

**LIMA DECLARATION AND PLAN OF ACTION ON
INDUSTRIAL DEVELOPMENT AND CO-OPERATION***

*Adopted by the Second General Conference of UNIDO at its final plenary meeting

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A. DECLARATION

1 The Second General Conference of the United Nations Industrial Development Organisation, convened by General Assembly resolution 3087 (XXVIII) of 6 December 1973, entrusted with establishing the main principles of industrialisation and defining the means by which the international community as a whole might take action of a broad nature in the field of industrial development within the framework of new forms of international cooperation, with a view to the establishment of new international economic order, adopts

the LIMA DECLARATION ON INDUSTRIAL DEVELOPMENT AND CO-OPERATION

2 Having examined the situation with respect to industrialisation in the developing countries during the past decade,

3 (a) Recalling General Assembly resolution 3176 (XXVIII), of 17 December 1973, which judged that in terms of international action the cause of development has lost momentum since 1970; (b) Recalling General Assembly resolutions 2952 (XXVII) of 11 December 1972, and 3087 (XXVIII), of 6 December 1973;

4 Bearing in mind resolutions 3201 (S-VI) and 3202 (S-VI), of 1 May 1974, adopted at the sixth special session of the General Assembly on the Declaration and Programme of Action on the Establishment of a New International Economic Order, according to which every effort should be made by the international community to take measures to encourage the industrialisation of the developing countries with a view to increasing their share in world industrial production, as envisaged in the International Development Strategy,

5 Recognising the urgent need to bring about the establishment of a new international economic order based on equity, sovereign equality, interdependence and co-operation, as has been expressed in the Declaration and Programme of Action on the Establishment of a New International Economic Order, in order to transform the present structure of economic relations.

6 Noting resolution 62 (III) of 19 May 1972, adopted by the United Nations Conference on Trade and Development at its third session, concerning measures in aid of the least developed countries, and resolution 1797 (LV) of 11 July 1973 (aid to the Sudano-Sahelian populations threatened with famine), on assistance to the drought-stricken areas of Africa, adopted by the Economic and Social Council at its fifty-fifth session,

7 Recalling the Charter of Economic Rights and Duties of States adopted at the twenty-ninth session of the General Assembly as an instrument designed to bring about new international economic relations and to contribute to the establishment of a new international economic order,

8 Convinced that peace and justice encompass an economic dimension helping the solution of the world economic problems, the liquidation of under-development, offering a lasting and definitive solution to the industrialisation problem for all peoples and guaranteeing to all countries the right

to implement freely and effectively their development programmes. To this effect, it is necessary to eliminate threats and resorts to force and to promote peaceful co-operation between States to the fullest extent possible, to apply the principles of non-interference in each others' internal affairs, full equality of rights, respect of national independence and sovereignty as well as to encourage the peaceful co-operation between all States, irrespective of their political, social and economic systems. The further improvement of international relations will create better conditions for international co-operation in all fields which should make possible large financial and material resources to be used, inter alia, for developing of industrial production,

9 Considering further that the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, and the practice of apartheid, and neocolonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and their populations,

10 Bearing in mind that the situation in the developing countries has become aggravated by the persistent and marked tensions to which the present international economic situation is subjected and that to these must be added as well as the unacceptable practices of those transnational corporations that infringe the principle of sovereignty of developing countries the effects of the inflationary increase in the import costs of developing countries, the pressure exerted upon their balance of payments particularly by such factors as heavy foreign debt servicing, the aggravation of the international monetary crisis, and the transfers resulting from private investment and that this situation is not conducive to the spirit of the new international economic order,

11 Recognising that problems of industrial development in developing countries at their present stage of development do not lie entirely in those countries but also arise from the policies of most of the developed countries, and that without meaningful changes in the economic policies of the developed countries, the achievement of the objectives of a new international order would be in serious jeopardy,

12 Recognising 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 developing countries has been widened owing, inter alia, to the persistence of obstacles in the way of the establishment of a new international economic order based on equity and justice,

