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INTERNATIONAL CO-OPERATION FOR INDUSTRIAL DEVELOPMENT
IN LATIN AMERICA

79-8-1879

CONTENTS

	<u>Page</u>
I. Guidelines for industrialization	1
II. Latin America and international co-operation for industrialization	4
1. General aspects	4
2. Requirements in the field of co-operation	6
III. Institutional aspects	31

I. GUIDELINES FOR INDUSTRIALIZATION 1/

The industrialization process is usually defined as a rise in the share of the manufacturing sector in the generation of the product of the economy as a whole, as the result of faster growth in industry compared with general economic expansion. In this way, industry is regarded as a dynamic sector. However, the general guidelines for industrialization should be assessed above and beyond the structural change in the economy caused by the growing preponderance of industry. In this assessment two groups of fundamental questions should be considered. One corresponds to the economic objectives which, imply that industry must, first and foremost, (a) improve its own structure through progress with intermediate and capital goods so that the technological input-output linkages, internal relations and those with other sectors generate dynamic effects through demand for intermediate and capital goods originating in the manufacture of final consumption goods; (b) help to overcome the chronic tendency towards an external bottleneck by much more active participation in exporting than in the past. These two objectives are closely linked and intertwined, since structural progress towards more complex technologically more advanced industries would make it possible to participate in the most dynamic flows of international trade. In this way there would be a tendency towards intra-sectoral specialization within more symmetrical patterns of trade, whereby acquired comparative advantages arising from the process of industrialization would be added to natural comparative advantages, the exploitation of which is related to an increase in the degree of processing of primary products.

The other group of objectives, with regard to which the economic objectives become instrumental, have to do with the social implications of industrialization. The most obvious corresponds to employment, in relation to which industry plays the role of absorbing labour. However, this role has not been very significant and is unlikely to be in the future, since although the industrial growth rates hoped for are rapid, productivity is also expected to increase appreciably. However, structural improvements,

1/ For more details see "Analysis and prospects for Latin American industrial development", (ST/CIPAL/CONF.69/L.2).

in the sense of increasing the technological interrelations in the processes of production, would ensure multiplier effects on employment, as a result of which the indirect influence of industry on employment would grow in importance.

Meanwhile, increases in industrial productivity, which would rise increasingly above the average for the economy, would bring with them particularly important problems in distribution. These would be added to the persistent problems which contribute to the low level of involvement of substantial social strata of the population in economic progress.

It should be remembered that the involvement of these strata is a general development objective of high priority and that, moreover, it emerges in some way as one of the pillars of industrial development itself, as regards both the requirements of scale and the stimulation of many industries, including not only the traditional industries producing consumer goods but, to a large extent, intermediate, consumer durable and capital goods industries.

In this way, the expansion of domestic markets to include broader sectors of the population would work together with exports of manufactures (or the extension of the market towards the exterior) in order to bring viability to large sections of industry which demand specific scales in order to develop efficiently. In this regard the integration processes under way in Latin America would undoubtedly play a role of prime importance.

Within this group of economic and social objectives are articulated and defined the industrial guidelines conceived within a framework which places special emphasis on the fundamental aims of raising the level of living of the population. This implies an acceleration in the rate of economic growth and, as a result, an even greater rise in industrial growth; a profound modification of the characteristics of income distribution in the direction of appreciably greater equality; and the consequent shaping of a structure of production which attaches importance to the agricultural sector and the branches producing mass-consumption goods and services, particularly in the industrial sector. All this would occur in a framework which ensures a reasonable technological linkage of the production activities in line with the above, either at the national level or within international groupings.

/The political

The political and economic implications of approaches of this kind are obvious. So are those related to other decisions concerning the industrial "strategy". These include those relating to the terms of integration in the world economy.

This integration has various facets which should be borne in mind. One corresponds to external influences on the form of development, which come up against the need to preserve the identity of the region and the Latin American countries, in view of the particular features which distinguish them one from another, and above all from the industrialized world - since many characteristics make them similar to other developing regions - features which relate, among other things, to natural influences, economic size, the level of development and degree of industrialization, and the importance of the social problems of marginality and poverty. This brings urgency to the policies aimed at the selective assimilation of the patterns originating outside and the identification of those which are appropriate to the region and the individual countries.

Another important aspect relates to the ways in which the region will cope with the tendencies of the developed countries, which are forming concerted and regulated blocks and systems. For this reason, it is difficult to imagine that a single country would have sufficient force to negotiate the terms of its international relations. Concerted regional action and the operation of the integration agreements thus become important once again, aside from the reasons relating to making industrialization viable, so that it progresses towards more advanced stages.

The integration also covers trade aspects of particular importance, related to the requirements for the export of manufactures and access to the largest markets in the industrialized world. Thus the trends towards openness which may be observed in the region are coming up against growing protectionism in the centres and the relatively closed strategies of other areas.

Finally, the framework within which the industrial strategy falls includes the problems of the internationalization of the economies, one aspect of which relates directly to industry - the growing presence of the /transnational corporations.

transnational corporations. For this reason, industrial policy must define, firstly, the composition of industry in terms of enterprises, which, apart from economic issues, implicitly contains political conceptions since public, private and foreign firms are involved. It is immediately obvious that, to the extent that the transnational corporations participate, it is necessary to define ways and means of guiding them towards regional and national objectives such as those mentioned above.

It may be deduced from the above that progress can be made towards the economic and social objectives set out only by recasting the form of development prevailing in most of the countries of the region and carrying out efforts not only in the field of industry, but also, and in a co-ordinated manner, in all the sectors of the economy, so as to permit rapid and sustained economic growth which at the same time meets the social needs consistent with a substantial improvement in the quality of life of the whole of the population.

Development conceived in this manner represents a genuine challenge for Latin American countries, particularly if it is borne in mind that it will have to be undertaken within a context of serious external constraints and of temporary and structural internal obstacles which are difficult to eliminate. Action at the national level will not be sufficient; efforts will also be required at the international level, including, most importantly, efforts in regional and interregional co-operation, without forgetting the indispensable co-operation with the industrialized countries to eliminate the external factors hampering economic development in the countries of the region.

II. LATIN AMERICA AND INTERNATIONAL CO-OPERATION FOR INDUSTRIALIZATION

1. General aspects

The previous chapter contained an outline of the principal features and forms which might characterize a strategy of industrial development designed to be an integral part of dynamic, equitable and autonomous economic development and at the same time to stimulate such development.

