



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



19277

Distr.
LIMITED

ID/WG.521/1(SPEC.)
18 October 1991

United Nations Industrial Development Organization

ENGLISH
ORIGINAL: FRENCH

Symposium on the Industrialization
of the Least Developed Countries

Vienna, Austria, 14-22 November 1991

NORTH-SOUTH COOPERATION IN
INDUSTRIAL DEVELOPMENT*

Summary of statements at the Second United Nations
Conference on the Least Developed Countries

Prepared by
the UNIDO Secretariat

* This document has been translated from an unedited original.

V.91 29894 1676E

ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of States
WASME	World Assembly of Small and Medium Enterprises
ODA	Official Development Aid
ILO	International Labour Office
EEC	European Economic Community
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ICC	International Chamber of Commerce
ICFTU	International Confederation of Free Trade Unions
WCL	World Confederation of Labour
IFAD	International Fund for Agricultural Development
OPEC	Organization of Petroleum Exporting Countries
GNP	Gross national product
LDCs	Least developed countries
SNPA	Substantial New Programme of Action
UNDP	United Nations Development Programme
OECD	Organization for Economic Cooperation and Development
NGO	Non-governmental organization
UNIDO	United Nations Industrial Development Organization
UN/DTCD	United Nations - Department of Technical Cooperation for Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIFEM	United Nations Development Fund for Women
ITU	International Telecommunication Union

General disappointment at the 1980s

The First United Nations Conference on the Least Developed Countries (LDCs), held in Paris in 1981, adopted the Substantial New Programme of Action (SNPA) for the 1980s in favour of the LDCs, aimed at bringing about changes in the economy of those countries so as to enable them to achieve independent development and to guarantee for all their inhabitants at least the minimum level internationally regarded as acceptable in the fields of nutrition, health, transport and communications, housing and education, and employment opportunities. However, in spite of this programme, which made provision for an intensification of national efforts and international action on behalf of the LDCs, the rate of growth in the gross domestic product of the countries in question was lower during the 1980s than it had been during the preceding decade.

Overall, the objectives of the SNPA have not been achieved. The conclusion reached by the States and organizations attending the Second United Nations Conference on the LDCs is a depressing one. Aid has fallen short of the requirements of the LDCs, while their trade deficit, debt and budgetary imbalance are assuming unprecedented proportions. At the same time, the marginalization of the LDCs in the international economy has been accentuated. The overall picture is therefore sombre. For the LDCs as a whole, the 1980s were a highly disappointing period, as regards the undertakings accepted by the countries themselves and by their partners in the Programme of Action adopted by the Second United Nations Conference on the LDCs. Some speakers did not hesitate to refer to these years as a "lost decade".

Introduction

Right from the opening of the Second United Nations Conference on the LDCs, in Paris in September 1990, France as host country set the tone. Whereas the past decade had been one of regression, an effort must now be made - by preparing a new substantial programme of action on behalf of the LDCs for the 1990s - to halt this retrograde trend in order to prevent the gulf between North and South from becoming deeper.

Starting from an assessment of the 1980s as a "lost decade", the general tenor of the statements was that, for the majority of LDCs, the decade in question was a period of great disappointment as regards the undertakings accepted by the LDCs themselves and by their development partners in the SNPA. That programme assigned a target of 7.2 per cent for the annual growth rate of the gross domestic product (GDP) in the LDCs. In fact the growth rate was only 2.2 per cent. The share of the LDCs in world exports reached only 0.3 per cent in 1988 as compared to 1.4 per cent in 1960. The output of manufactured goods increased by only 2.6 per cent per year, whereas an annual increase of 9 per cent had been anticipated. Agricultural production had advanced by only 1.6 per cent, while the programme envisaged a rate of 4 per cent. The target of an Official Development Aid (ODA)/gross national product (GNP) ratio of 0.15 per cent for which provision had been made was achieved only by Canada, Denmark, Finland, Italy, Netherlands, Norway, Sweden and three members of OPEC: Saudi Arabia, Kuwait and Libya. Overall, however, the ratio had reached scarcely 0.09 per cent. At the same time, in the general view of

speakers, the tightening of the interlinkages at international level make possible concerted efforts to reverse the tendency to a decline in economic development from which several if not all LDCs have suffered during the 1980s.

In order to halt, or at least to stem, the marginalization of LDCs in the world economic context, the Second Paris Conference recommended the adoption of effective macroeconomic policies aimed at long-term growth and development. It urged donors to concentrate their efforts on rural industrial development strategies and to create a climate more favourable to a diversified production sector based on private initiative. Particular attention was paid to investment in human resources through the offer of assistance in the fields of health, education and family planning. Donors were also requested by the LDCs to set more ambitious financing targets.