13 Taking into account the fact that industrial progress has not displayed significant advances in the developing countries as a whole, in spite of serious efforts on their part, and that in many cases, the dependence of their economics on the export of primary goods and the measures taken in the majority of the developed countries have not made it possible to achieve a profound dynamic effect which would be capable of transforming internal socio-economic structures and laying the basis for real development,

14 Bearing in mind that any real process of industrialisation worthy of the name must conform to the broad objectives of self-sustaining and integrated socio-economic development and that all countries have the sovereign right to make the necessary changes to ensure the just and effective participation of their peoples in industry and share in the benefits deriving therefrom,

15 Noting with anxiety that the present international crisis has aggravated the industrialisation problems of the developing countries, resulting, inter alia, in the under-utilisation of resources, constraints in the planning and execution of industrial projects and increasing costs of industrial inputs, equipment and freight charges,

16 Aware that some 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 neocolonial policies or new forms of dependency,

17 Considering the present general trend of industrialised countries to reduce the 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 unsatisfactory terms of the assistance given,

18 Considering also that development assistance is a legitimate need and that neither in its present volume nor form is it sufficient, particularly taking into account the worsening of the terms of trade of the developing countries and the drainage of their resources,

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, aware of the need to establish a just and equitable relationship between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by the developing countries and the prices of raw materials, primary commodities, foodstuffs, manufactured and semi-manufactured 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,

20 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, in order to achieve just and equitable international economic relations,

21 Persuaded that, since not all developing countries have socio-economic structures which permit them, through industrialisation, to attain the objectives pursued by the establishment of a new international economic order, it is essential to adopt more favourable treatment for the least developed, landlocked and island developing countries to render possible harmonious and balanced development,

22 Having decided to adopt a common position and line of action,

SOLEMNLY DECLARE

23 Their firm conviction of the role of industry as a dynamic instrument of growth essential to the rapid economic and social development of the developing countries, in particular of the least developed countries;

24 Their firm intention to promote industrial development through concerted measures at the national, subregional, regional, interregional and international levels with a view to modernising the economies of the developing countries, and in particular those of the least developed countries, and eliminating all forms of foreign political domination and socio economic exploitation wherever they might exist;

25 Their resolve to ensure the speedy and effective implementation of the principles of industrialisation laid down in the International Development Strategy for the 1970s which is being adapted to the Programme of Action on the Establishment of a New International Economic Order;

26 That in order to facilitate the establishment of a new international economic order and the achievement of the targets set forth in the Declaration on that subject, a system of consultations be established in the United Nations Industrial Development Organisation and other appropriate international bodies between developed and developing countries;

27 That countries, particularly developed countries, should undertake an objective and critical examination of their present policies and make appropriate changes in such policies so as to

facilitate the expansion and diversification of imports from developing countries and thereby make possible international economic relations on a rational, just and equitable basis;

28 That, in view of the low percentage share of the developing countries in total world industrial production, recalling General Assembly resolution 3306 (XXIX), of 14 December 1974, and taking into account the policy guide-lines and qualitative recommendations made in the present Declaration, their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000, while making every endeavour to ensure that the industrial growth so achieved is distributed among developing countries as evenly as possible. This implies that the developing countries should increase their industrial growth rate considerably higher than the 8 per cent recommended in the International Development Strategy for the Second United Nations Development Decade;

29 That the Governments of the developing countries should adopt, in order to accelerate industrialisation, all measures which would ensure the exercise of their national sovereignty over their natural resources and the full utilisation of these resources and of human and material potential at their disposal, not only at the national level but also within the framework of systems of economic co-operation;

30 That in order to render really effective the full utilisation of their available human resources, conditions should be created by the developing countries which makes possible the full integration of women in social and economic activities and, in particular, in the industrialisation process, on the basis of equal rights;

31 That, in order to carry out their national development plans, and in particular, those involving industrialisation, the developing countries should raise the general cultural standard of their peoples, in order to have available a qualified work force not only for the production of goods and services but also for management skills, thus making possible the assimilation of modern technologies;

