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INTERNATIONAL INDUSTRIAL CO-OPERATION

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INTERNATIONAL INDUSTRIAL CO-OPERATION

Report of the Expert Group Meeting
organized by the
United Nations Industrial Development Organization
in co-operation with the
Maison des sciences de l'homme
Paris, 21—22 June 1974

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INTRODUCTION

1. In December 1973 the General Assembly of the United Nations unanimously adopted resolution 3087 (XXVIII) on the Second General Conference of the United Nations Industrial Development Organization and the invitation of the Government of Peru to hold the Conference at Lima from 12 to 26 March 1975 was accepted.

2. In this resolution the General Assembly requested that steps be taken to enable the Second General Conference of UNIDO "to analyse the role of industrialization in the promotion of the development of the developing countries, to focus on the basic problems facing those countries in the field of industrial policies and planning, and to define, within a dynamic framework, the contribution of the international community to the process of industrialization of the developing countries with due attention to the exchange of experiences and increased co-operation among the developing countries themselves". It recommended that the Conference should "examine co-operation of developed and developing countries, as well as co-operation among the developing countries themselves, in the process of industrialization, with a view towards establishing the basic principles for an international declaration on industrial development and co-operation, and with the aim of defining a comprehensive plan of action for assisting the developing countries, in particular the least developed among them, in their efforts to accelerate their industrialization and achieve a more equitable share of industrial activity in the context of a new international division of labour related to industry".

3. In addition, at the sixth special session, held from 9 April to 2 May 1974 and devoted to the study of raw materials and development, the General Assembly discussions reflected the importance and urgency attached to the industrialization of the developing countries. Thus, in the Programme of Action on the Establishment of a New International Economic Order, adopted at the end of the session, it stated that "all efforts should be made by the international community to take measures to encourage the industrialization of the developing countries and to this end," inter alia, "with a view to bringing about a new international economic structure which should increase the share of the developing countries in world industrial production, the developed countries and

the agencies of the United Nations system, in co-operation with the developing countries, should contribute to setting up new industrial capacities including raw materials and commodity-transforming facilities as a matter of priority in the developing countries that produce those raw materials and commodities" (General Assembly resolution 3202 (S-VI)).

4. At its eighth session, held in May 1974, the Industrial Development Board of UNIDO, functioning as the Intergovernmental Preparatory Committee for the Second General Conference of UNIDO, requested the secretariat of UNIDO to prepare certain specific documents, including a note containing factual and analytical material for the preparation of the plan of action to be considered at the Second General Conference (ID/B/145, p.5). In connexion with these preparations, the secretariat has sought advice from various high-level experts and specialists.

5. As part of these endeavours UNIDO, in co-operation with the Government of France and the Maison des sciences de l'homme, Paris, sponsored a Meeting of high-level experts from developing and developed countries, and from different socio-economic systems; this Meeting was held in Paris on 21 and 22 June 1974. The object of the Meeting was to focus on the concept of a new international division of labour related to industry, on a new international economic structure, in the context referred to above, and on the problems related thereto. The Experts participated in their personal capacity and not as representatives of any Government or organization with which they were associated. The following Experts attended the Meeting:

H. E. Mr. G. P. Arkadiev (Union of Soviet Socialist Republics), Permanent Representative to UNIDO, Vienna, Austria

Professor J. de Bandt (Belgium), Institut de recherches en économie de la production, Nanterre, France

Dr. G. Fels (Federal Republic of Germany), Institut für Weltwirtschaft, Universität Kiel, Kiel

H. E. Mr. A. Jamal (United Republic of Tanzania), Minister of Commerce and Industry, Dar-es-Salaam

Mr. L. Jayawardene (Sri Lanka), Under Secretary, Ministry of Planning and Economic Affairs, Colombo

Professor R. Lang (Yugoslavia), Zagreb University, Zagreb

Professor J. Pajestka (Poland), Deputy Chairman, Planning Commission, Member of the Committee for Development Planning, United Nations, Warsaw

Professor I. Sachs (France), Ecole pratique des hautes études, Paris

Professor O. Sunkel (Chile), Facultad Latinoamericana de Ciencias Sociales, Santiago

Dr. T. Vietorisz (United States of America), New School for Social Research, New York

Mr. W. V. Vega (Philippines), Minister and Deputy Chairman of Mission, Brussels, Belgium

Mr. F. Le Guay (Director, Industrial Policies and Programming Division, UNIDO) chaired the Meeting and Mr. J. H. Mensan, member of the Committee for Development Planning (United Nations), consultant, and Mr. N. Ramm-Ericson (UNIDO) served as the secretariat of the Meeting.