The way in which the various proposals at issue are reflected in the statements made will be described in the present document, entitled: "Summary of statements during the Second United Nations Conference on the LDCs: Industrialization of LDCs in the 1990s (North-South cooperation in industrial development)".

A. Overall context

In the statements as a whole, acceptance of the four basic principles of the Substantial New Programme of Action (SNPA) emanating from the Second United Nations Conference on the LDCs was confirmed, namely:

- Shared responsibility;
- The leading role of the LDCs themselves in evolving their development;
- The need for adequate outside assistance;
- A guarantee of a stringent and measurable evaluation of international commitments.

While the heterogeneous nature of this category precludes any over-absolute generalizations, the Conference participants identified the three principal obstacles in the way of the development of the LDCs during the past decade, namely:

- Structural obstacles;
- Unfavourable trends in the world economy;
- Shortcomings of national policies.

The relative disappointment at the progress made by the LDCs during the past decade does not imply a message of fatalistic abandonment, but on the contrary a message of vitality, confidence and exertion. The Conference took good care not to make any statements in the form of fine emotional outbursts. All participants were at pains to learn from past experience in order to put forward specific proposals which, without giving the impression of laying down the law, could contribute to the drafting of development strategies for the SNPA for the 1990s.

1. Structural adjustment

Particular attention was devoted to programmes of structural adjustment within the LDCs. Such programmes should be able to overcome the obstacles in the way of development, it being possible to continue the adjustment with the revival of equitable growth followed by an expansion of employment opportunities. EEC, Republic of Korea, ILO, International Chamber of Commerce (ICC), World Bank, United States of America, Switzerland and Norway were in agreement in considering that wherever possible privatization should be an important factor in these programmes. According to the LDCs themselves and the Philippines, structural assessment is oriented too much towards short-term objectives relating to re-establishment of overall financial equilibrium (balance of payments, reduction of budgetary deficits) and neglects important or even vital factors in long-term development. Haiti caps this by insisting that structural adjustment can no longer be conceived in terms of a return to financial and monetary balances; it must take account of the needs and targets of ongoing development.

2. Macroeconomic conditions

The group of LDCs, the delegations from the developed countries and the international agencies represented at the Conference were unanimous on the following point: an industrialist requiring to take a decision on an investment needs a stable macroeconomic climate, inspiring the necessary confidence, together with a market operating efficiently and, through the intermediary of the price mechanism, supplying the signals necessary for the definition of a strategy. A macroeconomic framework angled towards growth should be coherent but at the same time flexible as regards the types of instruments to be used and their method of application. The acceleration of economic growth and long-term development should be the priority target of the macroeconomic policy of the LDCs. To revive this economic growth, Switzerland considers that two preconditions should be met:

- (a) The context of the national economy should stimulate the productive activity of all economic agencies;
- (b) A healthy international economic environment must be maintained. The success of a macroeconomic policy will in future be measured by its ability to guarantee development and ensure growth of the export market.

B. Institutional development

1. Public enterprises

In the public enterprise sector, there must be a process of reformation and restructuring in order to improve performance and reduce the burden on State budgets.

Pursuit of a policy of support by promoting the financial and managerial capacity of the public sector, encouragement of the orientation of public enterprises towards rational management, decentralization and deregulation, the strengthening of public enterprises which play a strategic role and whose

privatization or abolition does not appear to be feasible (in which case they should be modernized and rationalized in order to increase their efficiency) - those were the proposals of Angola, Asian Development Bank, World Confederation of Labour, France, Guinea, Italy, Jamaica, Haiti, India, Kiribati, Niger, Norway, Lesotho, Portugal, Mali, OECD, etc.

In the opinion of Guinea, until the LDCs can command an entrepreneurial capability of the quality called for under a concept of genuine national development, the dismantling of the public enterprise sector could result in a reduction of an already highly limited production capacity.

The State can also play a significant part by assuming responsibility - directly or indirectly, totally or partially - for certain investment operations whose profitability is such a long-term matter or is so doubtful that in many countries private enterprise would not dare to embark upon them - such is the recommendation of OECD.

2. Private enterprises

In the private enterprise sector, encouragement should be given to small and medium enterprises and small and medium industries, and likewise to industrial cooperatives, accompanied by the promotion of policies in support of private investment. The private sector is the "essential pivot of the upturn in the growth of the economy", and efforts directed at privatization and assistance to growth in the private sector would benefit from contributions from both public and private financial sources.