/In this

In this way it falls to industrialization to play a fundamental role as a means of sustaining and increasing the rate of economic growth, raising the levels of living of the majority groups in the population and ensuring that the region plays a more appropriate role in the world economy.

In the face of this challenge the countries of the region, in various international forums, have declared their conviction that, while a form of development such as that described above should be based fundamentally on the domestic effort and the mobilization of local resources, co-operation at all levels - sub-regional, regional, interregional and global - should be regarded as a fundamental element to complement and support such efforts and to deal with common problems in promoting their economic and social development.

Thus a concern for the possibilities offered by concerted action between countries and groups of countries in the field of industrialization has been well to the fore in recent international, regional, interregional or specialized forums, notably:

(a) The Latin American Co-ordination Meeting for the Fourth Ministerial Meeting of the Group of 77 preparatory to the fifth session of UNCTAD (SELA, Caracas, 15 to 19 January 1979).

(b) The Fourth Ministerial Meeting of the Group of 77 (Arusha, 6 to 16 February 1979).

(c) The eighteenth session of CEPAL (La Paz, 12 to 26 April 1979), at which the Commission adopted, by resolution 388 (XVIII), the La Paz Appraisal, a critical exercise in the fourth regional appraisal of the International Development Strategy.

(d) The thirteenth session of the UNIDO Industrial Development Board (Vienna, April and May 1979).

(e) The fifth session of UNCTAD (Manila, 7 May to 3 June 1979).

The conclusions reached at these forums, among which the La Paz Appraisal stands out for its importance and direct interest for the region, have served as a framework and a foundation for the considerations set out in this chapter, concerning the expected needs of the region in the field of international co-operation for industry.

/In addition,

In addition, account has been taken of the ideas and proposals contained in the UNIDO study on international co-operation for industry prepared by UNIDO in terms of General Assembly resolution 3362 (S-VII),^{2/} for submission to the Third Conference on UNIDO, to be held in New Delhi, India, from 21 January to 8 February 1980.

2. Requirements in the field of co-operation

Against the background set out in the previous section we may visualize the following areas in which it is considered necessary that the region should benefit from international co-operation in order to achieve the objectives of rapid industrialization: (a) industrial redeployment and system of consultations; (b) direct private foreign investment; (c) financing; (d) technology; (e) natural resources; (f) exports of manufactures; (g) training of human resources; (h) regional and interregional co-operation; (i) the less developed land-locked and island countries.

(a) Redeployment and system of consultations

Even though they refer to general provisions, which embrace all aspects of economic activity, General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, concerning the Declaration and Programme of Action on the Establishment of a New International Economic Order, urged the international community to take measures to encourage the industrialization of the developing countries, in order to increase their participation in world industrial output.

Subsequently, the Lima Declaration and Plan of Action on Industrial Development and Co-operation adopted by the Second General Conference of UNIDO (Lima, Peru, 12 to 26 March 1975) laid down the basic principles for industrialization and defined the measures which would have to be adopted by the international community as a whole within the framework of co-operation for the establishment of the new international economic order in the field of industrial development.

^{2/} "Industrialization for the year 2000: new dimensions", (UNIDO/IOD.268).

The Lima Declaration and Plan of Action set a 25% target share for the developing countries in world industrial output as a minimum to be reached by the year 2000, an objective which has also been endorsed by the recent General Assembly resolution 33/193, on preparations for an international development strategy for the third United Nations development decade.

Restructuring and redeployment, defined as an endeavour in international industrial co-operation to relocate resources in order to establish productive capacity in the developing countries, is a fundamental instrument to achieve an increase in the share of these countries in world industrial output.

This was clearly understood by CEPAL, which declared in the preamble to a recent resolution 3/ that "it is particularly important that world industry should be restructured so as to favour the industrial development of the developing countries. For this purpose it is necessary, inter alia, that the developed countries should adopt effective measures for the redeployment of those sectors of industries requiring structural adjustment so as to allow the full and effective participation of the developing countries in production and harmonize the interests of both groups of countries. This calls for the implementation of long-term industrial redeployment programmes and policies by the developed countries including economic and other indicators, which avoid protecting inefficient industries and facilitate a balanced world industrial redeployment".

Thus industrial redeployment will call for a programme of concerted measures to facilitate the transition, and negotiations should also be envisaged in the field of trade in order to ensure access on the part of industries installed in the developing countries to the markets of the industrialized countries.

It should be stressed in this connexion that one of the dominant topics in the La Paz Appraisal is the question of the relationship between protectionism and industrial redeployment. The belief is expressed that

3/ Resolution 386 (XVIII), "Preparations and contributions by CEPAL for the formulation of the New International Development Strategy for the Third United Nations Development Decade".

one of the medium- and long-term solutions to the protectionist policies followed by those countries lies in the restructuring which the developed countries should undertake, and which should be based to a large extent on intra-industrial specialization.

The La Paz Appraisal also refers to industrial redeployment in a broader context, viewing it as a means for achieving a new international division of labour and thus favouring an optimal and rational global growth of industrial production in the world.

This restructuring of world industry will be accompanied by a redeployment of productive capacities in the industrial field which should favour the developing countries.

In recent debates in UNIDO ^{4/} it has been argued that the process of redeployment should be considered part of an effort of international co-operation under international supervision, systematically adapted to the industrial plans and policies of the developing countries, and should not contribute to the depletion of their natural resources or to environmental pollution. It is also important to avoid any increase in dependence or encourage the transfer of obsolete technology, since in this connexion redeployment should also be understood as part of a process designed to promote the transfer of technology to developing countries.

In brief, as stated by UNIDO "redemption should play a positive role in building a New International Economic Order and not only deepening the existing ties of dependence of the South on the North. Each developing country must therefore select industries to receive through redeployment, in light of its own development priorities and the range of alternatives offered by the North. Furthermore, some degree of southern control over the establishment and operation of redeployed industrial capacity must be assured".^{5/}

^{4/} UNIDO, Report of the Industrial Development Board on the work of its thirteenth session, I/DE/232, 15 May 1979.

^{5/} UNIDO, Industrialization for the year 2000: new dimensions, op.cit., chapter 14, section (i).

The process of world restructuring and industrial redeployment offers very interesting possibilities for the region: it would make it possible to make the intensive use of its ample endowment of natural resources and supply of labour needed to speed up industrialization in the framework of a strategy comprising the modalities and projections set forth in part one of this report.