6. The Meeting opened with a statement by Mr. S. Hessel, Chairman of the French Preparatory Committee for the Second General Conference of UNIDO. The main working paper was the UNIDO secretariat paper entitled "Preparatory Arrangements for the Second General Conference of UNIDO: Suggestions for a comprehensive plan of action" (ID/B/L.167), presented at the eighth session of the Industrial Development Board. The following documents were also available:

Report of the tenth session of the Committee for Development Planning, held at Vienna from 25 March to 3 April 1974 (E/5478); 1/

Declaration and Programme of Action on the Establishment of a New International Economic Order, adopted by the General Assembly at its sixth special session, in May 1974 (General Assembly resolutions 3201 (S-VI) and 3202 (S-VI));

A paper by Professor Jan Tinbergen, Netherlands School of Economics, Amsterdam, Netherlands, entitled "Development, income distribution and industrialization" (UNIDO/IPPD.154);

A paper by Dr. Gerhard Fels and Dr. Frank Weiss, Institut für Weltwirtschaft, Universität Kiel, Kiel, Federal Republic of Germany, entitled "Some remarks on the concept of a 'new international division of labour related to industry'".

Professor K. Kojima, of Hitotsubashi University, Tokyo, Japan, who was invited to the Meeting but was unable to attend, later contributed a paper entitled "A new international division of labour related to industry".

1/ Official Records of the Economic and Social Council, Fifty-seventh Session, Supplement No. 4.

7. This report of the Meeting was prepared by the secretariat of UNIDO on the basis of the discussions and conclusions arrived at by the Group of Experts who participated in the Meeting. It is hoped that it will serve as a useful contribution to the documentation of the Second General Conference of UNIDO, to further deliberations of the Intergovernmental Preparatory Committee, and to stimulate work and discussion by all concerned in the preparation of the Conference.

8. The secretariat of UNIDO is most grateful to the Experts for their valuable contributions and to the Government of France and to the Maison des sciences de l'homme, Paris, whose assistance made it possible to hold the Meeting.

I. GENERAL PERSPECTIVES

Role of industrialization in the development process

9. The Experts reaffirmed their belief that industrialization must continue to be "a centre-piece of the development process". As noted by the Committee for Development Planning at its tenth session, such reaffirmation was needed in the light of some recent tendencies to underplay the role of industrialization in economic and social development. The Experts emphasized the need to see industrialization within the framework of a strategy and a set of policies determined by each country for itself and aimed at achieving certain basic development objectives, such as the satisfaction of the primary needs of the population for food, clothing, shelter, health and education; self-reliance and an increasing degree of technological autonomy; a more equitable income distribution; the elimination of mass poverty; and a more balanced development of the various regions within each country.

10. The demand of the developing countries for manufactured products, such as construction materials, household goods, clothing, processed and preserved foods, was once largely satisfied by local production (dominated by the small enterprises of craftsmen). The colonial period introduced a division of labour under which the developing countries satisfied their need for manufactured products mainly by importing manufactured goods in return for export of their own primary products.

11. The strategy of satisfying the demand of the developing countries for manufactured products mostly through foreign trade was no longer viable. Export earnings tended to fall behind foreign-exchange requirements as the pace of modernization increased, either because the volume of exports was unable to expand sufficiently, or because the prices of the exports did not keep level with the prices of the imports. Opportunities for gainful employment, which would otherwise have been available through producing manufactured goods locally, were lost, while unemployment mounted. By remaining almost exclusively primary producers in a lop-sided international division of labour, developing countries denied themselves access to employment at higher levels of productivity, and the income that accompanied industrial activities.

12. The Experts concluded that each country not only needed, but also had the possibility of being involved in the process of industrialization. The existing endowment of manpower, raw materials and other factors in every country could, and should be made the basis of an industrialization policy aimed at satisfying a reasonable proportion of the country's demand for manufactured goods. Food processing, the supply of requisites for agricultural modernization, the production of construction materials, household goods, clothing, shoes, and materials for health and culture, offered opportunities that could be used by each developing country as a starting-point for the development of a national industrial economy.