32 That every State has the inalienable right to exercise freely its sovereignty and permanent control over its natural resources, both terrestrial and marine, and over all economic activity for the exploitation of these resources in the manner appropriate to its circumstances, including nationalisation in accordance with its laws as an expression of this right and that no State shall be subjected to any forms of economic, political or other coercion which impedes the full and free exercise of that inalienable right;

33 That the principles set out in the Charter of the Economic Rights and Duties of States must be fully implemented. Consequently, it is the right and duty of all States, individually and collectively, to eliminate colonialism, apartheid, racial discrimination, neocolonialism, occupation and all forms of foreign aggression, and domination and the economic and social consequences thereof, as a prerequisite for development. States which practise such policies are responsible to the countries, territories and peoples affected for restitution and full compensation for the exploitation and depletion of; and damage to, the natural and other resources of these countries, territories and peoples. It is addition, the duty of all States to extend assistance to these countries, territories and peoples;

34 That effective control over natural resources and the harmonisation of policies for their exploitation, conservation, transforming and marketing constitute for developing countries an indispensable condition for economic and social progress;

35 That special attention should be given to the least developed countries, which should enjoy a net transfer of resources from the developed countries in the form of technical and financial resources as well as capital goods, to enable the least developed countries in conformity with the policies and plans for development, to accelerate their industrialisation;

36 That developing countries with sufficient means at their disposal should give careful consideration to the possibility of ensuring a net transfer for financial and technical resources to the least developed countries;

37 That special emphasis should be laid on the need of the least developed countries for the establishment of production facilities involving a maximum utilisation of local human resources, the output of which meets identified material and social requirements, thus assuring a convergence between local resource use and needs as well as offering adequate employment opportunities;

38 That in view of the needs to conserve non-renewable resources, all countries, particularly developed countries, should avoid wasteful consumption and, in that context, the developing countries possessing such resources should formulate a policy of economic diversification with a view to acquiring other means of financing which are not based on intensive exploitation of those resources;

39 That the international community, and especially the developed countries, must mobilise human and material resources in order to cope with problems which threaten the environment. In this connexion, the developed countries should intensify their efforts to prevent environmental pollution and should refrain from actions which according to scientific knowledge would create pollution problems or cause upheavals in developing countries;

40 That the countries concerned should:

(a) Fully discharge their obligations under the International Development Strategy;

(b) In the context of the review and appraisal mechanism of the International Development Strategy:

(i) Consider withdrawing the reservations they expressed at the time of the adoption thereof, and
(ii) Consider entering into new commitments thereunder; and

(c) Consider withdrawing the reservations they expressed at the time of the adoption of the Declaration and Programme of Action on the Establishment of a New International Economic Order with a view to its full implementation. These countries should also, together with the developing countries, consider formulating, adopting and implementing codes of conduct and other instruments designed to assist in the establishment of a new international economic order;

41 That the developed countries should adhere strictly to the principle that the General System of Preferences must not be used as an instrument for economic and political pressure to hamper the activities of those developing countries which produce raw materials;

42 That the unrestricted play of market forces is not the most suitable means of promoting industrialisation on a world scale nor of achieving effective international co-operation in the field of industry and that the activities of transnational corporations should be subject to regulation and supervision in order to ensure that these activities are compatible with the development plans and policies of the host countries, taking into account relevant international codes of conduct and other instruments;

43 That the developing countries should fully and effectively participate in the international decision-making process on international monetary questions in accordance with the existing and evolving rules of the component bodies and share equitably in the benefits resulting therefrom;

44 That urgent discussion should be continued in competent bodies for the establishment of a reformed international monetary system, in the direction and operation of which the developing countries should fully participate. The universal system should inter alia be designed to achieve

stability in flows and conditions of development financing and to meet the specific needs of developing countries;

45 That steps should be taken to strengthen and restructure UNIDO, thereby making it more responsive to the needs of developing countries and especially the least developed countries in the promotion of industrialisation and in the establishment of a new international economic order;

46 That in the strengthened and restructured UNIDO, developing countries, including the least developed countries, should be given greater participation at all levels in the policy making and management activities of the organisation, and that their membership be substantially increased on the Industrial Development Board;

