseeds; at the same time they agreed to assist the developing countries in undertaking processing on the spot for export purposes as well as in expanding the industry to meet domestic requirements.

At the First Consultation on the Leather and Leather Products Industry, a potential world shortage of leather in the 1980s was anticipated. Participants from developed countries offered to assist developing countries to increase the quality and quantity of leather produced and to undertake more on-the-spot processing of their raw materials.

ANNEX 6

EXTRACTS FROM THE REPORT OF THE THIRD GENERAL CONFERENCE OF UNIDO
NEW DELHI, INDIA, 21 JANUARY - 9 FEBRUARY 1980
ON THE UNIDO SYSTEM OF CONSULTATIONS

Extract from the Report of Committee II (ID/Conf.4/21)

5(e) System of Consultations

System of Consultations

228. The representative of the Secretariat referred to the relevant documents, namely "The System of Consultations - progress made and proposals for further development"^{34/} and "Draft rules of procedure for the System of Consultations",^{35/}

229. A delegate, speaking on behalf of a group, recalled that the System of Consultations took into account various factors: appropriate information, evaluation of supply and demand, availability of production factors, investment, equipment, technology and techniques. He pointed out that consultations between developed and developing countries should, in a dynamic context, facilitate industrial redeployment to developing countries. He noted that the results so far achieved during the experimental phase of the System have not fully met the expectations and needs of the developing countries as foreseen in the Lima Declaration and Plan of Action due to the inadequate governmental representation from the industrialized countries. Hence, the draft New Delhi Declaration and Plan of Action had underscored the importance of urgent decisions to be taken in putting the System on a permanent and continuing basis and for it to provide a forum for industrial negotiations. Several delegates from the group stressed the need for the Third General Conference of UNIDO to take a decision on the basic principles of the System of Consultations that would facilitate the finalization and adoption of the draft rules of procedure.

230. Another delegate, speaking on behalf of a number of countries, emphasized the need for pragmatism and flexibility in the System of Consultations. Preference was voiced for the retention of the present character of the System as an informal forum for exchange of views and not for negotiations among governments. The wish was expressed for a continuing evaluation of the System.

231. The views of those countries were shared by other delegates who also did not support the concept of the System of Consultations as a negotiating forum. Additionally one delegate did not support extending the System to include consultations on global subjects since that would conflict with global negotiations in other organizations and change its nature.

232. One delegate, speaking on behalf of another group, made reference to paragraph 7 of document ID/CONF.4/CRP.14 and cautioned against the use of the System for promoting neo-colonialism. He noted that the System of Consultations should be based on long-term trends of the world industrial development and the urgent problems of the developing countries and should ensure their access to the experience of industrialization accumulated by all countries. He however expressed concern over a heavy burden on the UNIDO budget in connection with that programme and subscribed to the idea of an evaluation of the effectiveness of the System.

34/ ID/CONF.4/6
35/ ID/CONF.4/12

233. The representatives of ILO and the Food and Agriculture Organization of the United Nations (FAO) noted that their organizations had established good working relationships with UNIDO in organizing and conducting consultation meetings in the areas of mutual interest. The representative of the FAO called for early planning of joint action with UNIDO in order to allow timely allocation of funds to enable the effective participation of the FAO.

234. Appreciation was expressed for the initiatives and achievements so far recorded by UNIDO in the organization of consultation meetings. There was general agreement that the experimental phase of the System of Consultations had proven it to be a valuable contribution towards fostering international industrial co-operation. It had provided a unique forum for the free exchange of views among participants concerned with industrial development from government, industry and labour. There was very widespread support that the System should be placed on a permanent and continuing basis and the hope was expressed that the next meeting of the Industrial Development Board would be in a position to establish a mutually agreed text on the Rules of Procedure of the System. Several delegates expressed support for the System to include redeployment.

235. The need for follow-up action to the consultation meetings, particularly in the context of UNIDO's technical assistance activities, was emphasized. To that end, most delegates urged that financial and human resources should be made available. Also emphasized was the need to extend the scope of the System of Consultations to include other industrial sectors, particularly those of interest to a large number of developing countries, and that the System should include consideration of concrete methods allowing developing countries to increase the use of energy-conservation technologies, industrial planning and policy development, finance and technology.

