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SECOND GENERAL CONFERENCE OF
THE UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION (UNIDO)
to be held in Lima from 12 to 26 March 1975

Preparation of the Community contribution
(Commission communication to the Council)

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ANNEX

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This Commission Communication to the Council is to help prepare for the participation of the Community and the Member States in the second General Conference of the United Nations Industrial Development Organization (UNIDO), to be held in Lima from 12 to 26 March 1975. The Commission proposes that the Council adopt the guidelines set out in it regarding the action to be taken by the Community and the Member States in respect of the problems with which will be confronted at that Conference.

In order to facilitate work within the Council, the Commission has drawn up a working paper which is based on the text of the Group of 77 and includes the amendments considered necessary to take account of the guidelines included in this document (see Annex).

I. The Lima Conference

A. Aims

In 1972 Resolutions (33-VI) of the Industrial Development Board and 2952 (XXVII) of the United Nations General Assembly stated that the second General Conference of UNIDO should be convened with the aim of examining a number of major but narrowly defined questions:

- i. progress made in and problems arising from the industrialization of the developing countries during the Second Development Decade;
- ii. recommendations of the high-level group of experts on UNIDO's long-term strategy;
- iii. implementation of the recommendations of the First UNIDO International Conference held in 1971.

Resolution 3087 (XXVIII), unanimously adopted by the United Nations General Assembly on 6 December 1973, contains the directives given for the Conference and states that it will take place in Lima from 12 to 26 March 1975.

The Conference is to examine cooperation on industrialization between developed and developing countries and between developing countries themselves:

- i. with a view to determining the basic principles for an international declaration on development and industrial cooperation; and
- ii. with the aim of defining a wide-ranging plan of action for assistance to the developing countries, and more particularly to the least developed amongst them, in their efforts to speed up their industrialization and to secure for themselves a fair share of industrial activity.

This Resolution made quite a fundamental change in the scope of the Conference by setting for it much wider aims than had originally been planned.

These wider objectives appreciably changed the original context of the Conference. It had initially closely reflected the strategy of the Second Development Decade, but the Lima Conference has now become

a continuation of the Sixth Special Session of the United Nations¹ and refers to the very recent Charter of Economic Rights and Duties of States. Its raison d'être is to help to contribute in the industrial sector to creating the new international economic order².

To the two initial objectives - the declaration and the plan of action - must be added a third, which is, moreover, closely linked with the implementation of the new guidelines for international industrial cooperation laid down in the plan of action: the strengthening of UNIDO, both by amending the institutional provisions which govern it so as to provide greater autonomy and by assigning it new tasks regarding consultation on a world-wide scale.

B. Preparation

The long-term preparation for the Conference was carried out at the instigation of the UNIDO Secretariat, mainly through a number of regional industrial conferences at which the developing countries prepared their positions in the form of declarations and regional action programmes. Following this, the immediate preparation for the Conference took place in Vienna within the Standing Committee of the Industrial Development Board, meeting as a Preparatory Committee.

During the first part of this session of the Preparatory Committee (2 to 14 December 1974), the Group of 77 combined the regional declarations of the developing countries into one draft declaration/programme of action which was unofficially communicated to the other groups. The Group of 77 has stressed that this is only a preliminary document which will not become official until after the ministerial meeting in Algiers (15 to 18 February 1975). Group B (industrialized countries) has drawn up and officially transmitted its own preliminary

¹The same Resolution 3202 (5-VI) of the General Assembly lays down that the recommendations made at Lima will be examined at the next Special Session on development scheduled for September 1975.

²Resolution 3306 (XXIX), passed on 14 December by the United Nations General Assembly.

text based on the revised version of an OECD paper¹.

The second part of the Preparatory Committee session (20 to 27 January 1975)² enabled the various groups to define their positions more clearly. Group D (socialist countries, with the express exception of Romania) officially presented a number of specific amendments to the Group of 77's text. Group B drew up a new draft declaration/plan of action which also took the Group of 77's text into account. The Group of 77, abiding by their previous decision refused to enter into any negotiations. Ultimately, they felt they had to agree that the Preparatory Committee should become an unofficial advisory working party for two hours in order to record the developing countries' reactions to their document as the main basis for the work of the Conference. It was in response to this that Group B officially communicated its new text. The Group of 77 expressed its satisfaction with Group B's reaction although it emphasized the inadequacy of the document, which it considered largely incomplete and would have preferred to be in the form of specific proposals for amendments to its own text, as was the case with Group D's document.

The previous day, the Irish representative had made a declaration on behalf of the Community which was particularly well received by the Group of 77³. This helped considerably to relieve the strained atmosphere of the meeting and make possible the brief informal exchange of views held just before the end.

¹Working paper No 1: "Preliminary notes for a declaration of principle on industrial development and plan of action submitted by Group B." (7 December 1974).

²Exceptionally, the spring meeting of the Standing Committee did not take place. The Industrial Development Board will meet in Vienna from 21 April to 2 May 1975, in particular to examine the decisions and recommendations of Lima.

³At the Algerian representative's request the Community declaration was immediately distributed in all languages by the UNIDO Secretariat.

II. What is at stake at the Conference and the role of the Community

1. There is no doubt whatever that the theme of industrial cooperation is particularly important and topical at a time when international economic relations are undergoing radical changes. In our relations with many developing countries the traditional ideas of development aid seem outmoded. Those countries are now seeking to give new substance to their cooperation with industrialized countries, and of the new forms of cooperation that in the industrial field will occupy pride of place. The Lima Conference could therefore be a good opportunity to take stock, exchange ideas and define an overall policy in this field.

But will this objective be possible in the general climate of the Conference?

2. From the point of view of the developing countries, the preparatory work for the Conference has revealed the enormous danger of a confrontation between developing and developed countries.

The Group of 77's document, which is much more demanding and contains stronger claims than the regional declarations - particularly the fairly moderate ones from the Asian, Pacific and African countries - reflects the harder line the developing countries are taking¹. This line is a direct extension of what happened in New York (6th Special Session of the UN, Charter).

The spokesmen of the Group of 77 made it quite clear in the Preparatory Committee that the developing countries were resolved not to allow at Lima any declarations of principle which in any way deviated from the texts of the sixth session of

¹This text is still to be approved by the ministers of the Group of 77 at their meeting of 15 to 18 February in Algiers. It seems unlikely that any major amendments will be made and the hard-line position is more likely to prevail in the event of changes being made.

the Charter - which they considered as something that had already been achieved - whatever the reservations expressed in the first case or the voting in the second.

Since these are specific proposals for action, it should be noted that the points at issue are often outside the field of industrialization proper and/or are in the process of being examined elsewhere within the framework of the United Nations.

It therefore seems that the developing countries have chosen to apply with perseverance and a solid front an overall strategy aimed at using every opportunity of furthering, even imperceptibly, the demands they regard as fundamental. They mention interdependence, international cooperation, the need for a dialogue and for concerted action but at the same time accept the risk of a confrontation perhaps ending in a vote with an automatically large majority by the developing countries on a text imposed by them on the meeting as the only basis for discussion and decision.

3. How will the Community have to react to this risk of a new confrontation?

In theory it can adopt one of two attitudes. It can either adopt a harder line in response to the developing countries' tendency towards confrontation or carry on a reasonable dialogue with the Group of 77 based on the concrete problems of the Conference. The latter attitude, although much more constructive, perhaps harder to adopt in the short run, would in the longer term enable cooperation to be developed and a harsh confrontation between rich and poor countries to be avoided.

¹Discussions at UNIDO have in particular demonstrated the drawbacks of the formula involving consensus of opinion plus general or specific reservations on United Nations resolutions, drawbacks no longer taken into account in subsequent discussions held elsewhere.

It is clear that the Commission is very much in favour of the second approach, particularly since the Community - which has started the process of progressively implementing a global development cooperation policy and is preparing to try out a concrete industrial cooperation policy with a large number of developing countries - has already clearly opted for cooperation. It has demonstrated this through a number of recent initiatives, both in the regional part of its cooperation policy and in the world-wide part.