47 That it is urgently necessary that the developing countries change their traditional method of negotiation with the developed countries. To bring this about they must undertake joint action in order to strengthen their negotiating position vis-a-vis the developed countries. For this purpose, the developing countries must consider all possible means of strengthening the action of producers associations already established, 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, in particular as a precaution against any economic or other form of aggression;

48 That developing countries should use effective means of strengthening their bargaining power individually and collectively to obtain favourable terms for the acquisition of technology, expertise, licences and equipment, fair and remunerative prices for their primary commodities and improved and substantially liberalised access to the developed countries for their manufactures;

49 That developing countries should place a premium on self-reliance in their development effort for the realisation of their full potential in terms of both human and natural resources and, to that end, adopt meaningful and concerted policies and pursue action directed towards greater technical and economic cooperation among themselves;

50 That developing countries should lend support to the concept of an integrated and multisectoral approach to industrial development whereby the technological and the socio-economic implications of the process are fully taken into account at both the planning and implementation stages;

51 That, in view of the basic complementarity between industry and agriculture, every attempt should be made to promote agro-based or agro-related industries which besides arresting rural exodus and stimulating food-production activities, provide an incentive for the establishment of further natural resource-based industries;

52 That developing countries should devote particular attention to the development of basic industries such as steel, chemicals, petro-chemicals 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;

53 That the educational system be adapted in order to give young people an appreciation of industrial work and that policies and programmes should be adopted to train the qualified personnel needed for new sources of employment created in the developing countries, at the regional and subregional levels. The training activities linked with the industrial development must be conceived in such a way that they make possible the processing of natural resources and other raw materials in the country of origin and the establishment of permanent structures for specialised, rapid, large scale and high-quality training of national labour at all levels and for all professional specialisations, whether technical or managerial without discrimination with regard

to sex;

54 That co-ordinated programmes of literacy and workers' training must be conceived to ensue professional promotion and development of local expertise at all levels of employment;

55 That appropriate measures should be taken by developing countries to organise research institutions and establish training programmes to cover the needs of their industrial development and make possible progressive mastery of the different production and management techniques and of industrial development, thus facilitating the establishment of structures to absorb modern technologies;

56 That intensive efforts should be made by the competent bodies to formulate an international code of conduct for the transfer of technology corresponding to needs and conditions to such transactions to take place under the most advantageous conditions for those countries;

57 That in view of the foregoing, the Conference adopts the various measures set forth in the following Plan of Action.

B. PLAN OF ACTION

I. Measures of National Scope

58 In the developing countries, national industrialisation policies should lay emphasis on the following elements:

(a) The formulation of long-term and clearly defined industrialisation plans and strategies which rest in the first place on national effort and the introduction of concrete measures and institutional machinery for their execution, continuous appraisal and, if necessary, adjustment. Appropriate attention should be given to the development of the government sector and national planning;

(b) In the formulation of industrialisation plans and strategies, the characteristics of each country in the light of its social and economic structure should be given due consideration. In addition, social justice should be a guiding factor in achieving the objectives of raising the living standards and eliminating extreme social disadvantages and unemployment, particularly among young people. To this end, proper industrial development should permit such growth as it is required for economic development and should also be a powerful factor for the promotion of technology and growth in other sectors, and the realisation of the aspirations of mankind. It should also, by the orientation of its objectives, make a positive contribution to world peace;

(c) The promotion of an integrated industrialisation process based on the potential of each country, with the object of achieving the highest degree of interaction between industry and the other sectors of the economy, in particular agriculture, by setting up agro-industrial research centres, developing new agricultural areas and introducing new crops for industrial purposes;

(d) The equitable distribution of the benefits of industrialisation among all sectors of the population;

(e) The intensive use of national resources, infrastructural development and internal regional development placing particular emphasis on employment policies, as well as full and intensive utilisation and on the spot processing of raw materials;

(f) The establishment of production facilities covering all branches of industry aimed at meeting the needs of both internal and external markets in particular through:

(i) The establishment of basic industries such as steel, metallurgical and petro-chemical industries that constitute the indispensable basis for any industrialisation;