Development of this kind, resulting from a restructuring of world industry and supported by industrial redeployment, might enable the region to advance on a number of fronts: in balancing its industrial structure, through progress in the relatively more backward branches - i.e., the sectors producing intermediate and capital goods -; in improving interindustrial linkages, with their positive effects on industrial growth, technology and employment; and, what is more important, it would be one more factor favouring the expansion of markets, a vital element for the small and medium-sized countries in particular.

The Lima Declaration and Plan of Action (Articles 61 and 66) and General Assembly resolution 3362 (S-VII) refer to the need to carry out consultations with a view to redeployment or a new distribution of industrial activities which would help to attain the objectives of industrialization of the developing countries.

The results of the activities undertaken in this field have generally been positive. One or more rounds of consultations have taken place on the following sectors: fertilizers, iron and steel, leather and leather products, vegetable oils and fats and petrochemicals; and consultations are to be held on agricultural machinery in October 1979. The UNIDO Industrial Development Board has authorized consultations in the foods, pharmaceuticals and capital goods sectors for 1980-1981.

According to UNIDO estimates, the industrial sectors covered by the system of consultations together represented about 42% of world industrial output in 1970, to which the developing countries contributed only 4.3%.^{6/} This gives a rough idea of the effort which must be made by the developing countries to achieve the targets established in the Lima Declaration.

^{6/} Excluding leather and pharmaceutical products.

Although the system of consultations covers an important part of industrial activities its value should not be measured purely in quantitative terms. The development of the food processing industries and their integration with the agricultural machinery and fertilizer industry and also with the pharmaceutical industry is of great importance for a development strategy such as is described in the opening chapters of this document. It is well known that the growth of capital goods industries is one of the basic conditions for the integration of local industry, control of technology and reduction of dependence.

In this connexion, CEPAL is undertaking a study, jointly with UNIDO and UNDP, of the situation of the capital goods industry in the region, whose conclusions will no doubt represent an important contribution for future consultations in this sector.

It was stated earlier that the result of the present and future stages of these consultations might be bilateral and multilateral negotiations in the future.

A few comments on recent progress in this field will suffice to illustrate the way in which the present consultations have begun to show the basic outlines for such negotiations.

Using medium-term development scenarios designed to safeguard the interest of the developing and the developed countries, at the latest meeting on the iron and steel industry it was agreed to prepare a programme of action taking account of all the factors which affect its development, including the supply of raw materials, infrastructure, labour training and financing. This programme is to be examined by the interested parties and may eventually lead to negotiations in the sector.

Another example is the agreement on the allocation of responsibilities for production and distribution of fertilizers. This agreement will allow entrepreneurs to negotiate with governments and international financial institutions on more favourable terms and conditions for the total financing required. The design and application of a multilateral guarantee system applicable to fertilizer plants should offer the developing countries better guarantees for the operation of their plants and suitable compensation in case of indirect damage; it also offers exporters of capital goods the supplementary assistance they need.

/A final

A final example is the entry of new producers into the petrochemical industry. It was agreed that a concerted analysis of supply and demand should be made in order to help to reduce market imperfections. The reciprocal exchange of information by partners on their projects, in which international trade and production are closely linked, is viewed as the first step to avoid conflicts and gradually arrive at genuine co-operation.

The diversity of situations does not imply that the establishment of a strategic line for the progress of the system of consultations or the search for a common denominator should be renounced.

On the basis of the experience gained so far, one possibility might be that in each sector an "indicative framework" should be established, based mainly on a future balance of world supply and demand, which would make it possible to obtain a first indication of the possibilities of industrial redeployment in favour of the developing countries. The next step would be to determine, in the light of production objectives and technological alternatives, the needs in terms of financing, training, transfer of technology, etc., and at the same time supply information on the prospects for exchange.

This would also essentially satisfy one of the concerns which arose at the fourth Ministerial Meeting of the Group of 77, and which was expressed in the La Paz Appraisal, concerning the establishment of machinery to review periodically the modalities of production and trade in the world economy, identify the sectors which require structural readjustment and review the efforts of the developed countries in adopting the necessary measures and policies to promote the adjustment process in the sectors identified and facilitate the shift of factors of production from them.

In this connexion, and given the complexity of the problem, it is felt that particular importance attaches to the studies begun by UNIDO, in collaboration with governments and research institutes of the developing countries, with a view to foreseeing the probable structural changes and the direction and scope of the adjustments which will have to be made in the developed countries in order to face up to these changes.

/The brief

The brief mention made above of the responsibilities which should be borne by the system of consultations suffices to bear out the idea that the system should be made permanent.

As stated in Article 66 of the Lima Declaration and Plan of Action and General Assembly resolution 3362 (S-VII), mention should also be made of the need for such consultations to be held at the world, regional, interregional and sectoral levels.

It is considered that regional and interregional consultations are of primordial importance as a preparatory stage for world consultations, as well as to identify possibilities and areas for co-operation among developing countries and to study specific problems of a given region. Consequently, emphasis should be placed on the need to hold consultations at the regional and interregional levels, in which the regional commissions, with their experience and knowledge of the problems and possibilities of the regions, should play their part. As for global consultations, it is felt that the need for them has been amply demonstrated in all the sectoral consultations held to date, and therefore support should be given to the organization, as soon as possible, of consultations on the training of the industrial labour force and on industrial financing, as proposed in UNIDO.

(b) Direct private foreign investment and transnational corporations

Direct private foreign investment is one of the means used by the developing countries to obtain the capital resources they need for their economic development and, in particular, to acquire technology, managerial skills, know-how and market opportunities. Emphasis should therefore be placed on the need to pay special attention to this issue, given its evident impact on the development of the sector - in this case industry - towards which it is directed.

Transnational corporations are the institutional channel for most direct foreign investment, which explains their very important role in the industrialization of the developing countries and the growing concern to bring their activities into line with the latter's economic and social objectives.

/The La Paz

The La Paz Appraisal deals extensively with the question of direct private foreign investment and its main agent, the transnational corporation, and points to the need to provide strong backing to efforts aimed at preparing a code of conduct governing their activities. The transnational corporations account for about 20% of the total manufacturing product of Latin America, and are also responsible for a substantial part of exports of manufactures, ranging between 20 and 40% of total exports of this kind in the larger countries. The share of such corporations in regional industry is large, but perhaps this does not adequately express their real influence over the development of the sector. Their major and increasing part in the activities which spearhead the manufacturing process is what gives the transnationals their great influence over the industrialization process in many countries. As a result, the process has depended heavily on the dynamism and disposition of the transnational corporations to transfer resources, technology and managerial capacity to the subsidiaries set up in the developing countries; this situation enables them to exercise control, to a greater or lesser extent according to the country, over a number of fundamental economic policy variables, such as the manufacturing growth rate, the transfer of technology and the growth of industrial exports.