The Community will be seen in a more favourable light at Lima since in March it will be able to point to the industrial content of the Lomé Convention which will have been concluded in the meantime with the ACP States, and to the results which will be achieved in the same sector under the negotiations with the Maghreb countries. It will also be able to point to the improvements made to the generalized preferences system, which it was the first to implement, and the prospects for economic cooperation with certain non-associated developing countries. The Community will thus be able to show that, for its part and in spite of the crisis in international economic relations, partnership is much more than a mere theoretical objective.

If the Community has chosen the path of cooperation, particularly that of industrial cooperation, it is also because, looking beyond the current economic difficulties we are experiencing, the developing countries' industrialization is by no means in conflict with its own long-term interests from the point of view of a better international division of labour. This is particularly true for the developing countries which now possess a large number of factors favourable towards rapid development, which will come about with, without, or even against the countries of the Community. In particular, for certain countries possessing essential raw materials, industrial cooperation increasingly aimed at raising the value of raw materials on the spot may be a legitimate and interesting counterpart to Europe's concern for supplies and with the recovery of growth.

4. For various reasons the Community and its Member States must show their unity at the Lima Conference.

Firstly, the Group of 77's draft text contains a vast collection of provisions which either fall directly, in the Community, within its jurisdiction under the heading of commercial policy, or present particular interest for the common market, especially in view of the Council's resolution of 16 July 1974 relating to the alignment and progressive harmonization of the development cooperation policies of the Member States of the Community.

To this must be added a major political reason : by concerting their positions and presenting common views, the Member States and the Community, in view of the increased size of the latter, have a very real chance of influencing the outcome of the work and of guiding it in a constructive direction of dialogue and cooperation. The preparatory work in Vienna showed how a Community declaration can change the whole climate. There is no doubt at all that the States acting individually, would fail to achieve the same result. The success, or the degree of success, of the Conference therefore depends to a large extent upon this.

The search for Community or concerted positions should therefore be pursued systematically. Community coordination, begun at Vienna from the start of 1974 and continued within the framework of the OECD in November, took on its full meaning during the work of the Preparatory Committee of the Industrial Development Board in December 1974 and January 1975 in Vienna.

So the Community's positions and the points of joint action by the Member States to be put forward at the Conference should be prepared systematically. It will be possible to continue Community coordination on the spot at Lima, in accordance with the usual procedures following the guidelines given by the Council, so that questions of detail and final wording of the text can be settled as the discussions proceed.

5. It goes without saying that, even if the Community makes the effort to promote a dialogue and be conciliatory as suggested by the Commission, the risk of the Lima Conference failing is by no means completely avoided. However, the Community will at least have done what it could to contribute to a positive outcome or, if one is pessimistic, will have being blamed for failure.

III. Guidelines for international industrial cooperation

Before embarking in Chapter IV on a detailed analysis of the Group of 77's draft Declaration and Plan of Action, this Chapter suggests a number of general guidelines for industrial cooperation, illustrated by certain more specific proposals which back up the constructive position the Community intends adopting in Lima and which could well help to bridge the gap between the apparently incompatible positions of developing and developed countries. These guidelines and proposals could be included in the statement to be made at Lima by the representative of the Community.

1. An integral approach to development

Industrialization is one of the components of comprehensive development and one which ties in closely with other development policy guidelines. Industrialization will therefore only play its part fully in development as a whole if it is not considered in isolation but put in its proper place in that whole. There can therefore be no question of industry being chosen to the exclusion of other approaches such as the creation of infrastructure or the development of agriculture; on the contrary, an appropriate balance of complementary factors must be achieved.

Neither will industrial cooperation, important though it is, be the exclusive preoccupation, but one of a number of components of cooperation between developed and developing countries.

In this light, the following concrete proposals deserve to be taken into consideration and could well be put forward by the Community.

The first is concerned with agricultural development, The preponderantly rural socio-economic structure of the developing countries, the particularly unfavourable situation in which traditional agriculture finds itself, especially in the least developed countries, the vital need to create jobs, the danger of creating centres of industrial development which are outward-looking and isolated from the national economy and the many ways in which agriculture and industry complement each other

mean that rural development occupies a very important place. However, agricultural progress must be geared to national and regional industrial development, and, in particular, to the creation of storage capacity and disposal facilities and to the production of fertilizers, pesticides and agricultural machinery and equipment.

The second is concerned with stepping up the industrial effort and involves the development of small and medium-sized manufacturing firms. The role of these moderately-sized indigenous firms in the socio-economic development process is a considerable one. However, the obstacles are particularly numerous and difficult to overcome and in general the funds needed are of less importance than the contributions of technical or management know-how that are required.

This field of action has so far attracted neither the interest it deserves nor, as a result, the achievements hoped for, under either the developing countries' development policies or the developed countries' cooperation policies.

Industrial cooperation must therefore attempt to single out the forms of financial and technical assistance which are best recommended for promoting the creation and expansion of small and medium-sized firms and most likely to receive contributions from outside. Such action, which must often be carried out in an integrated fashion, includes the financing of industrial infrastructure (industrial estates, for example), the implementation of adequate basic and advanced vocational training programmes, the organization of financial assistance and development of techniques appropriate to the institutions that look after the interests of the small and medium-sized firms and to the organizations supplying specialized credit for the small and medium-sized industries in the developing countries, and the encouragement of contacts between these industries in both developed and developing countries by setting up the appropriate machinery and making certain financial aid available.

2. A selective approach to development cooperation

Diversity in industrial cooperation policies is essential owing to the great variety of practical situations and the corresponding economic policies.

There is of course no need to illustrate the diversity of geographical, climatic, demographic, economic and social conditions which exists between countries that differ widely in size and have a smaller or greater amount of resources available. It is, however,

useful to bear in mind that recent economic developments have helped to create even greater differences between the developing countries and to widen the gap between, on the one hand, those which have oil or certain scarce raw materials and which no longer needed financial aid - or not as a matter of priority at least - but among which the opportunities for industrial development are nevertheless very unevenly shared and, on the other hand, the developing countries which do not produce these privileged resources, which are in some cases very unfavourably affected by the present economic situation and are more than ever in need of financial aid on favourable terms.

As to the fundamental choices made by these countries as regards their development policies, it will be emphasized that each country is responsible for choosing its strategy and industrialization policy. Hence the different ideas held by the various States on the respective roles of the public and private sectors, sectoral and regional priorities, recourse to the appropriate technology, etc. Cooperation is only possible if the fundamental guidelines of the developing countries' industrial development policy are followed to the letter.

This being so, it is clear that there is no one model for industrial development nor, consequently, for industrial cooperation.

3. A comprehensive view and implementation of industrial cooperation

The complexity and extreme diversity of specific industrialization problems are such that industrial cooperation will have to have recourse, according to circumstances and in the right measure, to a whole range of instruments connected, as appropriate, with financial cooperation (both public and private) in a wide variety of forms, technological cooperation involving equally diverse methods, commercial cooperation (tariff policy, non-tariff barriers, trade promotion) and supporting policies (incentives, guidance, etc.,) or adjustment arrangements. Moreover, industrialization brings into

play various production factors (inputs): raw materials, energy, labour, technology, and equipment. It is applied in economic and social infrastructure in the widest sense as well as in industrial projects themselves.

A development aid policy which confines itself to using the direct instruments of traditional financial and technical assistance is therefore inappropriate for industrial cooperation. Industrial cooperation must be comprehensive, bringing together, by means of highly flexible procedures, very different partners and making use, by harmonizing the points they have in common, of the whole range of instruments which it is to have available.

A particularly important instrument of industrial cooperation is trade cooperation, the aim of which is to help developing countries obtain the external markets required by some of their export-oriented industries.

In this respect the generalized preferences scheme specifically aims to improve the prospects of the developing countries as a whole. It is certainly one of the most important contributions which the Community can make in the field of commercial policy to encourage the developing countries' industrialization. The liberalization of trade on a preferential basis one of the demands to which those countries attach the greatest importance. The text presented by the Group of 77 is clear proof of this. The Community has already taken a position which is ahead of its time on this subject and which should be maintained and developed. It has always stated that the generalized preferences scheme is not fixed once and for all but can be improved in the light of experience and specific request from the beneficiary countries. On this matter the Council must hold a thorough debate at political level on the objectives to be achieved by applying the scheme. At the Lima Conference, the Community should support the Group of 77's requests for better application of the scheme and stress the need for all industrialized countries to apply it. In doing this, it must clearly emphasize the advantages the scheme holds for developing countries over concessions that would be granted erga omnes on a multilateral basis within the framework of trade negotiations.