- (ii) The establishment of integral industries such as mechanical engineering, electrical and chemical industries to provide the necessary link between the different industrial sectors and to give the developing countries the basis on which the building up of technology will principally rely;
- (iii) The creation of manufacturing and processing industries to satisfy the needs of the population for consumer goods and to rapidly develop local production for the purpose of replacing imports increasing exports;
- (g) Encouragement and support of small, medium-scale and rural industry and industries which fulfil the basic needs of the population and which contribute to the integration of different sectors of the economy; and to this end due attention should also be given to the industrial co-operatives as means of mobilising the local human, natural and financial resources for the achievement of national objectives of economic growth and social developments;
- (h) Achievement of a higher degree of efficiency in import substitution processes and the formulation of appropriate incentive measures to encourage the export of manufactured and semi-manufactured products with the highest possible local content and value-added potential from the developing countries, in particular from the least developed and land-locked countries;
- (i) Development and strengthening of public, financial and other institutions in order to protect and stimulate industrial development of the developing countries, in particular, the basic, rural, small, medium-scale and labour-intensive industries;
- (j) Sound economic policies to assure economic stability and facilitate adequate domestic savings rates commensurate with industrial development objectives;
- (k) The intensification of manpower development programmes and the professional training of management staff including the effective incorporation of women in order to achieve the fullest possible use of available human resources with particular reference to industrial management. In this context, measures should be adopted to attenuate the problem of the exodus of engineers, scientific and research personnel from the developing countries;
- (l) Stimulation of the process of applied and scientific research, technological adaptation and innovation, industrial information and standardisation and the elaboration of policies and programmes of research and development adapted to the individual requirements of developing countries;
- (m) The elaboration of national plans concerning science and technology in accordance with the order of priorities of each country;
- (n) Ensuring an adequate role for the State in the direction of industrial development and the public sector in the expansion of industries. Elaborate measures by which private and foreign investment could be effectively used in order to achieve the objectives of national economy development plans;
- (o) The establishment and strengthening of machinery and institutions to regulate and supervise foreign investment and promote the transfer of technology;
- (p) The formulation of policies and the application of specific measures to increase and diversify sources of foreign exchange earnings, by exerting appropriate control over the marketing of their products; the adoption of policies aimed at effecting increased participation by developing countries in the international marketing of their products.

(a) Progressive elimination or reduction of tariff and non-tariff barriers and other obstacles to trade, taking into account the special characteristics of the trade of the developing countries, with a view to improving the international framework for the conduct of world trade. Adherence to the fullest extent possible to the principle of the "standstill" on imports from developing countries and recognition of the need for prior consultation where feasible and appropriate in the event that special circumstances warrant a modification of the "standstill";

(b) Adoption of trade measures designed to ensure increased exports of manufactured and semi-manufactured products including processed agricultural products from the developing to the developed countries;

(c) Facilitate development of new and strengthen existing policies, taking into account their economic structure and economic, social and security objectives, which would encourage their industries which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy, thus leading to structural adjustments within the developed countries, and redeployment of the productive capacities of such industries to developing countries and promotion of a higher degree of utilisation of natural resources and people in the latter:

(d) Consideration by the developed countries of their policies with respect to processed and semi-processed forms of raw materials, taking full account of the interests of the developing countries in increasing their capacities and industrial potentials for processing raw materials which they export;

(e) Increased financial contributions to international organisations and to government or credit institutions in the developing countries in order to facilitate the promotion or financing of industrial development. Such contributions must be completely free from any kind of political conditions and should involve no economic conditions other than those normally imposed on borrowers;

(f) Expanded technical assistance programmes for the benefit of the developing countries. The assistance should be such that:

(i) It contributes to the development of structures for professional training and middle management training such as institutes or centres for the training of workers, and research laboratories;

(ii) It contributes to the financing of integrated training programmes and scientific research;

(iii) It is executed and managed in the developed countries by competent organisations;

(iv) Its effectiveness is as far as possible assured by the Governments of the developed countries, especially as regards the quality of personnel;

(v) It is integrated and co-ordinated with the long-term programmes of individual developing countries;

(vi) It ensures the continuance and maintenance which are indispensable conditions for the fulfilment and functioning of the projects;

