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## 4. Industrial co-operation

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61. We emphasised in our Interim Report that the accelerated development of manufacturing activities in the developing countries must be an essential part of a new international economic order. Manufacturing and processing activities are crucial to development not only because they are a pre-requisite for modernising agriculture and satisfying basic human needs but also because of their contribution to the creation of employment. The reality facing the world is that, over the next 25 years, 1,000 million more people will be added to the labour force in the developing countries. Only significant and sustained industrialisation can provide directly and indirectly the new jobs required. Our observations should be seen against the background of the Lima Declaration and Plan of Action on Industrial Development and Co-operation, as endorsed by the Seventh Special Session of the UN General Assembly, which called for an increase in the share of developing countries to reach at least 25 per cent of world industrial production by the year 2000, while making every endeavour to ensure that the industrial growth so achieved was distributed among the developing countries as evenly as possible.
62. We recognise that industrialisation is a complex process requiring changes in social attitudes and traditional methods of doing things; and that the developing countries are at different stages of growth and have varying capacities to absorb and sustain industrial growth. These diversities require a selective approach in formulating programmes for industrial co-operation not only between developing and industrialised countries but also among developing countries themselves. Indeed there is a great potential still untapped for industrial co-operation between developing countries particularly between the less industrialised developing countries and those with substantial manufacturing sectors.
63. It is clear to us that industrialisation on a significant scale is only possible if the political will exists in the developing and developed countries, including the central planned economies,

to search jointly for and provide solutions to problems which individual countries will meet in their efforts to industrialise. Given the political will, it should be possible to supplement inter-governmental co-operation by fully harnessing the resources of international institutions and private organisations. The objectives must be to strengthen the capability of the developing countries individually and collectively to create new jobs and incomes through diversifying the industrial base, and generally to assist these countries in installing the production and supporting facilities for sustained growth in manufacturing.

#### **Developing countries**

64. The developing countries bear the primary responsibility for industrialising their economies and laying the foundations for sustained self-reliant development and growth. They must establish priorities appropriate to their own circumstances, consistent with the satisfaction of basic needs, the deepening of the industrial structure and the optimisation of foreign exchange earnings, and specify the modalities by which they desire to achieve their goals. In particular they should:

- (i) Improve their machinery for mobilising internal and external resources for industrial development. This might also require the introduction of policies to influence consumption patterns;
- (ii) Develop their own indigenous capability through effective institutional mechanisms, including the establishment of training and research centres for the adaptation, development and diffusion of appropriate technology;
- (iii) Take positive steps to expand the markets available to them, both through aggressive export promotion and through active steps to promote regional and inter-regional integration, including the establishment of jointly owned industries.

#### **Objectives of industrial co-operation**

65. We recognise, however, that even with the best efforts to mobilise resources, these countries will encounter severe constraints. The international community will also need to be involved by way of properly structured bilateral and multi-lateral programmes designed to remove these constraints and sustain the momentum of growth and development in industry in the developing countries. In order to assist these countries to realise their industrial potential to a maximum, programmes of industrial co-operation should be designed with the following objectives:

- (i) To strengthen the capacity of the developing countries to identify and formulate their industrial programmes ;
- (ii) To facilitate the transfer of technology and management skills and the development of indigenous technology and skills in the developing countries ;
- (iii) To secure additional financing required for both direct investment and infrastructure related to industrial development ;
- (iv) To facilitate access to markets for the manufactured goods produced.

### **Industrialised countries**

66. Industrialised countries have frequently expressed willingness to co-operate in facilitating the industrialisation of the developing countries. At the inter-governmental level, agreements such as the Lomé Convention or bilateral arrangements have provided a framework for industrial co-operation. Most industrialised countries also have a number of national programmes designed to encourage industrial development in the developing countries. But the impact of these efforts has so far been peripheral. Unless there is a considerable improvement and intensification they will not provide the required minimum critical support which the developing countries require in their efforts to develop an adequate industrial base. Industrialised countries have shown concern about the distribution of industry within their own countries, and the time has come when they should demonstrate greater determination for a more equitable distribution of the world's industrial capacity.

67. The governments of the industrialised countries can contribute to the objectives set out above both through the removal of existing restrictions and obstacles and by adopting positive new measures. As far as investment is concerned, what we have said above in relation to investment in raw material production is equally relevant here: indeed the arrangements envisaged in Section 2 for the development of raw materials are essentially one example of what we are proposing in this section. Additionally, we urge the governments of the industrialised countries to:

- (i) Remove speedily and effectively restrictions on the imports from the developing countries, whether in the form of tariff or of non-tariff barriers such as quantitative restrictions, "voluntary" restriction schemes and fiscal charges. This applies particularly, but not solely, to products resulting from the processing of developing countries' raw materials. The slow progress made in the

Multilateral Trade Negotiations is regrettable. It should not be the occasion or the cause for overlooking the special interests of the developing countries or delaying effective action to improve their access to markets of the industrialised countries ;

- (ii) Accept, and provide for the consequences of, the fact that the relocation of some industries or parts of industries to developing countries is an essential, inevitable, continuous and desirable element in a new economic order, and one which is in the long term interest of developing and developed countries alike. To promote this objective, appropriate programmes of adjustment measures will be necessary and they should be devised and implemented.

68.