Beyond the field of tariff measures, further efforts should be made to phase out non-tariff barriers, including the quantitative restrictions still applied to developing countries.

Trade promotion is another measure needed for opening up the markets of the industrialized countries. It consists of a series of active measures ranging from informing the developing countries of national regulations to help them meet their requirements, to market surveys and participation at specialized fairs and exhibitions.

The adoption by the Council at its session of 30 April 1974 of a resolution on promoting developing countries' exports showed that the Community has recognized the importance of taking measures in this field to help increase those countries' exports. In particular, it has been pointed out that, at the request of the developing countries, the Community could finance and implement additional specific technical assistance measures to help those countries improve their exports. The Community is therefore in the process of developing trade promotion schemes bilaterally with various developing countries or regionally integrated blocs among the developing countries.

At Lima the Community could draw attention to its activities in this field and state its readiness to develop them in accordance with specific requests made by the developing countries.

4. Concerted international cooperation

In the profoundly altered current international economic situation, the developing countries' desire for industrial development demands new forms of international economic relations which should be matched by a new conception of international cooperation. Now that the fact of interdependence has been recognized, relations should be established less and less in an atmosphere of conflict between essentially differing interests and more and more in one of cooperation between fundamentally converging interests in the medium and long term.

Industrial cooperation is the very area where a true partnership can and must be established between developed and developing countries. More than any other form of collaboration, it requires regular exchanges of information and a continuous dialogue between the various partners in development. These exchanges of information and contacts, which must be carried out and made with maximum flexibility, are provided with an ideal framework in the form of medium-term (bilateral or regional group) agreements concluded between the developed and the developing countries.

This contractual framework guarantees the vital continuity of industrial cooperation relations, information exchanges and contacts in particular, and ensures that consultations between the partners can take place under the best possible conditions.

Since what is involved is the establishment of genuine relations between partners in a joint undertaking which are both effective and efficient, the role and the vital collaboration required of the firms concerned must be made clear.

In countries with market economies the role of the public authorities in industrial cooperation is in fact less important than that of firms and individuals. Industrial cooperation in those countries is usually the province of firms and individuals, whether in the public or the private sector: manufacturers, bankers, suppliers of services, brokers, etc. They alone are able to carry out industrial projects, ensure that the requisite knowhow is transferred on a continuous basis, provide the necessary technical and management expertise and guarantee the outlets and the transport and marketing facilities which are vital.

The concrete results of the industrial cooperation of countries with market economies will be all the more substantial for the fact that it has been possible to count on the assistance of both public and private firms in a variety of forms, of which capital investment has doubtless never been, and certainly no longer is the most important.

Those developing countries which intend to enlist the help of professionals must therefore involve them in industrial cooperation; this does not of course mean that the matter should be placed entirely in their hands or that the State does not have a major role to play independently of the firms or in conjunction with them. But they must be kept informed, meetings must be held with them and they must be given incentives to provide assistance - in short, they must be guided. They must also be reassured, and the importance of the after all essential question of the welcome extended to foreign promoters and the attitude to them once they are engaged in their activities cannot be stressed enough. This is both the quid pro quo and the sine qua non of effective industrial cooperation. The developing countries must realize that it is in the greater interests of both parties for the firms to be guaranteed stable and secure working conditions than to be made even very generous concessions at the outset. By doing this, the developing countries in no way abandon either their political options or the possibility of a public take-over, provided this is done with the requisite fairness. However, it goes without saying that outside firms must conform strictly to the development aims and priorities of the host country and take full account of its interests.

The developed countries, for their part, should ensure that in addition to action taken by them in the financial, trade or technical assistance fields (which can do a great deal to encourage firms, albeit indirectly) they take appropriate, coordinated measures - effective and often relatively inexpensive - involving information, contacts, promotion and various types of incentives and support for their operations, particularly as regards taxation and the guaranteeing of investments against non-commercial risks.

5. A dynamic approach to industrial cooperation

The pace of change in industry is such that reasoning in static terms along the lines of a redistribution of existing capacities and transfers of industry to the benefit of some and the detriment of others is inappropriate and can only lead to fruitless conflict.

A forward-looking approach should instead be adopted which takes account of general growth in the longer term whereby a fairer distribution of world industry would be realized, as is in fact the case, by a gradual shift in trends - the creation, extension or transformation of industrial units - and by the existence of differing rates of growth as between industrialized and developing countries.

It is quite legitimate, therefore, to mention the benefits which both sides would reap from progressive relocation of industry. This would be in the interests of the developed countries both in terms of traditional comparative advantages and also because it would go a considerable way towards solving their social and political problems in the fields of immigration, space and environment. These medium - and long-term advantages should outweigh the immediate drawbacks of the adjustments which they necessitate.

6. A novel conception of industrial cooperation

A forward-looking approach to the problems of industrialization means calling into question the traditional idea of investment by giving it a more appropriate place in industrial cooperation, working out means of

financing and cooperation which are better adapted to present needs and providing for any surplus capital to be used to accelerate the industrialization of the developing countries.

The developing countries have an increasing tendency to finance as much of their industrial development as possible from their own national resources. The objective advantages of national financing, the political determination of the developing countries to use it, and to give state action an important place, plus the reluctance of private capital to invest overseas mean that this tendency is encouraged. Contributions from abroad remain vital, however, at least as an addition to domestic action and where they are coupled with contributions in the fields of technology, management and marketing.

In this context the most important point would seem to be to work out new means of financing and technical cooperation which are more diversified, more flexible and better adapted to the special, changing demands of international industrial cooperation.

To answer this need there already exists a wide range of means other than traditional direct investment, in many cases involving the public authorities. Examples are the advance financing of project studies, the use of local financial institutions as agencies, the acquisition of holdings by investment companies, the leasing of industrial plant and long-term management contracts. These means should be further developed, made better known and fully utilized.

Linking ordinary bank loans or credit on special terms to long-term commercial contracts could be envisaged for the future.

Finally, the appearance of surplus financial resources in certain exceptionally well-endowed developing countries should provide food for thought on new types of agreements which could accelerate the industrialization of the developing countries. They would be tripartite agreements linking such surplus finance - possibly boosted by capital from the developed countries and the host developing countries - to contributions of technology, management and training facilities from the developed countries and to the raw materials and labour resources of the developing countries which will be host to the new industrial development. In this field, an appropriate institutional structure and financial framework must be set up and joint guarantee procedures must be worked out to facilitate these industrial cooperation schemes, which will be profitable to each of the parties concerned.

IV. Community position on the Group of 77 proposals

The Community has declared its intention of taking a positive stance at the Lima Conference. It should therefore adopt a constructive attitude towards the Group of 77 proposals.

It might be useful for the Community to point out that most of the proposals contained in the Group of 77's text are perfectly acceptable and include some excellent ones. The Community is able to accommodate the Group of 77's explicit desire by adopting as a basis their draft text and endeavouring as far as possible to accept it as it stands, proposing only essential and specific amendments (1).

Such a Community position, if clearly expressed, would no doubt be well received and likely to lead to the compromise which the Community should seek to promote. It would mean that the Community would not be blamed for having contributed to the failure of the Conference in the event of a clash in Lima.

It is important to remember, however, that a very large number of the proposals in the Group of 77's text are only remotely related to industrialization and belong to the sphere of other international conferences or institutions, while it is precisely on these topics that the most serious disagreements occur. The Conference of UNIDO, a United Nations body, is clearly not the proper place for settling questions which are being studied or discussed by other United Nations bodies at the same time.

(1) This analysis of the Group of 77's preparatory document - Preamble, Declaration of principle and Programme of Action - deals only with texts which are unacceptable as they stand and which we are proposing to amend. It is based on the assumption that all the other proposals are acceptable to the Community.

A. Specific industrialization problems of the developing countries

1. Quantitative aims (Declaration, paragraph 6)

The developing countries have taken up and expanded on the UNIDO Secretariat's proposal to quantify the developing countries' industrial development aims. The target figures for the year 2000 are expressed as a percentage of world industrial production (25 % of the total, as against the 20 % proposed by the UNIDO Secretariat) and in terms of rate of industrial growth (far greater than the 8 % recommended in the International Development Strategy).