13. In the view of the Experts, the industrialization of the developing countries should be co-ordinated with social and economic development strategies, taking into account the accumulation of resources, the patterns of consumption and income distribution in developing countries, the mechanization of agriculture, and such important matters as the establishment of key branches of industry, to be used as a basis for the reorientation and reorganization of the entire economy of these countries with a view to increasing economic independence. In particular, industrialization should aim to satisfy the basic requirements of the people, that is, the lowest income group of the population must command a sufficient proportion of the national income to provide a market for industrial goods. For this purpose, industrial development should be based on the skills and aspirations of the society itself. These skills should be identified and new ways of using them for industrialization should be found. The formation of local and regional industrial centres could be one way of activating human resources that might be available at the community level.

14. A growing awareness of the power and methods of operation of transnational corporations under the present system had also raised questions about the reality of political independence. Governments were no longer willing to accept the unlimited exercise of economic, and eventually political, power by private corporations whose loyalty and orientation were not related to the objectives of national development policy. It was suggested that the process that had taken place in many cases was "not industrialization of developing countries but a beneficial utilization of their territory by foreign companies".

15. The recent economic history of many developing countries showed the transnational corporation and the domestic public enterprises to have been, so far, the two principal agents for industrial development. Where the former predominated, the subsidiaries of the transnational corporations carried out investment decisions which were part of the foreign economic policy of the parent companies. Through their marketing power they set the pattern of consumption. The terms on which investment capital and technology were placed in a host country were often dictated unilaterally. In general, the transnational corporations increased, rather than diminished, the economic and technological dependency of the country and the longer they stayed the more important they became in the economy of the host country.

16. A countervailing trend emerged in some countries, and that was to promote public-sector industries, operated within the framework of national policies and able to engage in the long-term planning and investment required for industrialization. Some of these public corporations succeeded in building up national capability in technology and in the economic infrastructure. For many developing countries, an increase in self-reliance, namely, the capacity to choose and, at a given stage, to generate their own technology, was one of the main objectives sought through industrialization. This meant that industry would be progressively more integrated and that social organization of the production would be controlled by centres of decision within the country itself.

17. Another background condition that would affect the approach towards a new pattern of world economy was the growing realization that the existing pattern of industrial production, which had been built up piecemeal, was not rational in respect to the limitations imposed by the scarcity of raw materials and the need to preserve a certain quality in the human environment. It was realized that it might be unwise to sustain the present rate of exploitation of a number of non-renewable resources.

18. It was against this background that the Experts discussed the specific question submitted for consideration, namely, how the developing countries could "achieve a more equitable share of industrial activity in the context of a new international division of labour related to industry", as called for in General Assembly resolution 3087 (XXVIII).

19. It was also noted that at its sixth special session the General Assembly had recommended that efforts be made "with a view to bringing about a new international economic structure which should increase the share of the developing countries in world industrial production" (General Assembly resolution 3202 (S-VI)). In the opinion of the Experts, the two expressions "new international division of labour" and "new international economic structure" had the same meaning and are so used in this report.

II. PRINCIPLES AND OBJECTIVES OF A NEW INTERNATIONAL ECONOMIC STRUCTURE IN INDUSTRY

20. The need for a new approach towards economic and social development, leading to the establishment of new types of relationships between developing and developed countries had not been created by the situation prevailing during the previous few months. Inflation, crises in the monetary system, shortcomings in the type and pattern of growth in industrialized countries, the irrational management of scarce natural resources in the world, environmental problems and so on, had stimulated the consciousness in many circles that a global approach was needed which would take cognizance of the interdependence of countries in solving those problems.

21. The so-called "oil crisis" had added urgency to the matter, demonstrating that some change had occurred at world level in the distribution of assets, such as raw materials and financial resources. This situation produced various reactions in the developed countries, ranging from a new form of isolationism, accepting the risk of open confrontation, to the recognition that different relations should be sought, based on negotiated interdependence. It appeared that the latter tendency then prevailed. This found expression in the consensus reached by the General Assembly at its sixth special session when a Declaration and a Programme of Action on the Establishment of a New International Economic Order, based on equity, sovereign equality, interdependence, common interest and co-operation was adopted (General Assembly resolutions 3201 (S-VI) and 3202 (S-VI)).