For these reasons, the growing participation of these corporations in regional economic activity has given grounds for concern, as reflected in the principles affirmed by the international community in the Charter of Economic Rights and Duties of States, and in the abovementioned efforts by developing countries to prepare a code of conduct applicable to the transnational corporations.

Through the La Paz Appraisal, the Latin American countries agreed to uphold the principle that the transnational corporations should comply with specific principles, chief among which are the following: they must be subject to the laws, rules and exclusive jurisdiction of the host countries; abstain from any interference in the internal and external affairs of the recipient country, and respect national sovereignty over natural and economic resources, be subject to national policies, objectives and priorities, and provide information on their activities; make net inputs of financial resources, contribute to developing local scientific and technological capacity, and abstain from restrictive practices.

/The Appraisal

The Appraisal also stresses the importance of preparing action guidelines for future negotiations on direct investment between governments and transnational corporations on the basis of the experience recently obtained in this field both in Latin America and in other regions of the world. High priority must be attached to making better use of the potential bargaining power of the Latin American countries which has only been used to a limited extent hitherto.

In this connexion the Appraisal also stated that the Latin American countries should make an effort to exchange among themselves and with other developing countries whatever information they possess on negotiations with transnational corporations in order to increase their individual and collective bargaining power.

(c) Financing

The fulfilment of the Lima targets implies the creation in the developing countries of industrial plant on a very large scale and, ultimately, will involve enormous financing needs, much larger than in the recent periods of relatively rapid industrial development. However, these greater requirements contrast sharply with the growing difficulties which the developing countries are facing in satisfying their needs in this field. In the case of Latin America, the rapid shift in the composition of external financing in recent years has considerably harmed the countries of the region. The drop in transfers of bilateral and multilateral public resources which as is well known have longer amortization periods and lower interest rates than private loans, entailed a large rise in financial services.

Latin America 7/ received a total financial flow of some 6,700 million dollars in 1976, of which about 900 million dollars was on concessionary terms, i.e., only 14%, the lowest proportion of all the developing regions.

7/ The economic and social development and external economic relations of Latin America, (E/CEPAL/1061/Add.1), table 17.

/In addition,

In addition, it has been estimated that only 15% of total external lending to industry was of a concessionary nature.^{8/} Thus most of the external financial resources for industry in the countries of the region come from private commercial bank loans which, together with non-monetary sources - supplier's credits or private investment - constitute almost all external financing flows, since very little recourse has been had to the long-term capital markets of the developed countries. In this connexion, it should be pointed out that World Bank loans to the industrial sector fell in absolute terms, from 30 to 15% of the Bank's total loans.^{9/}

In view of these and other factors which characterize external financing at present, in the La Paz Appraisal the countries of the region stress the need for the developed countries to commit themselves effectively to the preparation of a broad system of financial co-operation with the firm conviction that this will redound to the benefit of the entire international community. This system should fulfil the following objectives, inter alia:

- (i) ensure a real transfer of resources so that the developing countries can attain their planned development targets;
- (ii) the form and composition of these capital flows should be in keeping with the development plans of the countries and with their development priorities;
- (iii) this transfer of resources should be carried out in conditions consistent with the debt-servicing capacity of the debtor developing countries.

However, in view of the magnitude of the investment needed to fulfil the objectives set forth in the Lima Declaration, and the substantial increase which will have to take place in financial flows from North to South in coming decades, it is clear that this inflow of resources cannot be channelled only through existing financial machinery, as is pointed out in the abovementioned UNIDO study on international co-operation for industry.^{10/}

^{8/} UNIDO estimates that, on average, 85% of external lending to industry in the developing countries is non-concessionary (see Industrialization for the year 2000: new dimensions, op.cit., chapter 6.2(1)).

^{9/} Ibid., chapter 6, section 6.2.v.

^{10/} Ibid.

The study puts forward a series of suggestions, including some designed to secure the viability of North/South and South/South flows of capital goods. Thus it proposes the creation of a Third World Export Credit Fund to finance South/South and possibly South/North trade in capital goods; and what is more important, the creation of a global fund for industry, basically to finance on suitable terms the purchase of capital goods or industrial construction work by the developing countries.

Mention has already been made of the limited use made by the developing countries of the capital markets of the developed countries. Both of the abovementioned UNIDO study and the La Paz Appraisal attach particular importance to this financing channel. In the Appraisal the countries of the region declared that IMF action to secure adequate access to those markets could be very important, and the Fund was requested to take account of the recommendations of the Third and Fourth Ministerial Meetings of the Group of 77 (Manila, January and February 1976 and Arusha, February 1979) to help to eliminate present obstacles.

In this connexion, the La Paz Appraisal also deals with the possibility of establishing a multilateral guarantee facility for interested developing countries. It stresses that attention should be paid to recommendations to establish this facility and to modify the basic instruments of the multilateral financial institutions so that they can offer guarantees, including partial ones, more easily. All this is designed to result in additional flows of capital to interested countries, without affecting the access to the capital markets which some countries of the region already enjoy.

Likewise, and as agreed at Arusha, in the La Paz Appraisal the countries supported the proposal for the establishment of a multilateral facility for export credit guarantees, designed to increase the access of the developing countries to international capital markets and facilitate the diversification of their exports, in such a way that the multilateral facility in no way affects the access to these capital markets already enjoyed by some developing countries.

/The countries

The countries of the region also considered it necessary to address the multilateral agencies and urge them to provide a greater volume of assistance both for the preparation and for the execution of development projects, as indicated in the abovementioned La Paz Appraisal.

As mentioned above, concessional financing generally plays a small part in external lending to industry. The question may be raised whether the social and economic objectives which characterize many agroindustrial projects connected with rural development, often in depressed zones, do not really deserve a greater proportion of concessional financing, which would thus also be extended to industrial projects of this nature.

(d) Technology

The undeniable progress achieved in various spheres of industrialization have not been accompanied, generally speaking, by a corresponding growth of local capacity to select and adapt foreign technology and still less to generate technological innovation in such a way as to make possible a better use of available resources and adequately satisfy their own needs.