Stress should be laid on the development of private partnership between private enterprises in both rural and urban environments. The LDCs should foster private enterprise, which ensures the success of long-term efforts, the accumulation of productive capital and the establishment of enterprises. Better access to credit should be provided for small entrepreneurs and in particular for women entrepreneurs who suffer from considerable discrimination in this respect.

Private enterprise was championed by a majority of participants, viz: Portugal, Italy, ESCAP, ACP Group, Asian Development Bank, Togo, Niger, Antigua and Barbuda, United Kingdom, United States, Lesotho, Canada, Finland, Rwanda, UNIFEM, Tuvalu, Germany, Japan, Kiribati, World Bank, France and World Assembly of Small and Medium Enterprises.

All the LDCs have included the encouragement of private enterprise in their structural adjustment programmes; however, in this connection Guinea issues a warning that care must be taken to ensure that promotion of the foreign private sector in the LDCs does not marginalize or totally eliminate the emergence of a national private sector.

An administrative and economic legal framework capable of attracting foreign investors should fulfil a number of conditions:

- Stable political system with a government respecting the role of enterprises;
- Efficient and honest bureaucracy;

- Growing levels of education, public health and social infrastructure;
- Sound monetary and fiscal policies;
- Moderate personal and corporate taxation levels;
- Flexibility of relative prices reflecting market signals, so that enterprises can adapt to modern commercial operations;
- Impartial judiciary and free access to the courts for redressing wrongs and settling differences.

International Chamber of Commerce, World Confederation of Labour, United States, World Bank, United Kingdom and WASME are united in stressing that these conditions and factors are all the more relevant and important since it is they which encourage private national investment.

Deregulation, development of financial institutions and the statutory recognition of associations of micro, small and medium enterprises should be the key components of a legal environment capable of facilitating the work of private enterprises - such is the view of WASME which furthermore proposes that 1992 should be declared the year of Micro, Small and Medium Enterprises in the LDCs.

3. Informal sector

National and international policies should encourage the informal sector and enhance its status; although it is difficult to encompass, it remains an important reservoir of employment. ILO, UNIFEM and WASME are of the opinion that sometimes apparently small resources invested in this sector are sufficient to bring about its own growth and ensure that it becomes a force working for the establishment of small and medium enterprises. WASME is prepared to place its assistance in this sector at the disposal of governments, agencies and NGOs.

4. Promotion of Chambers of Commerce, Industry and Agriculture

In order to facilitate a "dialogue for industrial development", various organizations represented at the Conference referred to the expansion and reinforcement of national and local bodies in the LDCs in a position to represent the economic community, such as Chambers of Commerce, Industry and Agriculture. These represent a source of encouragement, information and guidance both for new entrepreneurs and for already established undertakings. They are in a position to conduct market research, seek interlinkages with foreign purchasers, organize coordinated participation in trade fairs, and receive foreign businessmen. Their most important role is perhaps to act as a sounding board or as a government partner in the drafting and implementation of industrial and commercial policies. They can contribute to the expansion of the business of micro, small and medium enterprises, thus playing a part in the promotion of exports. Unions of industrialists and associations of small and medium enterprises should collaborate with United Nations specialized agencies such as UNIDO in order to buttress the position of the Chambers in the LDCs, by supplying technical assistance to their staff - such is the recommendation of the International Chamber of Commerce and WASME.

Encouragement should be given to the establishment of federations of associations of micro, small and medium enterprises at regional level. ILO, UNIDO, IFAD, ICC and the Regional and Economic Commissions of the United Nations should not only contribute to the establishment of such federations but should also provide them with assistance enabling them to become partners in the process of economic growth; this is the proposal of WASME.

C. Sectoral development

1. Sectoral policies

Only clearly defined sectoral policies (macroeconomic context or sectoral strategies) are capable of yielding coherent procedures enabling donors to act in support of government action as such. This definition of sectoral policies should be made in the light of a medium-term objective and should not focus solely on the aspects of re-establishing balances by short-term adjustments. The Conference was in unanimous agreement on this approach to sectoral policies.

France suggested that it was vital better to integrate adjustment and development, and adjustment should be directed towards financing programmes actually contributing to development and not just towards the liquidation of overall deficits, this being followed by the drafting of programmes supporting sectoral reconstruction so as to permit a revival of the competitive power of the economy.