22. The Experts recognized the major importance of the section devoted to industrialization in the Programme of Action adopted by the General Assembly at its sixth special session and, in particular, of the recommendation that the international community should take measures to bring about a "new international economic structure which should increase the share of the developing countries in world industrial production". (General Assembly resolution 3202 (S-VI), chap. III). It was the understanding of the Experts that it would be the task of the Second General Conference to participate in the implementation, in the field of industry, of the principles of the new international economic order adopted by the sixth special session of the General Assembly. (General Assembly resolution 3202 (S-VI), chap. IX, para. 2.) For this reason, the Experts considered the Conference to be very timely.

23. The Experts were unanimous in considering that efforts to accelerate industrialization in the developing countries and to achieve a more equitable share of the industrial activity, in the context of a different international division of labour as related to industry (as stipulated in General Assembly resolution 3087 (XXVIII)), should be undertaken within the framework of the "Programme of Action on the Establishment of a New International Economic Order", (General Assembly resolution 3202 (S-VI)).

24. The Experts agreed that the aim of a better international economic structure in industry should be to achieve "global rationality", as expressed by one member, not to accept theoretical criteria imposed from outside on the countries involved, but to search for common interests through a process of consultations and negotiations. This chapter discusses the objectives of the new economic structure and the principles on which it is founded.

1. Identification of common interests

25. As stated, decisions leading to a new international economic structure should be made by individual countries in connexion with each country's own development objectives, strategies and plans. The following remarks are guidelines to be adapted to each case.

Interests of developing countries

26. In embarking on a process of co-operation towards a new industrial international structure, developing countries should aim at progressing towards their main development objectives, as indicated in chapter I. The combination of those objectives would be specific for each country, with an industrial development strategy formulated to take account of the country's particular economic conditions and social régime.

27. Participation in world industry would be, to a varying extent, indispensable to most developing countries, in particular to those that had a small or medium-size market. Such countries needed access to international markets that would permit them to establish industries on a viable scale. They needed foreign exchange for the industrialization, and so required a foreign-trade system from which they could derive greater and more equitable returns. They also needed to have access to technology on better financial

terms and free from such disadvantages as foreign economic control and lack of autonomy in economic decision-making, which had hitherto, to a large extent, characterized their participation in the industrial economy of the world. The developing countries had yet to become more closely and equitably integrated into the process of the growing world industry. They could only secure equal benefits if, in doing so, they strengthened their own structure as industrial producers, instead of remaining merely suppliers of primary products, their traditional role. The choice of sectors to be developed, the conditions of co-operation with other countries regarding capital, know-how and prices, should be spelled out by each country in this context.

28. The objective should not be limited to the location within the developing country of the new industries to serve the world market. Great attention should be given to the integration of such industries into the economy of the country itself; to the possibility of generating know-how and autonomous technology; and to the global benefit, economic and social, which the country would receive from their establishment. For developing countries, a new international division of labour should not mean only new international distribution of production but also a new international distribution of income.

29. Examples were given, by some Experts, of countries where fast outward-looking industrialization, pursued without taking these factors into account, had had very negative economic and social effects on the country's development.

30. According to the particular conditions and objectives, each developing country would put emphasis on those industries that were capable of absorbing labour to a large extent, on industries that would process local natural resources, especially renewable resources, such as wood products or biological chemistry, or on industries that would benefit from local geographical or ecological conditions.

Interests of developed countries

31. Industry in many developed countries was already facing serious difficulties, which were bound to increase in the future. The proportion of migrant labour in the active population had reached figures that were considered in many countries to be maximum, or even excessive, leading to social tension. Environmental problems in some countries presented a bottle-neck for the

creation of new factories in some sectors. Pollution could often be controlled with some extra cost, but lack of space and water was a very important factor. The cost of energy, transportation and raw materials might also induce developed countries to pursue more actively a shift of processing to the developing countries.

Interests of the international community

32. The present economic structure in industry was far from rational, from the over-all view of the international community. Structural unemployment in some countries, the concentration of heavy industry in over-populated areas, the unnecessary transport of bulky materials, the waste of non-renewable resources had all contributed to high prices, inflation, the development of unused capacities, and the use of inadequate technology. The world community as a whole would benefit from a more rational structure. Furthermore, if solutions based on interdependence and co-operation were not found, the alternative would be for each country to use the advantages at its disposal independently for its own particular benefit. The risks of dislocation inherent in such a confrontation were obvious.

2. Consideration of mechanisms for establishing the new international structure in industry

33. Having recognized the existence of a number of factors that could induce many countries to be interested in a new international/industrial structure, the Experts discussed extensively the mechanisms by which the complementarity of the various interests could be determined, and the process through which mutually acceptable decisions could be reached.