Aware of this situation, a number of countries have separately or jointly taken measures to install and strengthen local organization and infrastructure in the sphere of technology which enables them to formulate a technological development policy aimed at improving the conditions of transfer from the standpoint of cost, selection and adaptation of foreign technology and also at advancing in the creation of technology. Similarly, at various international forums the basic importance of international co-operation for the achievement of these objectives has been stressed.^{11/}

^{11/} These forums include: (i) the Fourth Session of UNCTAD (Nairobi, 5-31 May 1976) which adopted resolution 87 (V) on greater assistance by the international community for the efforts of the developing countries in the sphere of technology; (ii) the Fourth Regular Meeting of the Latin American Council (SELA, Caracas 3-4 April 1978); (iii) the First and Second Latin American Regional Preparatory Meetings for the United Nations Conference on Science and Technology for Development (Panama, 15-21 August 1978 and Montevideo, 29 November-1 December 1978, respectively), organized by CEPAL; (iv) the Latin American Co-ordination Meeting for the Fourth Ministerial Meeting of the Group of 77 with a view to the Fifth Session of UNCTAD (SELA, Caracas, 15-19 January 1979); the Fourth Ministerial Meeting of the Group of 77 (Arusha, 6-16 February 1979) and the Fifth Session of UNCTAD (Manila, 7 May-3 June 1979), and the eighteenth session of CEPAL at which resolution 388 (XVIII), which contains the La Paz Appraisal, was adopted, (La Paz, Bolivia, 18-26 April 1979).

Among the many recommendations made on this question at the meetings the following are particularly important:

(i) The need to adopt as soon as possible an international code of conduct on the transfer of technology, of a binding nature.

(ii) The need to ensure that the review of the Paris Convention on the Protection of Industrial Property taking place in WIPO should provide the means for the adoption of suitable measures designed to prevent the abusive practices observed in this field.

(iii) The establishment of national centres for the development and transfer of technology, which could be linked with regional institutions or centres, such as perhaps the Latin American Technological Information Network (RITLA); the strengthening of local capacity to adapt and create technology, and the creation and improvement of public sector machinery to help to select and disseminate suitable technology, and to enable the State to fulfil its responsibilities in the acquisition of technology suited to development in world markets.

(iv) The preparation of preferential agreements for the development of technology and its transfer between Latin America and other developing regions; the creation in Latin America of subregional and regional centres for the development and transfer of technology which can serve as links with the national centres of the other developing countries, or the strengthening of existing centres; the establishment or strengthening of subregional regional or interregional centres in Latin America for the development and transfer of technology in specific and critical sectors.

There can be no doubt that the operation of these institutional mechanisms will call for more assistance to ensure that they have the necessary capacity to achieve these objectives. Assistance for the developing countries is needed from the international community both to create or strengthen this technological infrastructure and in general in relation to their technology plans and policies at the national, subregional and regional levels.

In this connexion, mention should be made of the Latin American initiative aimed towards the adoption of an international mechanism for the financing of the scientific and technological development of the developing countries which will be considered at the forthcoming United Nations Conference on Science and Technology for Development, after prior analysis by a working group which is to meet for that purpose.

/Support should

Support should also be given to securing the continued existence of the industrial and technological data bank set up as a pilot project in UNIDO in mid-1977; and to the inclusion of the sectors and topics covered by the UNIDO system of consultations within the activities of that bank.

(e) Natural resources

The suitable use of natural resources by the developing countries is one of the major issues in the Lima Declaration and Plan of Action, which contain a number of statements highlighting its importance.

Thus it stresses the need for the developing countries to ensure the exercise of their sovereignty and control over those resources, enjoy full use of them either at the national level or within the framework of systems of economic co-operation, and emphasizes that the developing countries which possess non-renewable resources should diversify economically so that they are not obliged to make intensive use of those resources in order to obtain financial resources.

Naturally, emphasis is also placed on the advantages for the developing countries of processing their raw materials locally as opposed to exporting them as such.

All these statements are clearly based on the concern of the countries of the South at the international division of labour and their unhappiness at the fact that exports from the South consist so heavily of basic commodities whereas those of the North consist primarily of manufactures. Minerals, which occupy a special position in the exports of the developing countries, differ from the other basic commodities in two essential respects. Firstly, they are non-renewable products, and therefore the consequences stemming from their depletion and their export in unprocessed form will affect future as well as the present generations. Secondly, minerals are regarded as a potential foundation for genuinely modern industrialization, as opposed to industrialization which rests on the processing of food products, textiles, hides and skins and other similar branches of traditional industry.

Latin America is in a situation which might be described as favoured. It enjoys relatively abundant cultivable land and agricultural and forestry resources; the latter represent about 20% of the world totals, and are greater in volume than those in the other developing regions.

The range of mineral resources is particularly broad and varied. For example, known reserves - since there exist areas of substantial mining

/potential which

potential which have not yet been explored using modern techniques - represent a third of the world total for copper, more than a quarter for bauxite and a fifth for iron ore. As a point of interest, which at the same time indicates the significance of these reserves in terms of requirements for consumption, it may be noted that per capita consumption of these three metals in the developing countries amounts to less than 2%, 8% and nearly 3% respectively of consumption in the developed market economy countries.

As is indicated in the UNIDO study on co-operation,^{12/} the development of mineral resources, and generally of the other natural resources mentioned, in relation to the industrialization efforts of the developing countries, may take two basic directions.

Such countries can continue to export raw materials, or even products with a minimal degree of processing, endeavouring to obtain maximum profit, and using the collective capacity of the producers of the South in the world market by means of joint marketing efforts.

The other, more complex direction, but one which implies direct support for industrialization, is based on an increase in the degree of processing of mineral, forestry or agricultural output on the spot, in order to give maximum impetus to the range of industries which may be linked together on the basis of the natural resources available to the country. Naturally, between these two extremes, there is a wide range of alternative policies, selection among which will be determined by factors such as the type of resource involved, the general industrial strategy selected, international market circumstances, relative position compared with other suppliers, and so on.

This second approach may be implemented as regards, for example mineral resources, by the adoption of some kind of agreement whereby the existing transnational corporations, within a context of complete national control over the resource, process it in the country, or else through the adoption of a policy for the establishment of national enterprises or multinational enterprises in association with producers in other developing countries.