The International Confederation of Free Trade Unions (ICFTU) proposed that in sectoral policies encouragement should be given to job-intensive sectors; public works and other labour-intensive activities would also be of value under conditions in which they can create or revitalize a productive infrastructure.

2. Rural industry

Italy stressed that in their industrialization programmes LDCs should promote the complementary and simultaneous development of the rural economy by stimulating the development of rural industries.

Israel was of the opinion that, in view of the importance of agriculture in the LDCs, recourse should be had to a "strategy of a transitional economy", which would be particularly advantageous to LDCs possessing limited resources. Such a procedure increases productivity and improves the quality of life in rural areas by creating extra-agricultural jobs. Israel was ready to furnish its assistance to any country wishing to try out this strategy.

IFAD took the view that, in the case of extra-agricultural jobs, it was necessary to use the "direct attack" method by encouraging rural industries and "grass-roots businesses" (micro-enterprises). This strategy has the advantage of promoting agro-industrial linkages in the rural sector, based on concepts favouring technologies demanding more labour but less capital.

Rwanda rejoined that industrialization efforts should therefore be directed towards the development of small industrial enterprises capable of dealing with the employment problem, particularly in the rural environment.

3. Energy

Several LDCs have substantial energy resources which are at present underutilized; these include oil, natural gas, coal and hydro potential. Such resources should be mobilized for the implementation of industrial development programmes in the countries in question. Consequently, such countries should be assisted in identifying and exploiting their energy resources, including the more efficient use of new and renewable energy sources in addition to conventional ones. These are the views of UNIDO and UN/DTCD.

4. Environment

One of the challenges with which the Second United Nations Conference on the LDCs was faced is that of the environment. It is impossible to separate environmental problems from industrial development problems.

The EEC warned that care should be taken that protection of the environment did not become a future bone of contention between North and South.

France stated that the LDCs are not in a position fully to participate in the definition and implementation of an overall policy aimed at protecting their environments. Hence Senegal, Vanuatu and Tuvalu called for the drafting by the LDCs and for the LDCs of measures placing those countries in a better position to protect their forests and natural resources. The Commonwealth Secretariat and Switzerland suggest that for this purpose it is necessary to include a nature-protection factor in industrial development strategies and in industrial investment cost estimates, and likewise to consider the effects on the environment of any technology transfer process.

Switzerland, Germany and United Kingdom proposed to allocate funds to the LDCs for the protection of their environment. The Department of Technical Cooperation for Development (UN-DTCD) proposed to offer technical assistance for training personnel from the LDCs in environmental protection matters. The Asian Development Bank was in process of implementing regional technical assistance to stimulate inclusion of measures to prevent natural disasters in its field of competence.

D. Utilization of human resources

In general, the experience of many countries has highlighted the importance of investment in human resources as an accompaniment to industrial investment, which is too often excessively influenced by the decision makers; hence the view of UNESCO regarding the need for cooperation in the design and implementation of global strategies for utilizing human resources in harmony with development resources.

The reports by UNDP and the World Bank on human development were frequently referred to by participants in discussing the utilization of human resources.

Affording of opportunities to generate income thanks to overall growth and placing in the hands of the LDCs the means of making full use of this potential thanks to the development of human resources. This includes vocational training and transfer of technology. The development of institutions dealing with human resources - education, health, training, etc. Making lasting development the key component of projects and of human resource management, ensuring participation in economic development by the majority of the population, trade unions, workers and other social organizations, since investment in human capital increases productivity and entrepreneurial capabilities, facilitates innovative work and enhances the flexibility needed to adopt new technology. No technology can meet the requirements of the LDCs without a programme for the utilization of human resources. In this connection enterprises and promotional agencies should facilitate training, research and access to new materials bearing on the development of institutions; consequently, there is a need for the development and enhancement of assistance to the LDCs in their programmes to develop human resources. The shortage of qualified staff in industrial development management programmes remains a basic constraint on the LDCs. Yet industrial projects in the LDCs should include an important component dealing with vocational training, on-the-job training and fellowships in the field of industrial and financial management and negotiation. The Governments of the LDCs will be unable effectively to pursue industrial development without sound management; management programmes and industrial programming analyses would contribute to improving the management capability of industrial enterprises, and enable them to make rational use of their available resources. The above considerations dealing with the utilization of human resources were put forward by Austria, Australia, United States, Jamaica, Yugoslavia, Tuvalu, WCL, ICFTU, WASME, Belgium, World Bank, Canada, ESCAP, India, United Kingdom, Philippines, Norway, UNDP, UN-DTCD, Asian Development Bank and Bangladesh.