(vii) It is executed by personnel capable of accepting the living and working conditions in the developing countries concerned;

(g) To encourage whenever possible their enterprises to participate in investment projects within the framework of the development plans and programmes of the developing countries who so desire, to do everything legally possible to ensure that such activities are carried out in accordance with the laws and regulations of the developing countries concerned,

(h) Co-operation with the Governments of the developing countries, as appropriate in order that the activities of the transnational corporations of developed countries in developing countries are in conformity with the economic and social aims of the developing countries;

(i) Adoption and implementation of appropriate measures for the establishment of a favourable balance for developing countries between the production of synthetics and those natural products

of the developing countries which are in direct competition with them. The developed countries should assist the developing countries in raising the competitiveness of their production from natural raw materials with respect to synthetic substances in order to achieve general progress;

(j) No State shall exercise any discriminatory measures or aggression against any other State which decides to exercise its sovereignty over its natural resources and the exploitation, processing and marketing of those resources.

II. Co.Operation Among Developing Countries

60 At the subregional, regional and interregional levels the developing countries should adopt the following measures:

(a) Promotion of direct trade between developing countries in order to substantially improve the share of developing countries in international trade in finished products, to eliminate any adverse effects resulting from triangular trade, and to establish appropriate mechanism to that end;

(b) Creation of the necessary institutional machinery to enable consultation and co-ordination in order to obtain better terms for the acquisition of technology, expertise, licences, equipment, etc., for the developing countries;

(c) The harmonisation and co-ordination of economic policies, particularly in the industrial field, and the greater utilisation of industrial complementarity, taking into account economy of scale and specialisation. This complementarity must be based primarily on the possibilities and requirements of each country through the establishment and strengthening of consultation machinery at the regional, subregional and interregional levels in order that it may result in a harmonious, balanced and more rapid industrial development in the community of developing countries;

(d) In order to accelerate the industrial development of the least developed countries and in order to promote co-operation among developing countries, the Conference invites the developing countries' main producers and exporters of basic raw materials to grant, within the framework of their over-all economic policy and/or bilateral arrangements, favourable conditions, and in particular favourable facilities for payment;

(e) Measures within the framework of systems of economic co-operation, to support the present processes of economic integration and search for new forms of economic co-operation with a view to contributing to a steady growth of the world economy and to the acceleration of the development of the developing countries, notably through the action of producers' associations of the developing countries, by means of a continuous exchange of experience; harmonisation of their actions and mobilisation of support for any of them in case of need, so as to ensure, inter alia, the solidarity for developing countries and their full sovereignty over their natural resources;

(f) In particular, action through producers' associations with a view to putting an end to speculative practices and erratic movements in prices, harmful to the harmonious development of world trade and the growth of the developing countries. The developing countries can thus use existing or future producers' associations to co-ordinate their production and pricing policies. Furthermore, the developed countries note the intention expressed by the developing countries to set up, among themselves, a fund, yielding returns on the capital invested therein, designed to support the prices of raw materials exported by developing countries and, in particular, to counteract measures aimed at bringing down the prices of raw materials exported by the developing countries;

(g) Developing countries with sufficient financial resources accept to share in the economic and social development efforts of the least advanced countries. For this purpose, consideration must be given to the establishment of appropriate mechanisms for regular consultation with a view to

adopting new concrete measures;

(h) The consolidation of the relevant measures for evaluating the International Development Strategy and the Programme of Action on the Establishment of a New International Economic Order;

(i) Conclusion of long-term agreements on product specialisation, as deemed appropriate by the respective countries or regional economic associations, and a corresponding allocation of production or product-sharing through industrial complementary agreements;

(j) The adoption of suitable measures and the strengthening of those now in use for the benefit of the least developed, landlocked or island developing countries and for the developing countries most affected by the international economic crisis and those that have been affected by natural disasters;