34. The Experts were of the unanimous opinion that, for a variety of reasons, the free play of the market mechanism was not sufficient to reconcile the various interests and work out an international industrial structure acceptable to all concerned.

35. Even if the desirable restoration of the trade mechanism and of the monetary system were achieved, the market mechanism alone would not be an adequate instrument for designing a more rational industrial map of the world for the future. The interests to be reconciled included long-term objectives,

not all of an economic nature. Structural changes were requested which the present price system could not take into account. While recalling the importance of implementing in practice the commitments made by developed countries of a more liberal access to their markets for manufactured goods from the developing countries, the Experts agreed that such measures should be supplemented by specific systems of industrial co-operation.

36. The Experts were also of the unanimous opinion that achievement of a more rational world structure could not be left to the initiative of multinational corporations. Even when their participation had contributed to fast industrialization, uncontrolled activities had often led to the creation of consumption patterns that were inconsistent with the countries' possibilities and objectives; the importation of foreign technologies to the detriment of domestic technical development; the subordination of local capital to foreign decision centres; the lack of integration of the corporations' subsidiaries into the country's economy; and, in general, the reproduction of a process of industrialization that had been followed previously by more advanced countries with the establishment of a pattern of foreign dependency.

37. In countries that might find it useful to negotiate with multinational corporations, countervailing powers should be strengthened. This was necessarily done by the political power of sovereign States, acting through the establishment of productive enterprises, by the ability to invest, to develop technology, to start a process of research and development and, through the strengthening of government action, by long-term planning, organization of the infrastructure and public demand, and the setting of guidelines and policies.

38. Having thus recognized the fundamental role of Government in deciding upon strategies and policies of industrial development in determining the objectives and criteria for industrial co-operation with the outside, the Experts considered that the new industrial structure, reconciling the various interests and objectives, should be worked out primarily by a process of consultations and negotiations among Governments, and in consideration of the world industrial system as a whole. Adequate mechanisms should organize, in a progressive manner, interdependence and complementarity among the various partners. It was underlined that the industrial co-operation to be established

should consider not only the complementarity of the means to be used for industrialization, but also the complementarity of the results. Increasing the share of the developing countries in industrial production, as recommended by the General Assembly at its sixth special session, should be accompanied by an increase in their share of the gains accruing to industry.

39. In this connexion, the Experts generally supported the approach put forward by the secretariat of UNIDO for the preparation of the Second General Conference for the establishment of a system of consultations and concerted action (see ID/B/L.167). Detailed suggestions are contained in the next section.

3. Criteria for industrial redeployment

40. It was agreed that decisions to transfer industries or establish new ones could not be made on the basis of identical criteria applicable to all situations. The new economic structure could not be imposed from abroad by theoretical calculations, but should be reached progressively through a process of negotiation. Each country would have to establish its own criteria, taking into account its development objectives, strategies, policies and specific conditions. Through the process of consultations the various partners would compare their requirements, try to make any necessary adjustments and attempt to reach agreement by stages.

41. In view of these considerations, the Experts confined attention to general considerations regarding sectors that would, in all probability, in the long run lend themselves to important restructuring. Industries with a high labour content were obviously one major category, since the level of employment differed from country to country; to place the factories with the workers was considered to be far preferable, economically and socially, than to continue to transplant the workers to the factories.

42. It was not a good policy to place industries that demanded vast areas of space and large volumes of water in densely populated areas, particularly if it were necessary to establish them in choice locations (such as the sea-shore) where there was heavy pressure of demand for tourism and recreation. Redeployment towards the developing countries of industries such as shipyards, petrochemical plants and steel mills, is already well under way in Japan and may soon become a necessity in Europe. The organization of such a process in a rational way on a much greater scale is one important field for consultations and negotiations.

43. Industries processing raw materials or consuming much energy were also candidates for redeployment. The sixth special session had recommended "the setting up [of] new industrial capacities including raw materials and commodity-transforming facilities as a matter of priority in the developing countries that produce those raw materials and commodities". (General Assembly resolution 3202 (S-VI) chap. III, (c)). The Experts underlined the particular importance of the industries processing renewable resources.

44. Some of the Experts emphasized that the process of consultation should not be confined to the industries previously mentioned. For instance, engineering industries, including spare parts, the production of machine tools, and other capital goods, could offer important areas of co-operation. They were of particular interest for developing countries for their labour content, their capacity for generating research, and their linkages with other national industries.