E. Integration of women in industrial development

Since women have long been ignored in economic development plans, the Conference appealed for efforts to facilitate and promote the participation and integration of women in the economic process, on the basis of training programmes and participation in sectors favouring job creation, such as industry.

The grant of equal status is not only a matter of human justice but is also a precondition for social and economic progress. Women must have their own means of production, productive potential and income through being allowed better access to investment credits, technological and entrepreneurial know-how and resources. Women should take part in decision-making in connection with the development effort and particularly in the determination of appropriate ways and means of extending their own potential. Their participation should be encouraged in agro-industry and in the informal sector, which is frequently a driving force in the establishment of small and medium enterprises. All the LDCs present at the Conference, supported particularly by Netherlands, Norway, Denmark, Sweden, Switzerland, Belgium, World Bank, IFAD, UNIFEM, WASME, WCL, Philippines, India, France, Thailand, and Asian Development Bank subscribed to this concept of integrating women in economic development.

F. Transport

Their status as land-locked or island States represents for certain LDCs an urgent problem involving the modernization and expansion of national and regional transport and communications networks in the interests of industrial development. UNIDO thinks that it is a matter of urgency to take account of the needs associated with their inter-State transport systems and their inter-island communications systems.

The transport problem is a matter of priority for land-locked and island countries. The costs of international transport in Africa, for example, are the highest in the world. In the Central African Republic the costs per ton-kilometre exceed by 50-80 per cent those applicable in Burkina Faso or Mali, which are themselves much higher than in the large Asiatic countries. As regards the cost of sea transport departing from Africa, Bangkok is nearer to France than are Douala or Abidjan. Additional monetary and technical support is required to finance transport infrastructure projects. However, the solution of the problem does not depend only on the implementation of large investments in port installations, roads or railways but also on the organization of transport systems (rapid and more diversified). In the context of its subregional organizations, the international community should assign fresh priority to reducing the isolation of LDCs. Programmes should be launched for this purpose, including development of river basins, strengthening of transport networks, and the identification and removal of bottlenecks of all kinds; regulations and tax provisions which limit competition put a brake on industrial enterprises. The 16 land-locked and the nine island LDCs are unanimous in calling for specific measures to step up international assistance on their behalf.

G. Communications

The widening of the technological gap between the developed countries and the LDCs reduces the prospects for technology transfer in communications. Furthermore, new technologies call for a new approach to the development of human resources, involving high-grade telecommunications technicians, engineers and managers. Under conditions in which shortage of foreign exchange impedes the replacement of obsolete equipment, the development of new services and the extension of networks, there ensues a stagnation of growth or even the collapse of the telecommunications network in the LDCs. The international community and financial institutions operating at bilateral and multilateral levels should take account of the "telecommunications" component in their projects. Here the ITU (International Telecommunication Union) asks how it will be possible to achieve economic integration in Africa without a minimum national, inter-State and interregional standard of communications.

H. International cooperation

1. International economic climate

While the LDCs themselves should play the key part in their economic growth for development, it is likewise true that a healthy international economic environment can make an important contribution. In this connection

the role of the developed countries in their support for the LDCs can be summarized under four headings:

- Promotion of a global economic climate which would help maintain non-inflationary growth;
- Promotion of a substantial rate of flow of input resources, on the basis of adequate technical assistance;
- Maintenance of a liberal system of international trade favouring better access to markets;
- Provision of assistance in finding equitable solutions to the problem of the external debt of the LDCs.

In short, more credible international aid.

Originally enumerated by the United States, these four points were supported by, inter alia, IMF, World Bank, ICC, Scandinavian countries, Republic of Korea, Japan, Romania, Holy See, WCL, Senegal, EEC and all LDCs.

2. NGOs - partners in industrial development

There are in fact numerous countries which have subscribed to the Kathmandu conclusions on non-governmental organizations, namely their association with economic development efforts. In recent years NGOs have been playing an ever more prominent role in both developed and developing countries. One of their prime tasks is to make a special contribution to promoting and supporting small industries and mobilizing human resources for industry. Their success lies, inter alia, in the fields of rural credit, stimulation of the spirit of enterprise, and training. There are thus grounds for encouraging their association in both bilateral and multilateral international cooperation. With their experience in the field, NGOs are in a position to acquire detailed knowledge of local conditions, to identify specific industrial development needs and to work out viable long-term projects in harmony with the targets being aimed at. Hence WCL, Sweden, Norway, France, ICFTU, IFAD, Lesotho, Switzerland, Portugal, Ireland, Finland, WASME, UNIFEM, International Alliance of Women and UNIDO recommended closer cooperation with NGOs, particularly in the context of the programme for establishing small rural industries.