(k) The sharing of experience in industrialisation and technology by those who have already acquired this know-how; together with experience in the application of legislative machinery in the economic field in order that it may be widely known among developing countries. This knowledge may be of greater relevance than that which is acquired from highly developed areas. While a start has been made in co-operative arrangement, more intensive and innovative programmes are required for transmitting relevant technology and technical and managerial skills, particularly to the less industrialised countries within the region, through the establishment of regional and subregional institutional machinery. The experience shared should include experience in dealing with foreign investment and trans-national corporations, with a view to harmonising and coordinating policies in this respect. To this effect, UNIDO should implement and expand its programme in this area;

(l) Preference should be given by the more industrialised developing countries, as far as possible, to imports of goods produced by the less industrialised countries. Positive policies are needed to increase intra-regional and inter-regional trade in manufactures;

(m) The creation of national, regional and inter-regional enterprises in the field of maritime transport, capable of competing with enterprises in the developed countries and the trans-national corporations' merchant fleets, with a view to promoting the development of trade between developing countries, facilitating the assumptions of control of foreign trade by national, regional or inter-regional structures and improving the export returns of the developing countries;

(n) Strengthening regional institutions responsible for the promotion of economic co-operation between developing countries.

III. Co-Operation Between Developing and Developed Countries

61 Co-operation between developing and developed countries should take the following forms:

(a) Application, expansion and improvement of the schemes under the generalised system of preferences, without discrimination and reciprocity with the incorporation in them of new products and substantial improvement of the conditions of application;

(b) Multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT), taking fully into account the development needs of the developing countries, should be carried out in accordance with the basic objectives agreed upon in the Tokyo Declaration, including securing additional benefits to the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports and the acceleration of the rate of growth of their trade. In these negotiations, the developed countries do not expect reciprocity for commitments made by them to reduce or remove tariff and other barriers to the trade of developing countries, i.e., the developed

countries do not expect the developing countries, in the course of the trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. They further recognise the importance of the application of the differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiations where this is feasible and appropriate;

(c) Recognition of the industrialisation needs of the developing countries, inter alia, to achieve levels of inter-regional competitiveness in the negotiations in the Multilateral Trade Negotiations (MTN) within the framework of GATT' on the subject of incentives to industrial production earmarked for export;

(d) Urgent consultations, taking into account appropriate information with respect to the development of demand and supply, availability of production factors and their costs, the possibilities and conditions of investment and the availability of appropriate equipment and technologies, with a view to facilitating, within a dynamic context and in accord with the authorities available to Governments, the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries. These consultations should in particular relate to industries processing raw materials exported by developing countries or which consume vast quantities of energy, and should result in concrete proposals for inclusion in the development programmes of participating developing countries;

(e) Implementation of the chapter concerning industry, and consideration of the implementation of the other pertinent provisions concerning industry, contained in the Programme of Action on the Establishment of a new International Economic Order (General Assembly resolution 3202 (S-VI)) and the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 -XV)). In relation to the actual transfer of resources, the developed countries should, in particular, increase their co-operation in order to make available to developing countries the resources required to sustain the growth effort essential for accelerating their social and economic development. The stated targets for transfer of resources to developing countries should be fulfilled in the shortest possible time;

(f) The credits granted by the financing institutions of the industrialised countries and international organisations to the developing countries must be completely free of any kind of political conditions and should involve no economic conditions other than those normally required of borrowers;

(g) Urgent consideration of the question of re-scheduling of debt-servicing of long outstanding debts, their conversion, if possible, into grants, and granting of favourable treatment to the industrial and financial requirement of the developing countries most seriously affected by the present economic crisis;

(h) Financial resources available in some developing countries may be used for investment in other developing countries, through bilateral arrangements and/or through the creation of a neutral international fund. Urgent consideration should be given to the creation of such a fund which may be financed by contributions from the developed countries and the developing countries with available resources;

(i) In the context of international monetary reform, in which the link between financial resources for development purposes and the allocation of special drawing rights is being studied, urgent consideration should be given to the adoption of measures which take account of the particular needs of developing countries. In all phases of decision making for the formulation of a reformed monetary system, full and effective participation of the developing countries in all bodies entrusted with this reform, particularly in the Board of Governors of the International Monetary Fund, in accordance with the existing and evolving rules of such bodies;