236. There was general agreement that, in addition to continued high priority to be accorded to sectoral consultations, the scope of the System of Consultations should also be expanded to include consultations at the regional, interregional and global levels, and the UNIDO Secretariat was urged to organize such consultations in close co-operation with the regional commissions. The potential of the System to offer concrete assistance to the least developed countries was stressed, as well as a greater effort to secure their participation in consultation meetings. To that end, the suggestion was made that more voluntary funds should be allocated for that purpose.

237. Most delegates considered it desirable and necessary that government participation should be at a senior level since that would facilitate decision-making and definite commitments regarding the conclusions and recommendations of the consultation meetings.

Extract from the New Delhi Declaration and Plan of Action on Industrialization of Developing Countries and International Co-operation for their Industrial Development.*

Declarations

System of Consultations **

41. Attaches particular importance to and positively appraises the System of Consultations among member States established in UNIDO, considering it as an important tool to accelerate the industrialization of developing countries and as an instrument for redeployment of industry from developed to developing countries and restructuring of world industry in the context of the New International Economic Order. It appreciates the experience gained in the eight meetings held so far on Consultations on iron and steel, fertilizers, petrochemicals, agricultural machinery, leather and leather products, vegetable oils and fats, and fully supports the programme of Consultation meetings for the biennium 1980-1981;
42. Reaffirms the commitment in the Lima Declaration and Plan of Action for UNIDO to serve as a forum for the negotiation of framework agreements in the field of industry between developed and developing countries and among developing countries themselves at the request of the countries concerned, and notes with concern that action on this provision has yet to be taken;

System of Consultations ***

65. The Conference reaffirms the importance of the System of Consultations as a means of promoting redeployment of industry to developing countries and of assisting in the restructuring of world industry. It decides to place the System of Consultations among member States on a permanent basis as a continuing and important activity of UNIDO, and that representation at such consultations of different parties and, in particular, of developed countries, shall be at an official level at which definite commitments could be made. It also urges the strengthening of the System of Consultations with a view to implementing targets and related objectives of the Lima Declaration and Plan of Action, taking fully into account the objectives and priorities of the industrial development of developing countries. It also stresses the need to widen the scope of the System of Consultations to cover all important industrial sectors and to include global consultations on other topics such as industrial financing and industrial technology. Consultations should be expanded to the regional and interregional levels at the request of countries directly concerned;
66. Stresses that, in order to achieve the above-mentioned objectives, rules of procedure should be drawn up and approved for the System of Consultations, it should be conducted at the international, regional, interregional and sectoral levels, and it should aim at ensuring genuine benefit for developing countries, rather than creating a legal status that would continue the present dependency;
67. Reiterates that for wider representation of the least developed countries in Consultation meetings, financing of their participation should be assured;

* ID/Conf.4/22 paras 228-237

** ID/Conf.4/22 paras 41 and 42, page 69

*** ID/Conf.4/22 paras 65 to 69, page 69

68. Considers that all member States, particularly the developed countries, should co-operate in effective implementation measures to follow through on the recommendations of Consultations, make available the necessary resources and contribute to the finalization and adoption of the rules of procedure for the System of Consultations by the next session of the Industrial Development Board in accordance with the economic and social aims and priorities of the developing countries;

69. Strongly considers it necessary that UNIDO serve as a forum for the negotiation of agreements in the field of industry between developed and developing countries and among developing countries themselves, at the request of the countries concerned, assuring the efficiency of the System and realization of its potential for redeployment of industry from developed to developing countries.

Plan of Action

System of Consultations *

141. Make the System of Consultations an effective instrument for the redeployment of industry from developed to developing countries, assisting in the restructuring of world industry, and adopting the necessary measures for the attainment of the Lima target and related objectives, taking fully into account the objectives and priorities of the industrial development of the developing countries. To that end:

- (a) Places the System of Consultations on a permanent basis, as a continuing and important activity of UNIDO;
- (b) Agrees that Consultations are among member States, and that representation shall be at an official level at which definite commitments could be made;
- (c) Widens the scope of the System of Consultations to cover all important industrial sectors, and include global Consultations on industrial financing, industrial technology, manpower development, and other major topics;
- (d) Hold regional and interregional Consultations at the request of the countries concerned;
- (e) Take into account, within the System, the existing regional machinery that already constitute fora for dialogue at the regional level;
- (f) Heighten the efficiency of the System of Consultations by ensuring follow-up actions and implementation of the decisions and conclusions of Consultations;
- (g) Decides that to assure wider representation of the least developed countries in Consultation meetings, financing shall be provided by UNIDO for their participation;
- (h) UNIDO, through the System of Consultations, must serve as a forum for the negotiation of agreements in the field of industry between developed and developing countries, and among developing countries themselves, at the request of the countries concerned;
- (i) Approves the recommendation of the first special session of the Industrial Development Board and invites the Board at its next regular session to examine further and adopt the rules of procedure for the System of Consultations, on the basis, inter alia, of the above-mentioned principles.

Action by the UNIDO Secretariat

142. Create an effective mechanism to undertake the task of disaggregating of the Lima target into its mid-term (1990) industrial, sectoral and regional perspectives.

143. Continuous surveillance of the industrial restructuring process, analysis of the changing international division of labour, locating and identifying natural, sectoral endowments and examination of prospects of and obstacles to redeployment.

144. Undertake necessary studies and establish panels of technical experts on sectors and topics covered by Consultations, drawing to a larger extent on experts from developing countries.

* ID/Conf.4/22, page 85, paras 141-144

- Extracts of the Report of the fourteenth session of the
Industrial Development Board

CHAPTER XI

SYSTEM OF CONSULTATIONS

145. At its 280th meeting, on 17 May 1980, the Board began its consideration of agenda item 13.^{18/} In its deliberations on the item, the Board had before it a report by the Executive Director on the System of Consultations (ID/B/235); the "Report of the Ad Hoc UNCTAD/UNIDO Group of Experts on Trade and Trade-related Aspects of Industrial Collaboration Arrangements" (ID/B/234 and Add.1); and the "Draft rules of procedure for the System of Consultations" (ID/B/CRP.80-1).

146. At the same meeting, the Chairman of the open-ended working group (see chapter I, paragraph 14) made an oral report on the progress of the group.

147. At its 281st meeting, on 19 May 1980:

A. System of Consultations^{19/}

I

148. The Board took note that as a result of the resources allocated for 1980-1981, six consultations (leather and leather products, fertilizers, pharmaceuticals, petrochemicals, capital goods and food processing) will be held in this biennium: it was understood that the Consultation on the Training of Industrial Manpower will also be convened in this biennium, if resources permit.

149. The Board took note of the stage reached in the preparations for the six consultations that the Secretariat will convene in 1980-1981, and for the five consultations planned for 1982-1983.

150. The Board took note of the recommendations of the First Consultation on Agricultural Machinery and authorized the convening of a regional consultation on the agricultural machinery industry in Africa.

II

151. (a) The Board decided that the System of Consultations shall be an instrument through which the United Nations Industrial Development Organization (UNIDO) is to serve as a forum for developed and developing countries in their contacts and consultations directed towards the industrialization of developing countries.

(b) The Board decided that consultations would also permit negotiations among interested parties at their request, at the same time as or after consultations.

^{18/} The deliberations of the Board on agenda item 13 are reflected in ID/B/SR.280, paras. 1-10, 15-20.

^{19/} For Group B statement relating to the consensus conclusions, see chap. XVI, Adoption of the report of the fourteenth session, paras. 168-171, and ID/B/SR.281, paras. 52-61.

152. The Board decided that participants of each member country should include officials of governments as well as representatives of industry, labour, consumer groups and others, as deemed appropriate by each government.

153. The Board decided to establish, on a permanent basis, the System of Consultations with its main characteristics as described in the paragraphs above as well as in past decisions of the Board at its eleventh and twelfth sessions relating to consensus and the preparation of reports.

154. The Board decided that the draft rules of procedure for the System of Consultations will be revised, taking into account the developments at its fourteenth session and for this purpose the President of the Board will hold due consultations with member States before the revised draft is submitted through the Permanent Committee at its fourteenth session for consideration and adoption by the Board at its fifteenth session.

155. The Board took note of the proposal to establish a Committee on Consultations as a subsidiary organ of the Board and agreed that further consideration should be given to it.