The only justification for such quantification is political ; it acts as a stimulus for cooperation. On the other hand, past experience - extremely unsatisfactory from the angle of target figures - has bred frustration and disappointment.

It will be thought that there is a danger that any figure, even if it is intended only as a guide at the outset, may assume a value of its own and become by this very fact a source of misunderstandings and complications in the consultations and of cumulative errors at all the later stages of reflection and studies.

It may be asked whether a long-term theoretical projection is realistic and whether it is not more unfeasible than ever in the present world economic situation.

It will above all be emphasized that an objective expressed in the form of a greater share of world industrial production for the developing countries, subject to the fact that the countries concerned may not all develop in the same way, does not take account of the real aim - namely an actual increase in the developing countries' industrial production.

If a quantification must be made, the Community could no doubt accept realistic target figures, carefully calculated but expressed

exclusively in the form of rates of industrial growth in the developing countries (1). The progress made towards attaining these aims could be examined periodically within the framework of UNIDO.

2. Transfer of industrial activities and adjustment programmes (Declaration, paragraph 5 ; Plan of Action, Chapter A, section 2, paragraph (c) and (d))

Under this heading are grouped the developing countries' proposals for achieving a "rational, just and equitable" international division of labour by means of anticipatory adjustment programmes aimed at assisting developed countries' firms which have become inefficient or unprofitable or both to cease production and transfer their activities to the developing countries, thus avoiding the creation in the developed countries of fresh productive capacity of this type.

This approach is oversimplified and can hardly be accepted by the industrialized countries (2).

The transfer of certain production capacities on an international scale, in particular to the developing countries, is an ongoing process and one that is certain to accelerate in the coming years.

The Community has on many occasions declared its willingness to promote the industrialization of the developing countries. It makes a practical contribution both through financial and technical cooperation under association or cooperation agreements and by opening its market to the developing countries' exports of manufactures under such agreements or its generalized preferences system. The Community is obviously aware of the implications for its own industrial structure of its industrial cooperation and in particular the progressive opening of its market, and it is prepared to face up to them.

(1) Resolution 3306 (XXIX) adopted by the United Nations General Assembly on 14 December 1974 (119 votes for, 0 against with 3 abstentions : USA, UK, FRG) envisages target figures to increase substantially the developing countries' share of world industrial production.

(2) A more subtle text, which has been accepted by the Community, is that of Article 8 of the Charter.

The Community is therefore already working to bring about relocation, which is acceptable to it in principle. Care must be taken, however, to ensure that the text does not appear to imply that relocation may take place under compulsion and on the basis of programmes drawn up in advance.

With regard to adjustment programmes, the Community does not at present have a common adjustment programme, although adjustment programmes exist at national level in various Member States. It would be advisable for such programmes to be integrated at Community level through the coordinated implementation of internal structural policy measures (such as in the regional and social spheres) and of the policy of cooperation with the developing countries. But it would be premature to make too much of this and the Community is unable to enter into commitments on the implementation of adjustment measures. Amendments should therefore be sought which make the text less binding.

3. Regulation and control of foreign investment and the transfer of technology (Plan of Action, Chapter A, section 1, paragraph (1))

The Group of 77 proposes to strengthen regulation and control in this field as part of the measures concerning the developing countries.

These being measures which the developing countries have to take themselves as they involve their national sovereignty, the Community could confine itself to proposing the inclusion of the concepts of equity and stability.

4. Trade policy matters

The Community is able to adopt a most constructive position here, given its previous activities in this context (generalized references, multilateral negotiations). Most of the Group of 77 requests are therefore acceptable. There are however certain specific points which require modification and in respect of which amendments should be submitted. These points were raised in the statement made on behalf of the Community to the Preparatory Committee and are as follows :

- Elimination of non-tariff barriers on a preferential basis (Plan of action, chapter A, section 2, paragraph (a))

The Community is prepared to examine this problem in specific cases but within the framework of the multilateral negotiations under GATT and, therefore, on a non-preferential basis.

- Elimination of progressive tariffs for processed products on a preferential basis (see reference above)

There is already practical solution to this problem in the form of the preferences system and it should not, therefore, be raised in the text.

- Adoption of market sharing programmes (Plan of action, chapter A, section 2, paragraph (b))

The concept of market sharing is unacceptable in the context of existing trade arrangements. Market sharing is achieved in practice by trade policies and in particular by the system of preferences. A proposal could be made to amend the text so as to provide for improved market access for the developing countries' products.

- Elimination of non-tariff barriers within the framework of preferences (Plan of action, chapter C, paragraph (a))

The present wording is unacceptable ; reference could be made to improving the conditions of application.

- Principle of preferential treatment within the framework of the multilateral negotiations under GATT (Plan of action, chapter C, paragraph (b))

This principle is not applicable in the context of GATT ; the passages concerning the developing countries in the Tokyo Declaration could be used here.

- Measures to prevent production of synthetic substitutes (Plan of action, chapter A, section 2, paragraph (h), part of chapter C, paragraph (q))

The principle of restricting the production of synthetic substitutes is unacceptable. The concept of "better competitive position" for natural resources, which has already been accepted and is being discussed by UNCTAD, should be introduced.

- Strengthening of producers' associations (Declaration, paragraph 19, and Plan of action, chapter B, section 1, paragraph (b))

Most Member States voted against the article of the Charter which deals with this question (article 5). Amendments should be sought aimed at bringing such associations within the framework of international cooperation and equitable relations between producers and consumers. This was the tenor of the reservation entered on behalf of the Community at the United Nations General Assembly when the Declaration and Programme of Action for a New International Economic Order were adopted by a consensus of opinion (1).

- Right of the developing countries to provide export assistance (Plan of action, chapter C, paragraph (c) ; same idea expressed in chapter A, paragraph (g))

This is an extremely delicate matter, and the whole question of export subsidies will be one of the major issues in the multilateral negotiations under GATT in respect of non-tariff barriers. It is, therefore, impossible to accept that the developing countries should have the unconditional right to provide whatever kind of export assistance they may choose for their processed products. At best the Community could be flexible in the application of possible safeguard measures where developing countries are concerned, but only after negotiations under GATT the whole set of measures to be adopted internationally for dealing with this problem. The drafting of the two paragraphs must take this state of affairs into account and should at all events avoid sanctioning wholesale exceptions for the developing countries in this sphere.

(1) "(The Community) also wishes to specify that it considers the role of producers' associations in the way it was defined in the Declaration concerning the setting up of a New International Economic Order".

- Need for "prior" consultations in cases of modification of the "standstill"
(Plan of action, chapter A, section 2, paragraph (a))

The principle of "prior" consultations is unacceptable since the importing countries must be free to adopt measures rapidly where they are required in exceptional cases arising from a crisis. The Community should keep to the procedures laid down by GATT in this matter.

- Establishment of a link between the prices of the exports and imports of the developing countries (Preamble, paragraph 19)

The underlying idea of the proposed text is quite clearly price indexing. This matter will have to be discussed by the UNCTAD Committee on commodities, but given its difficulty and complexity there is no possibility of a quick solution being found. A compromise text, based on the Community's declaration at the U.N. General Assembly (1), could refer to the importance of seeking a fair balance between the prices of goods exported and those imported by the developing countries which would be profitable for the producers and fair to the consumers.

5. Establishment of an Industrial Development Fund (Plan of action, chapter C, paragraph (g))

The establishment of this Fund was the subject of Resolution 3307 (XXIX), which was adopted by a consensus of opinion at the General Assembly on 14 November 1974. This Resolution asks that the establishment of the Fund be studied at the Lima Conference. The Groupe of 77's text envisages the establishment of a Neutral International Fund, to be financed by those developing countries with available resources and by at least equal contributions from the developed countries. Critical attention should be devoted to the question of whether the establishment of the Fund is advisable, particularly from an overall point of view taking into account the proliferation of international funds, conflicting with and in connection with the Fund in question the requests from the developing countries for increased financial aid, and the enlargement of the UNIDO budget.

(1) "The European Economic Community is of the opinion that a fair balance must be sought between the prices of goods exported and those imported by the developing countries ; it considers, however, that it would be difficult to establish a formal link between the two".