45. In considering the criteria, there was an extensive discussion on the theory of comparative advantage as a consideration for redeployment. A variety of opinions were expressed. Without reaching unanimity on all aspects, agreement was reached on the following points:

(a) Exact measurement of comparative advantage was a very complex task. Mechanical calculations of labour and capital content had, in the past, led to misleading conclusions.

(b) However, if there were recognized comparative advantages for developing countries, they should be exploited, and the developed countries should be ready to accept industrial redeployment and not to protect unduly industries which should obviously be shifted to developing countries.

(c) As the aim was to achieve a new international economic structure, the factor endowments might change in time, and in some cases very rapidly. For instance, in some developing countries the setting-up of industries that were based on low wage labour had led to a fast increase in wages, and those countries had had to move rapidly towards more sophisticated industries that utilized more skilled labour. If this process was not planned sufficiently early, over-investment might occur, leading to unutilized capacities and a waste of scarce resources for the developing countries.

(d) The necessity of strengthening the industrial structure might lead a country to develop sectors that would not, of themselves, have comparative advantage but that would be useful in creating forward and backward linkages with other sectors.

(e) Comparative advantage, even in its dynamic form, was not the only criterion that should be used in the selection of industries, since development criteria of a qualitative nature were sometimes more important for the developing countries.

III. WAYS AND MEANS TOWARDS A NEW WORLD ECONOMIC STRUCTURE IN INDUSTRY

46. Having agreed that consultations and negotiations among Governments would be the main instrument through which the new international economic structure in industry could be achieved, the Experts considered that consultations should be prepared and organized, so that they would ensure the best possible results and not increase the dependency of the developing countries. The result of the process of consultations should be the implementation of the principle of equity in international relations, which was very different from formal equality. This would be done by strengthening the weaker partners, so that they could take the maximum possible advantage of the new structure. To that end, a number of measures, to be taken by the various partners, were suggested by the Experts as a contribution to the preparation of the plan of action to be adopted by the Second General Conference.

1. Measures to be taken by developing countries

47. When entering into a process of consultations for the building up of a new international economic structure in industry, the developing countries should previously have determined firmly their objectives, strategies and policies. They should know what they were seeking when dealing with potential partners and what type of relations they wished to establish through industrial co-operation. This meant strengthening their planning capacity and their institutional set-up for control and decision-making, and developing their information system. A world industrial programme could not be built up in a vacuum, but must start from country industrial programmes which a process of consultations would seek to harmonize.

48. The merits of industrialization to achieve the main development objectives were discussed in chapter I of this report, together with the importance of countervailing the power of multinational corporations. Participation in the new international division of labour would induce developing countries to build up a capacity for information and study, and an institutional set-up through which their strategy could be translated into practical guidelines for consultations and negotiations with potential partners. They should also build up

criteria and systems of assessment through which the costs and benefits of their participation could be continually evaluated.

2. Co-operation among developing countries

49. The Experts attached considerable importance to co-operation among the developing countries and suggested that high priority be given to this in the plan of action to be prepared for the Second General Conference. Participation by these countries in a new international economic structure would be much more effective and profitable if they operated together and not in isolation. While individual self-reliance might seem to be a remote objective for many small, least developed countries, collective self-reliance would be a more attainable goal. Industrial co-operation among developing countries must be developed at various levels - at subregional integration groupings, such as the Andean Group, within regions, and between regions - and could cover, for instance, the joint planning of new industries, the harmonization of policies, and agreements on specialization.

50. Consultations could also take place among the developing countries with the object of harmonizing their incentive policies and their policies regarding foreign capital and foreign technology. In doing so, they would avoid undue competition among themselves and strengthen their collective bargaining power. Co-operation would also be needed when dealing with powerful transnational corporations to exchange information, to work out common approaches, and, where appropriate, to strengthen their public sectors. The establishment of regional payment organizations would be one way to foster trade and individual co-operation among the developing countries.

51. The developing countries may not be able to take their rightful place in a new international division of labour partly because of disadvantages in transport and shipping. Greater participation by them in the carriage of their imports and exports is desirable. In most cases this would have to be implemented by groups of countries. Better control of the transport and shipping industry which, alone, could nullify all the competitive advantages that the developing countries might possess in various spheres of industrial activity, was also necessary.