^{12/} Ibid.

For this last alternative to be viable, it would be necessary to draw up policies designed to facilitate access for the developing countries to an un-packaged choice of the services supplied by the transnationals. Individually or collectively, the developing countries would have to assume responsibility for all exploration activities, the search for technical assistance and the provision of the equipment required, financial assistance and also obtaining the necessary markets.

It is clear that in all these tasks the subregional, regional and international financial institutions, and a financing agency such as that mentioned in section (c), could provide highly significant assistance.

More generally, mention should be made of the broad field available for South/South co-operation ranging from the exchange of experience and information to the possibility, mentioned already, of forming producers' associations, multinational enterprises or any other type of association to deal with specific aspects of industrial and marketing activity, such as, for example, the exchange or joint acquisition of technology.

(f) Exports of manufactures

In the La Paz Appraisal the countries of the region declared that since manufactures are the most dynamic component for the behaviour of exports, their expansion is essential in order to stimulate the growth of the economy, combat the external bottle-neck and tackle the serious domestic problems of structural unemployment and low incomes with prospects of success.

To this may be added, as regards the industrial sector specifically, the fact that manufacturing exports play an extremely important role, since as they produce an effect equivalent to that of expanding the domestic market, they permit economic scales of production and, in general, more advanced stages of industrial development. Their favourable effects also extend to the structure of industry, complementing it and making it more balanced and also, most importantly, the sphere of technology, since they make technological development possible and encourage the introduction of new technologies.

The pursuit of the targets in the Lima Declaration as regards the share of industry in world manufacturing output will undoubtedly make

/necessary a

necessary a substantial increase in the share of manufactures from the developing countries in world trade.^{13/}

In the case of Latin America, a very vigorous increase in exports of manufactures is also vital to permit the achievement of the general development objectives, so that the problems of the external sector, which would be difficult to overcome by means of primary exports, do not prevent the achievement of the planned rates of growth.

This substantial increase in exports of manufactures imposes requirements on the region in various fields. Let us first examine trade in industrial products between the region and the North. External trade in manufactures is highly dependent on the developed market economies, and although exports have grown substantially it is important to record that imports of manufactures are about eight times greater than exports of manufactures, and that the structure of the former is dominated by machinery and transport equipment, while the products of the traditional industries retain a considerable share among the latter. This asymmetry in Latin American trade in manufactures has negative implications for the rest of the economy, because of the difficulty of overcoming this imbalance through exports of primary products.

Hence, without ignoring the promising possibilities offered by the expansion of trade among developing countries, trade relations with the countries of the North, in terms of a substantial increase in exports of manufactures from the region to those countries, emerge as a vital element both to eliminate or restrict those negative effects on the rest of the economy referred to in the preceding paragraph and for the region's contribution to the achievement of the objectives set out in the Lima Declaration.

For this reason, in the La Paz Appraisal the countries of the region expressed their concern at the fact that in recent years the efforts of

^{13/} According to some estimates, in order to achieve the target that 25% of world manufacturing output should originate in the developing countries, industrial exports from such countries should represent 30% of total world exports. See "Arusha Programme for Collective Self-Reliance and Framework for Negotiations" (TD/236), p. 31.

the developing countries to increase and diversify their exports have regrettably run up against serious obstacles in the form of the protectionist tendencies observed in the industrialized countries.

This recrudescence of protectionist measures, which has occurred despite the undertaking made by the developed countries at the fourth session of UNCTAD in resolution 96 (IV) to maintain the status quo in the application of tariff and non-tariff barriers, has adversely affected exports of manufactures from the countries of the region, whereas, as has already been said, access to the markets of the North is, and will be much more in the future, an essential prerequisite of the region's development strategy.

In this regard it is necessary to bear in mind General Assembly resolution 32/193 mentioned above, which recommends the application of special and preferential treatment for exports from the developing countries.

In general terms, and as the La Paz Appraisal indicates, action is required which will enable the developing countries to implement dynamic policies to promote their manufacturing exports and establish a programme to eliminate the restrictions applied by the developed countries to those exports. In order to ensure the elimination of the tariff and non-tariff barriers, including the removal or reduction of tariff scaling, it has been considered necessary to adopt a strategy to monitor the protectionist actions of the developed countries, under which it will even be possible to examine, case by case, whether the application of these protectionist measures is inevitable, on the basis of conditions which should be negotiated, and in the light of the export interests of the developing countries.

Since to a large extent the worsening of the conditions of access to the markets of the industrialized countries arises from the attitude of those countries, which are continuing to apply domestic policies to support inefficient sectors of production, with restrictions on the import of products from developing countries, the countries of the region declared, in the La Paz Appraisal, that the solution to such a phenomenon lies fundamentally in a restructuring of world industry compatible with

/the growth

the growth objectives of the developing countries - a subject which was the central theme of the initial section of this chapter.

Along the same lines, it was also considered important to strengthen and make maximum use of the bargaining power of Latin America as a whole in the international trade negotiations, by co-ordinating the bargaining positions of the Latin American countries one with another, and with the rest of the developing world.

The Generalized System of Preferences was an instrument in whose proper operation the developing countries placed justified hopes. In this regard it should be mentioned that experience in its application led the countries of the region - as they stated in the La Paz Appraisal referred to above - to express their concern, as regards the scheme of preferences implemented by the United States, at the exclusion of Cuba, Ecuador and Venezuela, and, in general, to stress the need to expand its coverage and eliminate restrictions such as those related to rules of origin and the competitive need formula. Similarly, in the case of EEC the system requires improvement, including the expansion of the quotas for the so-called "sensitive" and "semi-sensitive" products, which include many of the manufactures which Latin America is endeavouring to export.

The countries also indicated their interest in diversifying their exports to the member countries of the Council for Mutual Economic Assistance (CMEA), which are at present almost entirely made up of primary products, through the export of manufactured products.

Trade in manufactures among developing countries is the other foundation of the effort to reach, among other objectives, the target in the Lima Declaration.

In the middle of the decade the region's exports of manufactures to other developing countries, though growing rapidly, totalled only US\$ 251 million, compared with US\$ 3,800 million ^{14/} to the industrialized countries. This gives an initial idea of the extensive field of action in this regard.

^{14/} FOB export values in both cases.

In addition to the continuation of efforts in the field of regional integration, the promotion of the establishment of multinational enterprises to engage in trade among countries in the South and other similar measures to stimulate South/South economic relations, it would be necessary in this field, as is stated by UNIDO,^{15/} to attach greater importance to expanding market opportunities rather than merely exploiting those already existing, for which purpose flows of information are decisive.