As regards the setting up of an International Fund for Agricultural Development, the experience of the World Food Conference shows that it would be difficult to oppose the establishment of such a fund since the oil-producing countries are prepared to take the initiative by proposing and helping to finance it. In these circumstances, the tactical expediency of outright opposition to the establishment of the Fund is open to question ; it would appear more appropriate to adopt a more flexible approach by proposing amendments to the Group of 77's text, specifying in particular that the Fund must be open to voluntary contributions from all the countries intending to participate.

As regards the representation of countries in this Fund, it might merely be pointed out that, as in the case of the Agricultural Development Fund, a fair allocation of seats would have to be ensured. However, more details should be requested on the scope of paragraph (h) of the same Chapter, which calls for the setting up of financial mechanisms of industrial development. It might be asked whether the provisions of this paragraph do not, in fact, duplicate the establishment of a Fund.

6. System of continuous negotiations and consultations (Declaration, paragraph 4)

The Group of 77's text mentions this problem only in paragraph 4 of the Declaration and without specifying the role or scope of such a system. It is possible that the developing countries will return to this question in Chapter E, "Institutional Mechanism", which has not yet been drawn up. The idea was originally mooted in UNIDO Secretariat document ID/B/C. 3/27. The Secretariat envisages a complex consultation system at three levels : multilateral, regional and sectorial. Such consultations would facilitate in particular the coordination of measures to be taken in the sphere of industrial development, including consultations on the relocation of industrial capacity.

The creation of so cumbersome a system, and one which could be interpreted as a mechanism for negotiations between the developed and developing countries on industrial relocation, would appear inadvisable and even ineffective. The Community could declare itself in favour of implementing within the framework of UNIDO procedures likely to foster regular information exchanges and consultations between both sides of industry and all parties concerned by industrial development. The text submitted by Group B and recorded in Chapter C, item 56, paragraph (b), (c) and (d) of the draft Plan of Action, could be proposed to the Group of 77 as a starting point.

7. Institutional questions concerning UNIDO (Plan of action, chapter E)

According to unofficial information which has not been confirmed, the Group of 77 have prepared a draft Chapter E to their draft Declaration; it deals with the role, functions and status of UNIDO. According to this information the Group of 77 are recommending :

- greater budgetary, financial and administrative independence for UNIDO ;
- an institutional basis for its General Conference, to be held every 3 or 4 years ;
- the strengthening of their representation on the Industrial Development Board (40 out of 60 seats instead of 25 out of 45), in the Secretariat and among the consultants ;
- the establishment of an Industrial Development Fund (as well as a Neutral International Fund ?) ;
- that UNIDO handle a larger share of UNDP's resources.

Since the Group of 77 now appears to have abandoned the idea of transforming UNIDO into a specialized agency, it would appear that the greater flexibility proposed in budgetary, financial and administrative matters could be largely accepted, although it is clear that these measures would do little to remedy the handicaps from which UNIDO suffers (inadequate demarcation of powers and responsibilities, lack of control over the organization, unwieldiness and operational inefficiency).

The proposal that the General Conference should meet periodically would provide at least a partial answer to the proposal to set up a consultation mechanism. The question of the developing countries' representation on the Board and in the Secretariat could be settled by following the example of UNCTAD. The establishment of the Industrial Fund has already been discussed. The proposal concerning UNDP could, at the most, be expressed as a diplomatically worded request forwarded direct to UNDP itself.

The Group of 77 should logically be more anxious to obtain consensus in a sphere where resources provided by the developed countries play a decisive part. This consideration might incline them to make certain concessions in other fields. It would in any event be desirable for the Member States to harmonize their positions as closely as possible when the Group of 77's definitive proposals are known with certainty, that is after their meeting in Algiers.

B. Matters for which other United Nations bodies are responsible

These are problems of a general nature which are on the whole only remotely related to the specific problems of industrialization. These problems are well known and have been discussed in detail in the General Assembly and other United Nations bodies. These discussions are in many cases still going on in UNCTAD, ECOSOC, the International Monetary Fund and other specialized institutions on instructions from the General Assembly.

An initial reaction would be to point out to the developing countries that such problems cannot be solved within the framework of a conference on industrialization. These matters have no direct connection with industrialization and decisions taken by such a conference could prejudice possible solutions emerging from discussions taking place within other United Nations bodies, of which UNIDO is but one.

The Group of 77 made it clear in Vienna, however, that it considers it essential that this matter be taken into consideration when the new

texts are drawn up. It seems realistic to assume that there will be no way of avoiding discussion of it. Accordingly, efforts should be made, to ensure, by drawing up universally acceptable amendments, that these texts do not prejudice future solutions and are in line with decisions accepted in other contexts by the Member States. The guiding principle should therefore be to attempt to adhere as closely as possible to the Group of 77's text, while proposing such amendments as are considered necessary.

- Natural resources and the right of nationalization (Declaration, paragraph 8 and 9)

This matter was discussed at length when the Carter was adopted and it was not possible at that stage to secure a reasonable compromise for the industrialized countries. There can be no change in the Community position in relation to the position adopted so recently. It would appear appropriate, therefore, to return to the amendments submitted during the discussion and to propose them once more as amendments to the Group of 77's texts.

- Lifting of the reservations on the Declaration and the Plan of Action for a New International Economic Order, adopted by consensus at the Sixth Special Session of the General Assembly (Declaration, paragraph 14)

This request by the Group of 77 would appear quite unacceptable at present. The reservations entered being still valid, one solution would be to draw up an amendment based on the idea that the Community is in favour of the continuation in the UN of a dialogue with the developing countries aimed at seeking agreement on the points disputed, since such agreement would facilitate the implementation of these texts by widening the area of consensus.

- Reform of the international monetary system (Declaration, paragraph 16 ; Plan of Action, chapter C, paragraph (i), and chapter D, paragraph (f))

This is chiefly a question of greater participation by the developing countries in the decisions to be taken within the framework of the reform

of the international monetary system, and, it also involves the use of special drawing rights to finance industrialization in those countries. This matter is being discussed by the International Monetary Fund and has also been discussed by ECOSOC. The Board of Governors of the International Monetary Fund and IBRD has set up a joint Ministerial Committee with the task of studying the transfer of real resources to the developing countries. The decisions to be taken in that context must not, therefore, be prejudiced by the texts which will be adopted in Lima. Here again, a way must be found, therefore, of expressing the desire that the work being done by the International Monetary Fund should take account of the interests of the developing countries. A basis for this could be the text of the Resolution adopted by consensus in the General Assembly in December 1974.

- Reduction of expenditure on arms and the use of the resources thus released, to finance industrialization (Plan of action, chapter C, paragraph (f))

Although the question of disarmament does not fall within the province of the Community, an examination of it from the point of view of its implications for development aid requires coordination nonetheless, and, if possible, the adoption by the Member States of a common position. This matter is covered by Article 15 of the Charter of the Economic Rights and Duties of States, which the Member States found unacceptable. They all supported an amendment for the deletion of the text in question. This being so, the Member States should propose that any reference to disarmament should be deleted.

- Transnational corporations (Preamble, paragraph 11 ; Declaration, paragraph 15 ; Plan of action, chapter A, section 2, paragraph g) and chapter C, paragraph m)

The Group of 77 is asking, first, that an International Code of Conduct for Transnational Corporations be approved as a matter of urgency and, second, that the developed countries adopt measures to prevent such corporations engaging in activities prejudicial to development.

It appears to be difficult at this stage for the Community to give undertakings of this kind, particularly in view of the work to be continued on this subject within the framework of ECOSOC.

The Community could put forward amendments based on the text of the Resolution adopted in this connection by consensus within ECOSOC on 11 December 1974, and on the amendment proposed by the Member States to Article 2 of the Charter.

- Implementation of the International Development Strategy (Preamble, paragraph 4 ; Declaration, paragraph 3 ; Plan of action, Chapter B, section 1, paragraph (c) and Chapter C, second sentence)

The Group of 77's text refers repeatedly to the implementation of the Strategy, linked in certain cases with the Programme of Action for the New International Economic Order. Although general references to the Strategy in the form in which it was adopted are acceptable to the Member States (their reservations with regard to it having been relatively slight), the same cannot be said of those texts which would require general revision of the aims of the Strategy in the light of the Programme of Action.