52. There was another suggestion that, in any system of consultations, such as that described below, the developing countries might wish to establish specific mechanisms of consultation among themselves, either at the regional or at the interregional level, for the purpose of co-ordinating their positions.

3. Measures to be taken by developed countries

53. As stated, it was considered to be unwise for the developed countries to react to the difficulties of the present situation, in particular inflation and deficits in balances of payments, by adopting an attitude of isolationism, or bringing into question previous commitments made by them within the framework of the International Development Strategy (General Assembly resolution 2626 (XXV)) in the fields of financial aid and trade liberalization. Financial transfers to industries in the developing countries should be increased. The General System of Preferences should be improved by the removal of the remaining protectionist aspects embodied in the various safeguard clauses and by including in it more processed goods. The corresponding action promised by the developed countries in connexion with the new round of tariff negotiations under GATT should be implemented speedily, and on a non-reciprocal basis. However, it was the unanimous opinion of the Experts that the process of trade liberalization was likely to reach a limit soon. Therefore, the developed countries should consider seriously the policy implications of their acceptance of the programme of action for a new international economic order adopted by the General Assembly at its sixth special session (resolution 3202 (S-VI)).

54. It would be necessary to examine, first of all, the new industrial policies that would be consistent with a major redeployment of industries towards the developing countries, with the object of solving in the long run the difficulties set out in chapter II. It was noted with interest that studies of the problems concerned were being undertaken, in government and business circles, in various European countries, in Japan and in the Organisation for Economic Co-operation and Development. This would imply consideration of the industrial objectives, strategies and policies of the developing countries and their inclusion as parameters in the preliminary studies that were being done within the framework of planning exercises either at the government level or at the enterprise level.

55. In this connexion the Experts discussed adjustment policies carried out in advanced countries and agreed that these should be modified substantially. Adjustment assistance was conceived as aid given by a Government to attenuate the effects of a reduced activity resulting from various economic or other factors. In many cases such adjustment measures had tended artificially to strengthen existing industries, such as some sectors in the textile industry which, more rationally, could have been located in developing countries; and to counteract the efforts of trade liberalization.

56. To obtain the greatest benefit from the adjustment measures, in the context of a new international economic structure, it was considered that assistance should not be given across the board. In each specific case, objectives of structural changes should be set, the optimum time for phasing out should be calculated, and costs and benefits should be evaluated. On this basis, the trade liberalization programme and the readjustment programme should be established jointly in a consistent way.

57. Adjustment measures should be part of an integrated industrial policy, the purpose of which would be to optimize the industrial structure as a whole. The shifts from sector to sector, which this policy would foster, would lead to a better industrial structure and, consequently, to a better allocation of resources. For this purpose, methodology and a procedure for intersectoral evaluation should be worked out. Special incentives could be given to those enterprises that would move production to developing countries.

58. These technical and institutional instruments would give to the Governments of the developed countries, if they had the political will to do so, more strength to discuss measures for redeployment with industrialists or trade unions, who might be reluctant to provide substantial support for these policies. Governments might then be in a more secure position to enter into a process of consultations with the developing countries and to induce their own industrial enterprises to participate in such a process.

4. System of consultation and concerted action

59. To establish a new international economic structure in industry, the Experts were of the opinion that the market mechanism was not sufficient, and that it could not be expected that transnational corporations would readily

incorporate the development objectives of host or home countries into their decisions. The role of the Governments was therefore indispensable, as had become clear where oil was concerned.

60. It was stressed that across-the-board contracts and agreements, concerning the division of labour among industrial branches on a long-term basis, could be especially important for the developing countries. Such contracts and agreements should specify the industrial branches and enterprises that produced goods that satisfied the needs of the population.

61. Although actual agreements may be negotiated and concluded on a bilateral basis in manufacturing industries, the Experts were of the opinion that a broad system of continuous consultations would be an indispensable instrument for the establishment of the new international economic structure in industry.