The reorientation of trade on South/South bases depends,^{16/} to a large extent, on promotion of the establishment of multinational enterprises, to which reference has been made in previous paragraphs, support provided by public sector mechanisms, such as information banks and similar machinery and, in particular, the efforts already mentioned which can be carried out to revitalize and expand the existing integration schemes, create new schemes and permit the establishment of appropriate relations among those existing in the developing world, or appropriate convergence between them.

Finally, it should also be mentioned that at the fourth Ministerial Meeting of the Group of 77 (Arusha, 6 to 16 February 1979), a proposal was made for the establishment of trade preferences among all developing countries, a measure whose adoption might have an appreciable effect on trade among the countries of the South.

(g) Training of human resources

The availability of human resources with appropriate skills and qualifications is one of the basic conditions for the advance of the industrialization process and, to a large extent, also one of the positive results of that process.

Although from this viewpoint much still remains to be done in Latin America, it is fair and realistic to recognize that the region has made very significant progress in this field. The labour force available today to Latin American countries, both in specifically industrial activities and in those of the corresponding services and infrastructure, includes a relatively high proportion of specialized workers, as well as professional and technical staff, plus an executive level with increasing management skills.

^{15/} Ibid., chapter 14 (vi).

^{16/} Ibid., chapter 10 (v).

Recognition of these positive facts should not, however, lead one to forget the priority which should be granted to action designed to improve the training of the labour force, in order to fulfil properly the tasks assigned to the industrialization process within general economic development.

This is an area in which co-operation at all levels plays a vital role, without forgetting the importance of the action which each country should take in accordance with its own priorities.

Regionally and interregionally, the various levels of industrialization reached, as well as the different paths followed by the countries in their development processes, offer interesting possibilities for fruitful co-operation among these countries with a view to enhancing and improving the abilities and skills of the labour forces. Intensified exchanges of experience and concerted joint activities by the national industrial training institutions - efforts in which the Inter-American Centre for Research and Documentation on Vocational Training (CINTERFOR), a specialized agency of ILO, is playing an important role - can contribute to the achievement of this objective. However, it is necessary to consider in addition the possibility of extending these efforts on a permanent basis to the non-manufacturing sector, which in some countries contributes a substantial share of industrial output, and towards which action by the vocational training machinery is directed only sporadically.

On-the-job training - not only that carried out at the national level, but also that which draws on experience built up in manufacturing units in other countries - can represent an important additional contribution to training and further training of human resources required for industry. Particular mention should be made of experience in some cases in the region, which include manufacturing plant owned by two or more countries, in, for example, the iron and steel, petrochemical and cellulose and paper sectors. In this regard it is necessary to examine the possibility of more widespread use of these efforts, and also of making them more systematic and permanent.

Meanwhile, co-operation with the developed countries offers very substantial possibilities in this field of further training of labour, and of industrial training in general.

/Some thought

Some thought should also be given to technical and financial assistance, but of a selective and complementary character, for the strengthening of national industrial training institutions, financing of fellowship programmes and financial assistance for expenditure on material and the purchase of machinery and technical periodicals and books.

(h) Regional and interregional co-operation

Regional co-operations in its different forms is considered by the Latin American countries as a highly important instrument for promoting development. The various integration systems that have existed in the region for several decades are proof of this.

In spite of the problems experienced by some of these systems, the notable increase in Latin American exports to countries of the region in the last few years provides an eloquent indicator of the fact that in some respects a good deal of progress has been made in the field of co-operation. These exports have grown considerably faster than extraregional exports; they currently represent about 17% of the total, and are moreover characterized by including a larger proportion of manufactured and technologically more complex products than those destined for markets in other regions. At present over 36% of total exports of manufactures go to countries of the region, while intra-regional exports of machinery and transport equipment represent about 52% of the respective total. As regards some manufactured products, particularly of the metal manufactures and machinery industries, the regional market enabled the necessary experience to be gained in order subsequently to penetrate the developed countries' markets, which shows that Latin American integration and complementarity constitute a viable and effective way not only for developing new industries and giving fresh impetus to existing industries, but also for obtaining access with the best chances of success to the world markets.

Accordingly, it is necessary to find without delay practical formulas and machinery for still further increasing regional co-operation in the manufacturing field, and especially for providing the present integration systems with renewed impetus and facilitating the convergence and interconnexion between them.

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It is common knowledge that apart from the formal co-operation systems there are within the Latin American industrial context other forms of co-operation among the countries of the region, through piecemeal activities of a specific nature. These activities which in some way compensated for the relative weakening of the formal integration machinery, have gained considerable momentum in recent years through a growing movement of intra-area investment in the field of industry, and also of transfers of technology from those countries which have reached more advanced stages in their industrialization processes towards other relatively less developed countries. It seems desirable, therefore, to strengthen and intensify this interrelationship, which is generally of a bilateral nature, between the economies of the countries of the region, particularly in the manufacturing field since it constitutes a valuable complement to the co-operation efforts being undertaken within the framework of the formal integration systems.

The intensification of the collective efforts of the Latin American countries to establish and expand multinational industries based on the utilization of local resources may be a sound way of making regional co-operation effective and distributing the benefits deriving from it equitably among the participating countries. In the same manner and for the same reasons, although in a more general way, it is necessary to take advantage of the many possibilities of industrial complementarity existing among the Latin American countries.

The definition of common positions adopted by the region in negotiating at international forums or taking advantage of Latin America's bargaining power may also constitute a successful result of the regional co-operation efforts.

The importance of this co-operation transcends the merely regional sphere, as may be noted from the La Paz Appraisal which specified that it constituted one of the cornerstones of the action programme for the establishment of the New International Economic Order, which should be formulated and promoted not only at the subregional and regional levels but at the interregional and global levels as well.

/The importance

The importance of international co-operation, particularly among developing countries, has also been recognized in several resolutions, declarations and decisions of the General Assembly and United Nations agencies and organs. The Conference on Economic Co-operation among Developing Countries held by the Group of 77 in Mexico in September 1976, the United Nations Conference on Technical Co-operation among Developing Countries held in Buenos Aires in August-September 1978, and several meetings of the non-aligned countries, in particular the Fifth Summit Conference held in Colombo in 1976, have confirmed the importance which the developing countries and the international community assign to technical and economic co-operation among developing countries.