- Charter of the Economic Rights and Duties of States (Preamble, paragraph 20 ; Plan of action, Chapter F)

None of the Member States voted in favour of the Charter ; furthermore, all the Member States voted against certain articles. This being so, any reference to the Charter must be examined critically by reference to the positions adopted by the Member States. While the Community voted in favour of certain articles considered individually, it cannot accept the Charter as a whole as a legally binding text. This position must be stoutly upheld. As a result it is impossible to accept the present wording of Chapter F of the Plan of Action in the Group of 77's text. As a starting point a counterproposal could be based on the notion that if it is desired to make the Charter a truly effective instrument

for setting up a new system of international economic relations it is essential that fresh consultations be envisaged in order to secure a consensus of opinion among all countries. The Community, for its part, is still ready to open such a dialogue should the developing countries so desire.

- International Code of Conduct on Liner Conferences (Plan of Action, chapter C, paragraph (o))

This Code was adopted by majority vote at the Plenipotentiaries Conference held on 7 April 1974 in Geneva within the framework of UNCTAD. It is open for signature until 30 June 1975 and for accession following that date. The Member States voted in various ways (for : Germany, Belgium, France; against : Denmark, United Kingdom; abstentions : Italy, Netherlands). The Commission is preparing for the adoption of a common position on ratification.

In these circumstances it would appear extremely difficult to determine a Community position on this paragraph. A starting point could be a request for deletion based on the argument that the adoption of the Code is not directly connected with the industrialization issue and that it should not be included in the texts in question.

- Remnants of foreign and colonial domination and continuing neocolonialism (Preamble, paragraphs 10 and 11)

The paragraph 10 of the Group of 77's text has taken over a text which appeared in the introductory part of the Declaration relating to the establishment of a New International Economic Order (paragraph 1, third sentence). Clearly a sentence of this kind, given its recriminatory tone, would not appear to belong in a text which ought to be acceptable to all the countries participating in the Conference. However, the Group of 77 could point to the fact that the sentence in question had already appeared in the above-mentioned Declaration and was approved by consensus in the General Assembly. This being so, it would seem that this sentence - which appears moreover, in the preamble - could be accepted if the Group of 77 so insists, care being taken to ensure that it corresponds exactly to the sentence in the Declaration.

With regard to paragraph 11, which refers to continuing neocolonialism and the infringement by transnational corporations of the principle of sovereignty, the present wording is unacceptable.

- Transfer of technology (Plan of Action, chapter C, section 1, paragraphs (j), (k), (l) and (n))

The Group of 77 is proposing that :

- technology be made accessible under just and fair conditions, with particular account being taken of the specific needs of the developing countries ;
- an industrial and technological data bank be set up ;
- the international conventions on patents and trademarks be reviewed with a view to assisting the developing countries ;
- the International Code on Transfer of Technology being prepared at UNCTAD be approved as rapidly as possible.

The Member States of the Community agreed at the 14th Session of the UNCTAD Council in September 1974 that questions relating to transfer of technology, which are of special interest to the Community, should be the subject of close coordination and harmonization at Community level. The details of implementation of such coordination have recently been worked out.

The first and third proposals by the Group of 77 should simply be amended to safeguard the rights of owners of technology and reference should be made to the work of UNCTAD.

The second proposal should be made more specific in view of the total lack of details on the data bank which it is proposed to set up (function, structure, organization and resources).

The fourth proposal seems to be the most sensitive. The Member States are agreed on the necessity of accelerating the transfer of technology to the developing countries under fair conditions (see Charter, Article

13, and ACP negotiations on industrial cooperation). The adoption of a Code has been contemplated by UNCTAD, but some Member States entered deep reservations on the draft put forward by that body (1). There is a real danger of the political side of the debate becoming dominant and there would appear to be very little possibility at present of detailed and objective discussion. The Community's reservations will no doubt be prompted by the inadequacy of the preliminary studies, leading to hasty conclusions and excessive demands on the part of the developing countries, particularly since some of the proposed measures lie outside the western countries' political and legal powers of implementation, and also by our reluctance to accept any code which would be binding in terms of international law.

(1) The vote was as follows : against : Germany, United Kingdom; for : Belgium, Netherlands; abstentions : France, Italy.

ANNEX

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REMARK ON THE PREPARATION OF THE ANNEX

To help readers to identify the amendments proposed, the Group of 77's text has been taken as a basis. Wherever a word or phrase seemed unacceptable, it has been placed in square brackets []. The words or phrases proposed as a new draft have been underlined. Paragraphs which are acceptable as they stand have not been reproduced and the word "unchanged" appears after the number of the paragraph.

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DRAFT DECLARATION AND PLAN OF ACTION ON
INDUSTRIAL DEVELOPMENT AND CO-OPERATION

[OF THE GROUP OF SEVENTY-SEVEN]

[VIENNA, DECEMBER 1974]

DECLARATION

1. The representatives of the [developing] countries taking part in the Second General Conference of UNIDO, meeting in Lima [Vienna as the Group of Seventy-seven], joined by their common aspirations and by the identity of their economic interests, propose to continue joining hands in their efforts to achieve social and economic development, peace and prosperity.
2. (Unchanged)
3. (Unchanged)
4. Recalling General Assembly resolution 3176 (XXIII),
5. (Unchanged)
6. Recognizing the urgent need [to proceed with radical transformation of the structure of economic relations and] to achieve the objective of bringing about the establishment of a new international economic order based on equity, sovereign equality, inter-dependence and co-operation, in order to permit thoroughgoing transformation of the present structure of economic relations,
6. (deleted)
7. (deleted)
8. (deleted)
9. Considering the urgency of undertaking a [radical] thoroughgoing transformation of the structure of the world economy and of laying the foundation of a new kind of international economic relations which would create the conditions that would make it possible to bring about international economic co-operation based on sovereign equality, the right of equality, justice and equity for the economic and social progress of the developing countries in conformity with the declaration and plan of action concerning the setting up of a New International Economic Order,

10. Considering further that the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid, and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the peoples involved,

11. Bearing in mind that [this] the situation of the developing countries has become aggravated by [the perpetuation of neo-colonialism and the] persistent and marked tensions to which the present international economic situation is subjected, in particular [To these considerations must be added the attitude of some developed countries as well as the unacceptable practices of the transnational corporations that infringe in the principle of sovereignty of developing countries and to that must be added] the inflationary increase in the import costs of developing countries; and the pressures exerted upon their balance of payments as a result of heavy foreign debt servicing, the aggravation of the international monetary crisis, and the transfers resulting from [imposed by] private investment. This situation is not conducive to the spirit of the new international economic order.

12. Recognizing the fact that problems of industrial development in developing countries [do not lie entirely in], while mainly lying in those countries, [but are also caused by] also depend on the policies of the developed countries and that [without significant policy and structural adjustments within the economies of the developed countries] the achievement of the objectives of the New International Economic Order [would be in serious jeopardy] could be facilitated by adjustments of the economic policies and structures of developed countries,

13. Recognizing that the developing countries constitute 70 per cent of the world population and generate less than 7 per cent of industrial production, that the gap between the developed and certain developing countries has been widening [inter alia, owing to the persistence of an unjust and inequitable] under the present international economic order; and that development is a joint and common responsibility of the entire international community,

14. Taking into account that industrial progress has not displayed significant advances in the developing countries as a whole, in spite of serious efforts on their parts. This has been frequently caused by the dependence of their economies

on the export of primary goods [and by actions within the developed countries], which [have] has not made it possible to achieve a profound dynamic effect which would be capable of transforming internal soci-economic structures and laying the basis for real development,

15. (unchanged)

16. (unchanged)

17. Aware that many of the obstacles which are inhibiting industrial expansion in the developing countries are of an internal structural nature, and that there also continue to exist numerous impediments arising from [colonial and neo-colonial policies or new forms of] their dependency on the developed world,

18. Considering [the tendency of the industrialized countries to reduce capital, technical and financial assistance needed to promote the economic and social development of developing countries in general and their industrial development in particular, as well as the increasingly harsher terms of the meagre aid given] that to complete their efforts towards industrialization the developing countries continue to need foreign resources in the form of capital and technical and financial assistance in order to promote their economic and social development and, in particular, their industrial development.