B. Ad Hoc UNCTAD/UNIDO Group of Experts^{19/}

156. The Board authorized preparations for and the convening of a second meeting of the Ad Hoc UNCTAD/UNIDO Group of Experts on Trade and Trade-related Aspects of Industrial Collaboration Arrangements in early 1981.

Proposed Solutions Resulting From
Consultation Meeting

The iron and steel industry: the scenarios that UNIDO will prepare for the Third Consultation are intended to serve as a basis for reaching agreement on a programme of action related to raw material supplies, infrastructure, manpower training, financing etc. The structure of the international market for iron ore and the nature and contents of long-term contracts for the purchase of iron ore and coking coal are also being examined.

The fertilizer industry: a demarcation of responsibilities for establishing the infrastructure required for fertilizer production and distribution was agreed at the Second Consultation, thus providing a basis for developing countries to negotiate favourable terms for financing such infrastructure, which can sometimes cost as much as the fertilizer plant itself. For the Third Consultation, UNIDO is preparing model forms of four types of contract for the construction of a fertilizer plant that will be suitable for the various levels of indigenous engineering skills in developing countries. They are (a) turn-key lump sum; (b) semi-turn key; (c) cost reimbursable; and (d) design engineering.

The petrochemical industry: the First Consultation discussed the basic principles on which a model contract covering the licensing of patents and know-how should be based and recommended that UNIDO draft such a model contract for consideration by the Second Consultation.

The leather and leather products industry: UNIDO is collaborating with FAO in preparing an action programme designed to increase both the quality and supply of leather in developing countries for consideration by the Second Consultation.

The vegetable oils and fats industry: UNIDO is examining for review by the Second Consultation (a) the main commercial, financial and other obstacles to the development of on-the-spot processing of oilseeds in developing countries; and (b) the form of co-operation agreement that would be suitable for the establishment of vegetable-oil and animal-feed plants in developing countries.

The food processing industry: preparatory work has stressed the importance of an industrial approach to both the growing of food and its processing. The different ways in which developed and developing countries have approached the establishment of agro-industrial estates will be discussed at the First Consultation.

The agricultural machinery industry: UNIDO has been requested to prepare different types of agreements covering long-term arrangements with suppliers of technology that would link the supply of imports of agricultural machinery to the progressive development of its local manufacture.

The pharmaceutical industry: participants from developing countries have selected 25 essential drugs whose local manufacture would be of particular importance to their health-care programmes. In this connection, they have suggested that UNIDO examine (a) the licensing of know-how for the manufacture of the active ingredients of these drugs as well as for their formulation into tablets etc.; and (b) ways to obtain pharmaceutical intermediates and bulk drugs at reasonable prices.

The capital goods industry: preparatory work has shown the need to identify and agree on the form that co-operation might take at the various stages of the engineering industry's development. The installation of facilities to manufacture machine tools and the production of equipment and components of plants that are common to the machinery used by the agro-based and other industries covered by Consultations are being considered as a first step.

The importance of the training of industrial manpower has been recognised by all Consultations held so far, and a global Consultation on that topic will be convened in 1981. In collaboration with UNESCO and ILO, UNIDO has begun to examine: (a) ways to make maximum use of the training facilities existing in developed and developing countries and their potential for expansion; (b) improved contractual arrangements in the field of training; (c) ways to promote co-operation in training among developing countries.

The provision of industrial finance on appropriate terms has been determined to be of critical importance in most of the industrial sectors covered by Consultations. Preparations being made for the First Consultation on Industrial Financing have identified some problems suitable for Consultations such as improved access for developing countries to the Euro-currency and other world capital markets.

The trade and trade-related aspects of industrial collaboration arrangements: that would be of benefit to developing countries, including such aspects identified by UNIDO Consultations, were first examined by the Joint ad hoc UNCTAD/UNIDO Group of Experts that met in October 1979. The experts are examining current practices in enterprise-to-enterprise agreements, the role of Governments

in supporting such arrangements, and the possible role of intergovernmental agreements for promoting industrial collaboration on a bilateral, trilateral or multilateral basis. At its next meeting in October 1981, taking into account the diversity among enterprise-to-enterprise arrangements, the Group will identify those provisions which might be of assistance to developing countries for inclusion in such agreements. The Group will also examine ways and means of improving existing flows and channels of information in regard to such arrangement and agreements and make its recommendations.