As well as refraining from obstructing this mutually beneficial process, industrialised countries should take positive steps which could make a significant impact on the pace of progress in the developing countries. Among other things they should :

- (i) Along with a review of their patent laws, support early implementation of schemes to improve the information system available to the developing countries including the establishment of data banks on technology and technical investigations ;
- (ii) Expand the capacity of existing mechanisms and create new ones for industrial co-operation, and ensure that these institutions focus their activities principally on accelerating the industrialisation of the developing countries in a manner consistent with the plans and objectives of these countries. In this connection, we note that some countries have already established public enterprises to invest and to act as a catalyst for other investment in the developing countries. We urge the industrialised countries to review the adequacy of the mechanisms available to them, including those for investment insurance, export credits and guarantees, pre-investment studies, information facilities for potential investors and tax incentives, with a view to expanding and improving them ;
- (iii) Re-examine their aid programmes and priorities to see how these can be re-adapted in order to have a greater impact. We reiterate our view that the way in which aid should be used by a developing country and the priorities employed in its disposal should be determined by the recipient country rather than attached to particular uses by the donor. Nevertheless, we wish to draw atten-

tion to the recommendations we made in the Interim Report that high priority should be given in aid programmes to the early establishment of training and research centres aimed at the indigenous development and adaptation of technology. We also urge that the terms and conditions of loans to developing countries for their imports of capital goods and equipment should be appropriate to their economic circumstances; such loans should also cover a portion of local costs to facilitate the adaptation of imported technology. In particular, we urge special and early action to support integration industries in the developing countries.

#### **Centrally planned economies**

69. The centrally planned economies exercise closer control over their markets and this gives them, in some respects, a relative advantage to assist the developing countries through allocating some of their industrial activities to these countries and at the same time assure them a market for the output. Some of the centrally planned economies are also well placed to provide a type of technology suited to the needs of the developing countries in certain industries. We recommend that bilateral arrangements between the centrally planned economies and developing countries should be used to harness these and other advantages which can contribute substantially to the goal of improving the industrial capability of the latter.

#### **OPEC countries**

70. The resources of the OPEC countries have enabled them to provide a part of the foreign exchange which the developing countries require for their development programmes. We urge them to continue to do this, utilising in the process existing and new financial institutions where the establishment of the latter will deepen co-operation between themselves and the developing countries. They are also in the process of transforming their own economic structures. We urge the OPEC countries to give maximum effect to the principle of complementary development with developing countries, as it can represent, in our view, the optimal way of recycling oil funds in the interests of the whole international community.

#### **Transnational enterprises**

71. We recognise that the activities of some transnational enterprises have caused suspicion and doubt in the developing countries. The size and character of these enterprises in relation to many national economies are a source of considerable uncertainty for developing countries in negotiations with them.

But we also recognise that transnational enterprises can have a positive role to play in the industrialisation process of the developing countries, because of their command over finance, technology and access to markets and their capacity to plan, establish and manage complex operations.

72. Against this background we recommend that more substantial efforts be made by the international community to assist the developing countries in their negotiations with transnational enterprises. Further, to enable the developing countries to avail themselves of the resources of the transnational enterprises in a manner consistent with their aspirations, we agree on the need for appropriate codes of conduct governing the activities of these enterprises and the trade in technology which they substantially control. We believe that the contribution of the transnational enterprises would be deeper and longer lasting if they undertook an appropriate share of their research and development activities in the host country, and employed and trained nationals and gave them access to training and research facilities in their central research and development operations. These would be important ways in which the corporations could support the activities of national scientific authorities in furthering their indigenous research and development efforts.
73. We urge UNCTAD IV and the Commission on Transnational Enterprises to inject a sense of urgency into the negotiation of appropriate codes.

#### **International agencies**

74. We believe that the capacity of the many existing international agencies whose activities have a bearing on the industrialisation of the developing countries would be materially assisted if they were rationalised. We urge that in the context of establishing UNIDO as a Specialised Agency, the opportunity should be seized to review the existing arrangements with a view to avoiding excessive duplication and overlapping of functions among and within international institutions. UNIDO must be constituted to be an action oriented agency providing direct support for the industrialisation efforts of the developing countries. Its support should include strengthening the capacity of the developing countries to industrialise; establishing or organising access to technology data banks to assist the developing countries to acquire technology suited to their needs; responding to requests from developing countries to bring together representatives of government and industry from the developed and developing countries for particular industrial schemes; and promoting industrial co-operation, *inter alia*, through preparing

models for bilateral agreement. We urge that the activities of UNIDO be decentralised to reach the individual developing countries, and that UNIDO establish regional consultative groups to monitor progress towards the target of industrial development accepted by the international community.

75. The international and regional financial agencies should increase their loans on terms and conditions which meet the circumstances of the individual developing countries, and should support financial and technical arrangements which would facilitate greater trade among developing countries. This would include the provision of refinancing facilities for export credits from one developing country to another and support for regional safety nets (mutual balance of payments support arrangements) introduced by developing countries. The capabilities of these institutions must therefore be enlarged and in this connection we reiterate our recommendation made in Section 2, that urgent action be taken to increase the capital of the World Bank; and to amend the charter of IFC and increase its resources to enable it to lend to industrial enterprises in the developing countries regardless of their form of ownership.

**Bilateral arrangements**

76. We see a need for specific bilateral agreements which will spell out the responsibilities and obligations of governments and industry and establish machinery and institutions for effective implementation. There is evidence that the industrialised and developing countries are prepared to enter into such bilateral agreements. The way ahead therefore lies in taking immediate action to bring about these agreements and define the commitments which countries should assume.