The incipient interregional co-operation efforts so far carried out deserve to be sustained and intensified. The volume of trade between Latin America and other developing regions is still limited, but is showing a clear trend towards increasing: in 1965 barely 1% of the region's exports of manufactures were destined for other developing countries, while in 1975 the proportion had risen to nearly 4%. It is a significant fact that the countries of other developing areas currently absorb 8% of the region's exports of machinery and transport equipment.

CEPAL has already taken the first steps towards fulfilling possibilities of greater co-operation between Latin America and Africa, convinced as it is that Latin America, with adequate international support and co-operation, can play an important role in this effort by developing countries to put into effect the action programme adopted at the Conference on Economic Co-operation among Developing Countries for economic co-operation among developing countries.

At this level of interregional co-operation, it should also be noted that the SELA action committees may facilitate the entry into operation of projects, through the setting-up of interregional action committees with the participation of countries in Latin America, Africa and Asia interested in the development of a specific project.

In the aforementioned United Nations Conference on Technical Co-operation among Developing Countries held in Buenos Aires, a Plan of Action for facilitating such co-operation was approved. Among the provisions

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contained in that Plan of Action are those related to the need to encourage the establishment of national research and training centres of multinational scope in the developing countries, and of strengthening the existing centres. At the same time, importance is assigned to the contribution of developed countries and international agencies to the increased national and collective capacity of developing countries to help themselves and one another, with the object of putting into practice, among others, the provisions in connexion with industry.

(i) Less developed, land-locked and island countries

The special situation of less developed countries within the framework of international economic relations has merited increasing attention in the last few years, considering that the solution or attenuation of their problems is a responsibility of the international community, and has distinctive elements and very special characteristics.

In fact, there is widespread conviction that many of the less economically developed countries have not been nor are yet in a position to take full advantage of the results of the general co-operation measures and policies formulated at an international level with a view to satisfying the expectations of the developing countries as a whole.

Thus, the General Assembly, in resolution 33/193, underlines that the new international development strategy should pay attention to the most pressing problems and the increasingly grave situation of the least developed among the developing countries, and that special energetic and effective measures must be taken to eliminate the basic problems facing these countries and to ensure their accelerated development, and recognizes the necessity for including "special measures and specific action to meet the special and pressing problems of the land-locked, island and most seriously affected developing countries".

At the regional level, it is worth while noting the relevant formulations of the La Paz Appraisal. Referring to countries in special situations, although it is difficult to generalize in view of the wide spectrum of situations, the Appraisal states that there is a need to establish measures which will as far as possible attenuate or solve the specific situations facing these countries, to enable them to progress towards their development.

/More specifically,

More specifically, referring to the new development strategy, the Appraisal states that a study in depth should be made of machinery that will deal with the problems affecting the economy of the less developed countries of the region, particularly the island and land-locked countries.

As regards the solution of the serious transport problems affecting the access of land-locked countries and certain other regions to the coast, the La Paz Appraisal indicates that the measures envisaged in the strategy proposed for the next decade should constitute an important contribution.

All the foregoing points up the need to introduce fundamental changes in international relations in order that both the existing co-operation measures and those which may be devised in the future, jointly with these countries' own efforts, may prevent the continued deterioration of their relative situation, with a widening of the gap between them and the industrialized and more advanced developing countries.

III. INSTITUTIONAL ASPECTS

From a review - even if only of a very rapid and summary nature - of the documentation presented at this Conference, including the first two chapters of the present document in connexion with some rules for industrialization in Latin America and international co-operation needs in this field, it may also be inferred that due consideration should be given to some institutional aspects which may be involved. In fact, in implementing the various measures which the governments may decide to adopt in accordance with the Lima Declaration and Plan of Action, some adjustments of an institutional nature may have to be introduced in the machinery and practices at the national, subregional, regional and international level.

Thus, for example, at the national level there are some countries in which for various reasons there is a rising need for closer co-ordination between activities related with industry, in search of an improvement in both the government and non-government machinery which should participate in the decision-making process in this field, including entrepreneurial and trade union decisions, according to the particular features of the

/country concerned.

country concerned. All this could naturally involve the need for changes or adjustments in the legislation of various fields which are not necessarily well enough related or co-ordinated at present to face the new and growing demands of the industrialization process and at the same time be in a sufficiently favourable position to participate properly in multinational co-operation measures.

In any case, these are measures and adjustments of an institutional character which it is the sole prerogative of each country to choose and put into force in the light of their own sovereignty, according to the strategy or pattern most in keeping with their own needs characteristics. It is not therefore a matter of questions which can be easily discussed in detail at an international meeting, unless the government representatives themselves should decide otherwise.

Of course, if the aim is to make more determined progress in the co-ordination of national industrialization efforts which could be mutually supported within a subregional or regional context, it will obviously be necessary to strengthen the institutions already established for the purpose by the governments in Latin America and the Caribbean. Here again, the main responsibility rests on governments directly involved in the respective subregional or regional movements or groups, including the policies they may decide to implement jointly, for example in connexion with foreign investment or the establishment of Latin American multinational enterprises. In this respect, the contributions which may be forthcoming from regional or subregional machinery or groups operating in Latin America and the Caribbean could assume particular importance in the light of the valuable experience acquired.

At the international level, as at other levels, the Lima Declaration and Plan of Action contains a number of institutional data and aspects for its implementation at the world level. In this respect, it is appropriate to stress that the United Nations Conference on the Establishment of UNIDO as Specialized Agency, when it adopted the UNIDO Constitution at its Second Meeting (19 March-13 April 1979), reaffirmed the special characteristics of the Organization, i.e.: its central co-ordinating function in the manufacturing sector and its objectives of promoting international

/co-operation in

co-operation in the sphere of industry, providing technical assistance and serving as a forum for discussions among all the parties concerned with industrial development matters.^{17/}

The number and scope of the tasks which the fulfilment of these objectives imposes on the Organization, several of which have been more specifically mentioned in the considerations and suggestions formulated throughout this report, require the operation of efficient machinery with sufficient capacity to deal with them successfully.

In order to achieve this aim, it is very important that the agreements concluded at the recent Conference be promptly ratified by the Latin American countries, so that UNIDO may as soon as possible acquire the status of a United Nations specialized agency.

^{17/} UNIDO, Constitution of the United Nations Industrial Development Organization, (A/CONF.90/19).