19. Observing with concern the grave consequences with which the present international crisis confronts the developing countries as a result of growing inflation and economic instability, [it is necessary* to evolve a just and equitable relationship between the prices of raw materials, primary goods manufactured and semi-manufactured goods exported by the developing countries and the prices of raw materials, primary commodities, food, manufactured and semi-manufactured goods and capital equipment imported by them, and to work for a link between the prices of exports of developing countries and the prices of their imports from developed countries] and that it is necessary to seek to evolve a just and equitable relationship, in the context of international cooperation, between the prices of products exported by the developing countries and the prices of products imported by them.

20. Taking into account the Charter of the Economic Rights and Duties of States as adopted by the General Assembly as [a basic] an instrument [designed to rationalize] which should contribute to the rationalization of international economic relations, and [to contribute] to the establishment of a new international economic order,

21. Convinced that the establishment of a new and just international economic order based on the common interests and co-operation of all States can only be achieved through the equitable participation of the developing countries in the production and exchange of goods and services, [replacing the existing unequal and unjust international division of labour] in order to achieve a more just and equitable division of labour,

22. (unchanged)

23. (unchanged)

Declare

1. (unchanged)

2. Their firm intention to promote industrial development through concerted measures at the national, sub-regional, regional, inter-regional, and international levels with a view to improving the economies of the developing countries, and in particular those of the least developed countries, and eliminating [all forms of political subjugation and socio-economic exploitation] their dependence on the developed countries;

3. Their unequivocal resolve to ensure the speedy and effective implementation of the principles of industrialization laid down in the International Development Strategy for the 1970s [as adapted to] and in the Programme of Action;

4. That in order to facilitate the implementation of the new International Economic Order and the achievement of the targets set forth in that Declaration, [a system of continuous negotiations and consultations be elaborated] consultations be stepped up in UNIDO and other appropriate international bodies between developed and developing countries;

5. That [developed] countries undertake an objective and critical examination of the present policies and make appropriate adjustments in their economies so as to facilitate the expansion and diversification of [imports] exports from developing countries and thereby permit a rational, just and equitable international division of labour;

6. That, in view of the existing low percentage share of the developing countries in world industrial production and taking into account the qualitative recommendations made in the present Declaration, [their share should be increased to at least 25 per cent of the total by the year 2000, and that it is necessary that the developing countries should increase their] a rate of industrial growth in the developing countries [at rates] considerably higher than the 8 per cent recommended in the Industrial Development Strategy for the Second United Nations Development Decade should raise their share, by the year 2000, in a context of general growth, to a level considerably higher than the present one;

7. (unchanged)

8. That every State has the inalienable right to exercise freely and fully its sovereignty and permanent control over its natural resources, marine and terrestrial, and to exploit them in any manner appropriate to its circumstances. [including] Nationalization, as an expression of this right, [and] must give rise to fair compensation and be undertaken in accordance with the national laws in force in the country exercising this right and in accordance with its international obligations [and that];

8a. No State shall be subjected to any form of economic, political or other coercion [which impedes the full and free exercise of that inalienable right];

9. (unchanged)

10. (unchanged)

11. (unchanged)

12. That in view of the need to conserve the non-renewable resources, wasteful consumption be avoided by all [the developed] countries, and, where appropriate, concerted action be taken by them in this respect, and certain quantitative limitations be placed where necessary on the utilization of these resources [by them];

13. That the international community, and especially the developed countries must mobilize human and material resources in order to cope with problems which threaten the environment.

[In this sense the developed countries, in their intensified efforts to prevent environmental pollution, shall avoid causing additional upheavals to the developing countries. In addition they should avoid actions which may result in transferring pollution to the developing countries]. In this sense the frontiers of knowledge must be extended in order to reconcile as well as possible the developing countries' legitimate desire to ensure their rapid industrialization and economic growth with national, regional and world ecological preoccupations. Legislation and administrative provisions are consequently required at regional, national and international levels to see to it that any industrial planning takes due account of the probable effects on the environment.

14. That all [the developed] countries [shall reconsider the reservations they expressed at the time of the adoption of the Strategy with a view to withdrawing them and must fully discharge their obligations by subscribing to new obligations in the context of the International Development Strategy as adapted and renewed and to take the necessary political decisions and concrete specific measures in order to implement the provisions of the Declaration and Programme of Action in view, not only* of the establishment of a New International Economic Order, including the contribution to the financing of developing countries and that they accept, agree and fulfil the codes of conduct and other basic instruments which are indispensable to evolve an equitable basis for the New International Economic Order], when assessing and examining the results of the International Development Strategy, in the light in particular of the relevant provisions of the Declaration and Programme of action in view of the establishment of a New International Economic Order, seek to reach on the disputed points an agreement which, by enlarging the area of consensus, would facilitate the implementation of the provisions;

15. That the unrestricted play of market forces is not an adequate means of promoting industrialization on a global scale or of achieving an appropriate international division of labour in the field of industry and that the activities of transnational corporations should [be subject to regulations and control by the home and host countries in order to ensure that their participation is] be compatible with the development plans and policies of the host countries [and to an international code of conduct and other basic instruments];

* Sic in the original

16. [That up to the present time, economic power has been used to thwart the aspirations of the developing countries for effective participation in the process of decision-making on international monetary questions. The principles which continue to govern the present monetary and financial system have exclusively served the interests of certain developed countries, and the efforts made by the developing countries with a view to the adaptation of this system to take into account their specific needs have been unsuccessful.] That a new international monetary system must be established in the decision and operation of which the developing countries will participate. It must be universal, guarantee stability in flows and conditions of development financing for the developing countries and recognize their specific needs;

17. That steps be taken to strengthen [and restructure] the action of UNIDO, thereby making it more responsive to the needs of developing countries and especially the least developed countries in the promotion of industrialization and in the implementation of the New International Economic Order;

18. That, so that in the strengthened [and restructured] UNIDO, developing countries including the least developed countries, [be] are given greater participation in all policy-making and management activities of the Organization, [and] [their] membership [substantially increased on] of the Industrial Development Board be increased in their favour in order to achieve a geographical distribution similar to that in other United Nations development agencies,

19. That it is urgently necessary that the developing countries should change their traditional method of negotiation with the developed countries. To bring about this change they must undertake joint action in order to strengthen their power of negotiation vis-à-vis the developed countries;

19a. [For this purpose, the developing countries must consider all possible means of strengthening the action of producers' associations already established and encourage the creation of other associations for the principal commodities exported by them, and establish a mechanism for consultation and co-operation among the various producers' associations for the purpose of the co-ordination of their activities and for their mutual support] That the role be recognized which producers' associations can play, in international cooperation and with a view to achieving their objectives, in order to contribute inter alia to a sustained growth of the world economy and to an acceleration of the development of the developing countries ;

20. That developing countries establish effective means of strengthening their collective bargaining power in order to be in a position to bargain with the industrialized countries to obtain better favourable terms for the acquisition of technology, expertise, licences and equipment, as well as fair and remunerative prices for their primary products;
21. (unchanged)
22. (unchanged)
23. (unchanged)
24. That developing countries devote particular attention, on a national or regional basis, to the development of basic industries such as iron and steel, chemicals, petrochemicals and engineering, thereby consolidating their economic independence while at the same time assuring an effective form of import-substitution and a greater share of world trade;
25. (unchanged)
26. (unchanged)

PLAN OF ACTION

A. Measures of national scopeIn the developing countries

1. National industrialization policies should lay emphasis on the following elements:

- (a) (unchanged)
- (b) (unchanged)
- (c) (unchanged)
- (d) (unchanged)
- (e) (first paragraph unchanged)

Put special emphasis on the creation of basic industries such as iron and steel, chemical and petro-chemicals which [set the conditions for self-reliance] will enable them to consolidate their economic independence;

- (f) (unchanged)
- (g) (unchanged)
- (h) (unchanged)
- (i) (unchanged)
- (j) (unchanged)
- (k) (unchanged)
- (l) The establishment and strengthening of machinery and institutions to regulate and control foreign investments and transfer of technology in a climate of stability and equity;
- (m) (unchanged)