ANNEX 8

How Consultations have strengthened technical assistance programmes
and co-operation among developing countries

Now that Consultations are recognized as important activity of UNIDO, they are strengthening UNIDO's assistance to the developing countries by:

- (a) Providing an assessment of the trends of a given sector against which projects can be formulated;
- (b) Stimulating initiatives that better correspond to the changing needs of developing countries as identified by Consultations.

UNIDO's activities stimulated in this way include carrying out surveys and feasibility studies, assisting in establishing plants, assisting in contract negotiations, improving the operation of existing plants and developing and using new technologies. Such projects now being implemented by UNIDO include:

- (a) Evaluation of the vegetable oil industry sector in 12 developing countries (resulting in recommendations for improvements and new capacities);
- (b) Survey of prospects for developing the leather industry in 13 least developed countries;
- (c) Survey of prospects for developing the fertilizer industry in 20 least developed countries;
- (d) Survey of prospects for manufacturing pharmaceutical intermediates in 10 developing countries;
- (e) Planning downstream manufacturing units for the petrochemical industry in an Asian country;
- (f) Study of the feasibility of establishing a petrochemical industry based on the methane/acetylene route in another Asian country;
- (g) Establishment of an institute to promote the agricultural use of plastics in a Latin American country;
- (h) Establishment of fertilizer plants in three African countries;
- (i) Assistance in establishing mini steel plants in countries in Asia and Latin America;
- (j) Co-operation between two countries in Asia in establishing a rice-bran oil extraction plant;
- (k) Improving the operations of a fertilizer plant in an Asian country;

- (l) Improving the operations of vegetable oil plants in a Latin American country;
- (m) Advice on the selection of the direct reduction process for a steel plant in an Asian country;
- (n) Development of a new technology so that meal from the castor bean can be used for animal feed;
- (o) Assistance in developing fermentation alcohol and coal as alternative petrochemical feedstocks in several countries;
- (p) Establishment of a coconut processing technology consulting service in Asia;
- (q) Strengthening national institutes for leather industry development so that they can respond to regional requirements in Asia and Africa.

Discussion at Consultations has identified practical forms of co-operation among developing countries, for example in the leather industry (the last example quoted above), and in the fertilizer industry where an action programme has been suggested for implementation by UNIDO. Also arising from contacts made at Consultations, bilateral co-operation has been started between developing countries relating to the establishment of projects, exchange of experience on the selection of technology through visits to existing plants, the provision of consulting services in establishing new plants, arrangements for training etc.

Consultations have also stimulated the investment promotion and industrial training activities of UNIDO. For example, specific proposals have been made to UNIDO relating to training for technologists and for general management in the steel industry and for maintenance personnel in the fertilizer industry.

The UNIDO world-wide study on a given sector provides a basis for the Consultation's assessment of the way that sector is moving and of the share of world output developing countries might achieve by the year 2000. At Consultations, the studies receive detailed comments that are useful in improving and updating the UNIDO assessment of the sector.

Group of 77 Members of the Industrial Development Board

	<u>Expiration date of membership</u>
1. Argentina	31 December 1982
2. Brazil	31 December 1980
3. Burundi	31 December 1981
4. Central African Republic	31 December 1982
5. Democratic Yemen	31 December 1980
6. Gabon	31 December 1982
7. Guatemala	31 December 1981
8. India	31 December 1980
9. Indonesia	31 December 1982
10. Iraq	31 December 1981
11. Kenya	31 December 1982
12. Madagascar	31 December 1982
13. Malaysia	31 December 1981
14. Mexico	31 December 1981
15. Morocco	31 December 1982
16. Nigeria	31 December 1981
17. Pakistan	31 December 1980
18. Panama	31 December 1981
19. Peru	31 December 1980
20. Philippines	31 December 1980
21. Sierra Leone	31 December 1980
22. Togo	31 December 1981
23. Trinidad and Tobago	31 December 1982
24. Tunisia	31 December 1980

List compiled from List of Permanent Missions
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