3. Official Development Aid (ODA)

Since the target of 0.15 per cent GNP/ODA has not been achieved, new and energetic attempts must be undertaken to increase the flow of multilateral gifts aimed at meeting the acute capital requirements of the LDCs. A substantial growth of multilateral and bilateral ODA in terms of capital and of technical assistance is a vital need of the LDCs. Otherwise, the targets and priorities fixed by some of these countries in their programme to revive economic growth will never be achieved. Donors should try to reach, by about 1995, 0.20 per cent of their GDP/ODA. It will likewise be necessary to review the mechanism of assistance in order to define clear relationships between the latter and the internal dynamics of the LDCs, because outside assistance will never be effective unless it is applied within a framework of suitable and

realistic national policies, laying down the proper priorities in economic and industrial development. The appraisals made by Algeria, Canada, ACP Group, Comoros, Philippines, Norway, Djibouti, Uganda, Lesotho, Kiribati, Vanuatu, Sudan, Somalia, Scandinavian countries, Portugal, Greece, Italy and UNDP conclude that the provision of additional resources in the form of gifts represents the best way of achieving a growth which does not accelerate the indebtedness spiral.

ICFTU, Germany, the Scandinavian countries, Canada, Bangladesh, Yugoslavia, ITU and USSR state that the present reductions in military expenditure in the industrialized countries - incidentally the LDCs should also reduce their military expenditure - may channel the transfer of these "dividends of peace" into the additional resources for aid sector having the purpose of reactivating economic growth. All the western countries followed by Yugoslavia, Thailand, Uganda and other developing countries stress in unison that an adequate level of external resources should be granted to LDCs pursuing a wise policy, i.e. freedom and economic prosperity are closely interlinked and mutually supportive.

4. Industrial investment and transfers of technology

The international community should maintain the flow of financial resources and should include in its ODA private financial flows such as credit exports and direct investment.

Various commercial and investment banks should be restructured and modernized with the participation of foreign and national private capital.

Encouragement is needed for direct foreign investment associated with suitable internal policies. The constant upheavals on the world market discourage the private investor and upset the finances of the LDCs. An improvement in the clearing arrangements affecting the LDCs should be planned and implemented, while systems for external insurance against political hazards should be extended to industrial and commercial risks. It is therefore necessary to boost the ability of the LDCs to attract private direct investment, because this form of foreign capital is accompanied by an input of technology and of management and marketing skills. Unlike the situation with bank credits, no repayment is due while the investment is yielding no profits. Antigua, Barbados, Burundi, Germany, ICC, Japan and Senegal see the promotion and diversification of exports as one of the important factors in the growth of flows from the industrialized countries to the LDCs.

In order more adequately to supplement the provisions of bilateral and multilateral ODA, Kiribati and Vanuatu believe that a "Development Trust Fund for Island LDCs" should be set up, which would raise the financial resources available in national budgets.

In order to improve the planning of industrial development as a dynamic and ongoing process, steps should be taken to identify all available technical and technological capabilities, with a view to assessing the obstacles in the way of industrial development and devising means for surmounting them. In this connection technological development should be encouraged, together with the development of scientific and technological bases. Here, more assistance in the field of science and technology and the promotion of appropriate

technology transfer to the LDCs so as to prevent their marginalization through the present technological revolution are definite requirements. Hence the need to favour the transfer of technologies commensurate with the requirements of the LDCs. UN-DTCD, Romania, Bangladesh and WASME observe that without effective inter-enterprise cooperation such transfer will have no effect, since technology flow must be capable of being properly used by the enterprise sector.

Countries such as Tuvalu wish to develop their fisheries industry, but suffer from the lack of adequate technologies.

5. Technical training assistance

It is a fact that the adoption of industrialization strategies demands a rapid expansion in training in order to develop management skills, to intensify production and so on. Consequently, the effectiveness of the technical and professional training components in technical assistance programmes must be increased. At the same time, this assistance should not be used for paying high salaries to experts from the donor countries. Haiti protested that otherwise one would have the LDCs being used to mitigate the unemployment problem in the rich countries.

It is high time that the technical assistance supplied should be used for purposes of support and training and not for the installation of supervisory bodies. Burundi added that the partners should aim at helping the LDCs along the road to autonomy and not along the road to dependence.