2. The developed countries should adopt the following measures:

- (a) Progressively eliminate tariff and non-tariff barriers [including tariff escalation on a preferential basis]. Adhere to the principle of the

standstill on imports from the developing countries and [to the need for] recourse to [prior] consultation in the event that special circumstances warrant a modification of the standstill;

- (b) Adopt [market sharing programmes ensuring] trade measures with a view to ensuring increased imports of manufactured and semi-manufactured products of interest to developing countries;
- (c) [Adopt anticipatory adjustment assistance programmes] Encourage adjustments to their economic structure which are rendered necessary by international trade [designed to assist uneconomic and/or inefficient domestic industries to phase out and transfer their employees to other activities in order to permit]; this would permit the liberalized importation of goods processed and manufactured in the developing countries;
- (d) [Transfer] Redeployment of selected production capacities from the developed countries to the developing countries [and to prevent the creation of any new such activities in developed countries] in order to facilitate the establishment in developing countries of industries intended to supply their domestic and export markets, and promoting at the same time a higher degree of processing of their natural resources;
- (e) (unchanged)
- (f) (unchanged)
- (g) Co-operate with the Governments of the developing countries to ensure that the activities [by taking measures to restrict and prevent] of developed countries' national and transnational corporations are in line with the economic and social policies of [from engaging in activities which] developing countries [consider as obstacles to their healthy development];
- (h) [Adopt appropriate measures to avoid production of synthetic substitutes which may impede the access to competitive products from the developing countries] Cooperate with the developing countries to improve the competitiveness of natural products which have to compete with synthetic and substitute materials;

B. Co-operation among developing countries

1. At the sub-regional, regional and interregional levels

The developing countries should adopt the following measures with respect to their sub-regional, regional and interregional level:

- (a) (unchanged)
- (b) Support for the present processes of economic integration, as well as the search for new forms of economic co-operation [notably through the reinforcement of Producers' Associations,] in developing countries by means of permanent exchange of their experiences, harmonization of their actions and their mobilization in order to support any of them in case of need so as to ensure developing countries' solidarity and full sovereignty over their natural resources;
- (c) (unchanged)
- (d) (unchanged)
- (e) (unchanged)
- (f) (unchanged)
- (g) (unchanged)

In order to achieve these objectives, the developing countries will implement the measures contained in their respective regional declarations.

C. Co-operation among developing and developed countries

1. Co-operation among the developing and developed countries should take the following forms:

- (a) Application, expansion and improvement of the generalized system of preferences, with the incorporation in it of new products and [the elimination of the non-tariff barriers which hamper the use of this system] improvement of the conditions of application. In addition, the developed countries must adhere strictly to the principle that the system of preferences cannot be used as an instrument of political or economic pressure;

- (b) The conducting of multilateral trade negotiations under the sponsorship of GATT [must take into] taking fully into account the development needs of the developing countries [and must be carried out on the basis of principles of non-discriminatory preferential treatment without reciprocity] in the light of the objectives defined in Tokyo, which include elements of non-reciprocity and of special, more favourable treatment by applying measures tailored to the needs of the developing countries in those fields of the negotiations where this is feasible and appropriate.
- (c) [Recognition by the developed countries of the right of the developing countries to apply] Taking into consideration the industrialization needs of the developing countries at the multilateral negotiations conducted under the auspices of GATT on the subject of incentives to industrial production earmarked for export, for the purpose of achieving levels of international competitiveness;
- (d) (unchanged)
- (e) The granting of credits by the financing institutions of the industrialized countries and international organizations to the developing countries must be completely free of any kind of political [or economic] strings and should involve no economic conditions other than those normally imposed on borrowers to ensure the achievement of the development objectives for which the credits are requested;
- (f) (deleted)
- (g) Financial resources available in some developing countries should be used for investment in other developing countries either through bilateral arrangements and/or the creation of a Neutral International Fund. Such a Fund may be financed by voluntary contributions from the developing and developed countries with available resources [and by at least equal financial contributions from the developed countries]. A fair distribution of seats among the recipient, developed and developing countries [with available resources shall be equally represented] should be ensured in the Fund;
- (h) (unchanged)

- (i) Measures should be adopted which take into account the special needs of the developing countries vis-à-vis the reform of the international monetary system, in the context of which reform the link between financial resources for development purposes and the allocation of special drawing rights is being examined [including those aspects which refer to the use of special drawing rights for the financing of industrial development in the developing countries], with the full participation of all States in this reform;
- (j) The developing countries should be granted access to technological know-how and advanced technologies, whether patented or not, under fair and equitable conditions which are accepted by their partners in such transfers, taking into account the specific development requirements of the recipient countries;
- (k) The possibility of establishing an industrial and technological information bank should be [established] studied to make available a greater flow to the developing countries of information permitting the proper selection of advanced technologies;
- (l) International conventions on patents and registered trademarks should be [reviewed] examined in the light of the development needs of developing countries through the WIPO, with the assistance, where necessary, of UNCTAD and other relevant United Nations bodies [in order that it may become an instrument of genuine support for the developing countries];
- (m) [Urgent approval should be given to the International Code of Conduct for Transnational Corporations which is now under discussion in the United Nations] The work undertaken in the Economic and Social Committee to prepare a number of recommendations which, taken as a whole, would constitute the basis of a code of conduct concerning transnational corporations, should be pursued with account being taken of the developing countries' industrialization needs;
- (n) An International Code of conduct on Transfer of Technology, accepted by all States concerned, should be [adopted with as little delay as possible] established;

- (o) [Ratification of International Code of Conduct on Liner Conferences;]
- (p) (unchanged)
- (q) The use of renewable natural resources [in place of] as against synthetic substitutes should be promoted in order to open possibilities for increased production and industrial processing in developed countries;
- (r) (unchanged)

D. The least developed countries

The least developed of the developing countries present a set of problems which require special measures if these countries are to attain an acceptable level of economic development. In conformity with [Chapter X. of the Special Programme contained in] resolution 3202 (S-VI) establishing a new international economic order, industrialization in these countries must take place at a more rapid pace than average. Concerted action and special measures of assistance from other countries, and international organizations are necessary to mobilize a greater volume of resources to make possible the launching of innovative projects in these countries and the laying of a sound basis for the promotion of their industrialization through projects and measures such as:

- (a) (unchanged)
- (b) (unchanged)
- (c) (unchanged)
- (d) (unchanged)
- (e) (unchanged)
- (f) Preferential treatment for the industrial products from these countries as well as in the setting up of joint enterprises under regional co-operation [including special provisions for the use of SDR's in their development projects;]
- (g) (unchanged)
- (h) (unchanged)

E. Institutional Machinery

Role of UNIDO - to be defined after examination of the proposals of the Group of 77.

Consultation procedures

- (a) Methods should be elaborated to promote regular exchanges of information and consultations among the representatives of the various economic and social interests concerned with industrial development, with the aim of facilitating the establishment of new industrial structures in developing countries. Such consultations could be held either bilaterally or tri-laterally in the framework of industrial cooperation schemes or multilaterally in the framework of UNIDO and other competent inter-governmental organizations. Their objective should be to increase the amount and quality of information with respect to the development of demand and supply of manufactured goods, the availability of production factors and their costs, the possibilities and conditions of investment and the availability of appropriate equipment and technologies;
- (b) International organizations concerned should continue to give due attention to responding in a flexible manner to requests by developing countries in the industrial field, taking into account their quickly changing needs;
- (c) Intensive efforts should be made by the international organizations concerned to harmonize and coordinate further their assistance to developing countries in the field of industry with a view to utilizing the available resources as effectively as possible;

First alternative

[F. The Charter of the Economic Rights and Duties of States

The countries gathered here stress the need for the international community to comply in full with the precepts contained in the Charter of the Economic Rights and Duties of States so that it will become an effective instrument for establishing a new system of international economic relations based on equity, equality, sovereignty and the interdependence of the interests of the developed and the developing countries.]

Second alternative

The countries gathered here stress the need for the international community to take concerted action to seek agreement on the disputed points in the Charter of the Economic Rights and Duties of States so that it will become an effective instrument for establishing a new system of international economic relations based on equity, equality, sovereignty and the interdependence of the interests of the developed and the developing countries.