62. In discussing a paper prepared by the secretariat of UNIDO in connexion with the preparations for the Second General Conference (ID/B/L.167), the Experts who, in general, endorsed the approach taken in the paper, made the following further suggestions:

(a) The consultations should be carefully prepared; they should have specific predetermined purposes to enable them to lead to practical decisions for action;

(b) The first aim of the system of consultations would be to provide the participants with information, as complete and up-to-date as possible, on the industrial development objectives, strategies, policies, criteria and priorities;

(c) The second step would be a comparison among the various partners of their objectives, strategies and criteria, with a view to gaining a better understanding of similarities and differences and to exploring the specific fields where complementarities of interests could be found;

(d) To support the system of consultations, a common technical framework of reference should be built up, comprising industrial information, studies and projections. Sets of quantitative international targets, possibly alternative ones according to various assumptions could be prepared, to provide a basis for discussions and a common language. This quantified picture of the future should not be elaborated through theoretical calculations, but worked out progressively on the basis of national objectives and criteria reconciled progressively through the process of consultations;

(e) Consultations should not only be concerned with the new international economic structure in respect of production, location, supply of the different inputs, and so on; they should also include the distribution of incomes and gains;

(f) The consultations should follow a global approach for the industrialization as a whole to allow for the interdependence and complementarities among industrial sectors and regions. Within this global framework specific consultations could then be organized at the sectoral and regional level;

(g) Consultations could also take place regarding ways and means of implementing, in practical terms, in the field of industry, the principles of a new international economic order adopted by the General Assembly at its sixth special session. Instruments to be examined could be: codes of conduct, new forms of industrial co-operation, guarantees, long-term bilateral agreements, development contracts and the like;

(h) It could be expected that the system of consultations might facilitate agreements, bilaterally as well as within groups of countries;

(i) Through the system of consultations, Governments might exchange information on the programmes and policies of transnational corporations, prepare joint positions, and countervail the power of transnational corporations, not only through legal instruments, such as codes of conduct, but also by providing them with an economic framework into which the programmes of the companies could be fitted. The consultation process could give priority to strengthening the public sector in the various developing countries;

(j) In the consultation process, special attention should be given to industrial co-operation among developing countries at sub-regional level, such as the Andean Group, within regions and among regions.

5. The role of UNIDO

63. The Experts were quite aware that they had not been asked to deal with the strategy and the organization of UNIDO - a matter that had been studied, as some members recalled, by a high-level group of Experts and an Ad Hoc Intergovernmental Committee. They therefore confined themselves to matters that were directly related to the role of UNIDO in setting up a new industrial division of labour.

64. The Experts agreed unanimously that international organizations should play an important role in the achievement of a new international economic structure, as indicated by the sixth special session of the General Assembly.

65. It was noted that some consultations relating to industry were already taking place, either between countries with similar social systems, as those in the OECD and in the Council for Mutual Economic Assistance, or among countries with different systems, such as those in the United Nations Economic Commission for Europe. It was considered desirable for the Second General Conference to consider the establishment of a system in which all the developed and developing countries could participate under the auspices of UNIDO.

66. It was also considered that technical assistance and information from UNIDO would be indispensable to enable the developing countries to take all the measures necessary in connexion with the new economic structure. To be successful, the system of consultations should be based on real, but not formal, equality among the partners, and to strengthen and advise a weaker partner, on request, was a major task.

67. In connexion with a new international division of labour UNIDO, as an international organization, should have new, specific functions. The following were suggested:

- (a) Prepare periodic global studies and forecasts, which should not be mechanical projections but active forecasts, preparing common ground for common decisions to lead to beneficial changes for the developing countries;

- (b) Build up an adequate system of industrial information;

- (c) Provide a forum for intergovernmental consultations of a continuous and regular nature;

- (d) Assist the developing countries in the consultation process so that, through it, they could achieve their development objectives;

- (e) Set up, for the benefit of the developing countries, a system of evaluation on the effects of the new economic structure and on the achievement of their development objectives (such as self-reliance, social objectives, and so on). The criteria for evaluation should be qualitative as well as quantitative and should include criteria other than economic criteria;

- (f) Study and propose forms and instruments of industrial co-operation, translating into practical terms the principle of the new international economic order, such as codes of conduct, long-term development contracts, or co-production agreements;

- (g) Increase its co-ordinating role with other organizations and agencies in the United Nations system, and with other bodies.

68. In conclusion, the Experts expressed their conviction that the sixth special session of the General Assembly was an important step of great political significance, but that the excellent principles of the new international economic order had not, so far, received practical application. The Second General Conference would be an excellent occasion to implement them in an essential field, that of industry, by adopting a plan of action responding to the new situation and to the hopes of the developing countries. The Experts considered that this would add a new dimension to the work of UNIDO. While rising to the challenge to put the new international economic order into action in the field of industry, UNIDO should show initiative and put forward imaginative concepts and proposals. The Experts expressed their appreciation at having been called to contribute to this task.