6. Coordination of aid

The coordination of aid calls for the development of efficient machinery and institutions which would contribute to a better coordination of the financial and technical assistance provided for the development of the LDCs. In this context, coordination of aid for industrial development becomes a vital matter. Republic of Korea, Belgium, Switzerland, France and a substantial majority of representatives agree that encouragement of coordination is not only the development of uniform procedures within a framework of advice to the LDCs but also the avoiding of overlapping and any form of competition between donors.

In the field of coordination corrective measures are required along the following lines:

- The development of a logical interlinkage between the aid coordination process and the purposes which the aid itself is intended to achieve: this should be done by long-term strategies in accordance with the requests made by the LDCs;
- Italy recommended encouraging the role and if necessary the capability of Governments in managing and coordinating aid resources within the framework of national policies.

To this end, the multilateral organizations should strengthen their collaboration with, in particular, United Nations agencies, World Bank and regional development banks. Switzerland and WCL add that more thorough

coordination of international technical and financial aid fully synchronized with the efforts of the LDCs would encourage the latter to take responsibility, in the medium and long term, for their own economic and industrial development.

H. External debt

Still entangled in the financial difficulties characterizing the "lost decade" of the 1980s, the performance of the LDCs in this respect is still poor. There can be no real, lasting and vigorous economic growth until the scourge represented by debt has been overcome. In order to be effective, revitalization programmes must be based above all on measures to reduce indebtedness. As regards the nature of these measures, the approaches are different and varied, including relief, total cancellation, conversion into gifts, partial cancellation or an equitable solution.

- Relief: Switzerland, Algeria, Cape Verde, China, ILO, Republic of Korea, Mauritania, United Kingdom and Djibouti maintain that substantial relief démarches would make it possible to allocate foreign exchange resources to priority development programmes and thus to impound some of the social fruits of Structural Adjustment Programmes (SAPs);
- Total cancellation: Chad says "this is not an easy way out, but a necessity". The idea is supported by the ACP Group, Guinea, Iraq, Guinea-Bissau, Rwanda, Niger and Somalia. However, organizations or countries such as the ICFTU and Italy subject total or partial cancellation to respect for human rights and political pluralism in the LDCs.
- Conversion into gifts: France, Senegal, Canada, Philippines and Djibouti consider that this would have the advantage of achieving growth which would not be likely to aggravate the vicious spiral of indebtedness. Numerous countries, including Bangladesh, Thailand, Uganda, WCL, North Korea, Algeria and the Holy See, vary their recommendations between restructuring, moratorium, cancellation and reduction.

The EEC, for its part, bases its views on the various positions adopted by its members, i.e. those which follow the Toronto Plan or those which have preferred to grant a reduction in interest rates, remissions or conversion of payments into local currency.

The Director-General of the IMF pointed out that the reduction of the debt is not a cure in itself; it is an additional tool, neither more nor less. The United States of America added that without drastic adjustment no degree of remission of the debt could lead to a revival of growth.

I. International trade

Measures aimed at diversifying and promoting exports from LDCs will be fruitless unless they are backed up by appropriate support at international

level. Such international support should likewise make provision for price stabilization.

Dismantling, within the framework of the Uruguay Round, of the obstacles to trade which prevent exports of manufactured goods particularly in the textile and clothing sector. Increase in export quotas. Simplification and expansion of overall preference systems. United States, Philippines, Austria, Burkina Faso, Burundi, Cape Verde, ACP Group, Central African Republic, Czechoslovakia, ESCAP, Guinea, Guinea-Bissau, Jamaica, Group of 77 and Rwanda are in favour of proceeding in this manner.

Algeria and China hold that the removal of tariff and non-tariff barriers in the way of export commodities is of interest for the LDCs and could contribute a means of revitalizing the export sector of the countries in question.

The ICC believes that an open world trade system encourages the effective utilization of world resources and is also the channel by which growth impulses are communicated from one country to another. It is useless to have open frontiers and free markets if products cannot be sold, whether because they are unsuitable, too dear or not up to standard. France warns that the problem arises in terms of commercial competitiveness. GATT and United States urge that the LDCs should henceforth take an active part in the GATT negotiations and indeed take an active part in international trade, which might induce their commercial partners to agree to positive measures in their favour, for example the removal of barriers as a step towards bringing about substantial prosperity in the countries in question.

One world - one destiny. "Is the South going to be forgotten?"

Many fear that the interest and the resources of the West will be diverted towards the West's growing commitments towards the USSR and the Eastern European countries. Mr. W. P. Thalwitz, First Vice President of the World Bank, assured the Conference that such is not the case.

However, the imminent establishment of the European reconstruction bank for the development of Eastern Europe arouses the misgivings of Malaysia, which expresses doubts regarding the "sincerity of the West".

The Philippines proclaimed that the interdependence between North and South is a choice between mutual progress and mutual regression. To avoid such flagrant inequality a balance should be struck in development cooperation. In reply to the fears of "Eurocentrism" expressed by Benin, Germany replied that there will be no "fortress Europe".

The President of Senegal, Mr. A. Diouf, warned that with the disappearance of East-West hostility care must be taken to avoid the occurrence of an even more serious and harmful phenomenon in the form of antagonism between North and South.

Guinea rejoined that henceforth priority should therefore be given to North-South relations at the expense of East-West relations.

Switzerland thought that the force represented by East-West relations could well, during the 1990s, become the force represented by South-North relations, and that Switzerland would proceed on this assumption. Togo concluded that a new policy of partnership between North and South should guarantee the basis for industrial development in the LDCs.

J. South-South cooperation

Constituting small and weak States, with small budgets and small markets, it is inconceivable that the LDCs can aspire to viable long-term economic development. Consequently, it is necessary to establish subregional and regional economic integration structures providing for the total freedom of movement of goods and services, of capital and of persons. This concept was accepted unanimously by the Conference, with no hint of disagreement.

France argued that there were in addition powerful reasons for subscribing to this South-South cooperation, namely the search for an environment better suited to foreign investment, secure food supplies, a customs union, and the combating of desertification or large-scale natural disasters. The stars of the show were the 16 land-locked and the nine island LDCs.

However, while leaving their doors open towards the North, the South should work on its capability to support itself. Malaysia stressed that such cooperation was a strategic necessity, not only for the development of the South but also as a guarantee for the equitable management of global inter-dependence. Senegal added that the LDCs were aware that in order to avoid being marginalized they must erect such structures, in cooperation with other developing countries, centred on projects for establishing trading zones providing a legal framework for viable markets associated with efficient machinery as regards scientific research, industrial infrastructures, transport and communications.

This being so, the first Summit of the Group of 15 for the South-South Consultation, which adopted specific measures to strengthen commercial relationships and solidarity along the South-South axis, is regarded as a complementary aspect of North-South cooperation.

K. Follow-up and evaluation

A general consensus emerged from all the statements regarding the definition of a precise mechanism for periodical follow-up and evaluation, so as to guarantee the effective implementation of the mutual undertakings accepted by the LDCs and their bilateral or multilateral partners. This mechanism operates at three levels:

- (a) National, through the UNDP's Round Tables and the World Bank's Consultative groups;
- (b) Regional, through the United Nations Regional Economic Commissions;

- (c) Global, under the auspices of UNCTAD through periodical inter-agency meetings in order to assess progress made in programme implementation and, if necessary, to decide on additional measures.

L. General conclusion

The order in which the principal challenges emerging from the summary of statements are listed is neither hierarchical nor chronological. These challenges are closely interlinked and it is scarcely feasible to take up one without initiating additional action or having to face others. Attention should rather be concentrated on the tools which will make it possible to take up these challenges during the 1990s - challenges which call for shared responsibility and closer partnership. In this sense the concept of a "contract of solidarity" proclaimed by the President of France, Mr. F. Mitterrand, at the opening of the Conference undoubtedly set the tone for the proceedings and the discussion of a consensus on the Programme of Action of the Second United Nations Conference on the Least Developed Countries.



United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.521/1/Corr.1(SPEC.)
7 November 1991

ENGLISH ONLY

Symposium on the Industrialization
of the Least Developed Countries

Vienna, Austria, 14-22 November 1991

NORTH-SOUTH COOPERATION IN
INDUSTRIAL DEVELOPMENT

Summary of debates at the Second United Nations
Conference on the Least Developed Countries

Corrigendum

The subtitle of this document should read as above.

Page 3, second paragraph, lines 10 and 11

~~Delete~~ adopted by the Second United Nations Conference on the LDCs

Page 6, fourth paragraph

The fifth line should read upturn in the growth of the economy", in the words of Italy. Thus efforts directed at privatization

Page 14

Delete the second paragraph.

Page 15, second paragraph

For the first sentence substitute The performance of the LDCs, still entangled in the financial difficulties characterizing the "lost decade" of the 1980s, is still poor.

Page 17, fifth paragraph

The last line should read dimension complementary to North-South cooperation.