(j) The developing countries should be granted access to technological know-how and advanced

technology, whether patented or not, under fair, equitable and mutually acceptable conditions, taking into account the specific development requirements of the recipient countries;

(k) Appropriate measures, including consideration of the establishment of an industrial and technological information bank, should be taken 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 trade marks should be reviewed; and all aspects of the question of their revision, including inter alia additional provisions of special benefit to the developing countries, should be studied through the work of the World Intellectual Property Organisation (WIPO), with appropriate contributions from UNCTAD and other interested United Nations bodies, in order that they may become an appropriate instrument to assist the developing countries in the transfer and development of technology;

(m) Negotiations on the formulation of an international code of conduct for the transfer of technology corresponding to needs and conditions prevalent in developing countries by defining terms and conditions to enable such transactions to take place under the most advantageous conditions for these countries;

(n) International subcontracting arrangements should be encouraged between developing and developed countries, but such arrangements should not result in the developing countries being assigned the least advanced and least remunerative branches of industry, or those likely to upset the economic structure of the developing countries;

(o) The use of renewable natural resources which are in direct competition with synthetic substitutes should be promoted, inter alia, through the work of the UNCTAD Permanent Group on Synthetics and Substitutes in order to permit increased production and industrial processing in developing countries;

(p) A growing share of the world's research expenditure should be directed to the development of appropriate technology of direct benefit to developing countries.

IV. The Least Developed, Land-Locked and Island Developing Countries

62 The least developed, land-locked and island developing countries present a set of problems which require special measures if these countries are to attain an acceptable level of economic development. Recalling General Assembly resolutions 3201 (5-VI) and 3202 (5-VI) on the Declaration and Programme of Action on the Establishment of a New International Economic Order, industrialisation 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 organisations are necessary to mobilise 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 industrialisation through projects and measures such as:

(a) Specific, urgent measures to establish the necessary conditions for industrialisation: infrastructures, inventories of natural resources, and the technical and financial assistance required for the exploitation of these resources;

(b) The establishment and financing of complete industrial estates and pilot plants based as much as possible on the use of available local resources;

(c) The creation of integrated production units such as agricultural machinery plants, appropriate engineering industries, and repair and maintenance services;

(d) The implementation of an appropriate agrarian policy as an essential basis for the promotion

of integrated rural development schemes involving the establishment of small-scale production units to meet both the needs of internal markets and export requirements;

(e) The development of crafts and cottage industries including artistic crafts;

(f) Assistance for systematic studies of their industrialisation potential;

(g) Speedy examination and establishment of infrastructures permitting the harnessing and full utilisation of water resources and the establishment of agro-industries with special emphasis on the countries affected by drought;

(h) Preferential treatment within the context of international agreements for industrial products and processed commodities from these countries as well as the setting up of joint enterprises under regional co-operation;

(i) Special aid and assistance to the least developed, land-locked and island developing countries in the establishment and development of adequate means of transport and communications;

(j) Urgent measures to increase the import and export capabilities of the least developed countries and to help offset the disadvantages of the adverse geographic situation of the land-locked countries, particularly with regard to their additional transportation and transit costs;

(k) In addition to priority assistance from UNIDO and other international organisations in all fields, additional favourable financial and technical assistance with exemption from counterpart requirements, where appropriate, should be given to these countries through bilateral and multilateral channels to accelerate their industrialisation in conformity with their national policies and development plans.

V. Institutional Arrangements

63 The new distribution of industrial activities envisaged in a New International Economic Order must make it possible for all developing countries to industrialise and to obtain an efficient instrument within the United Nations system to fulfil their aspirations.

64 Industrialisation must be pursued in such a way as to promote the global harmonious development of the countries of the international community.

65 (a) The report of the Ad Hoc Committee on Long Range Strategy for UNIDO, the resolutions of the sixth special session of the General Assembly, and the present Declaration and Plan of Action shall form the basis determining the role and activities of UNIDO;

(b) UNIDO should play a central role in the implementation of the Declaration and Plan of Action, by initiating and co-ordinating activities within the United Nations system aimed at achieving the objectives contained therein, as far as they fall within the competence of UNIDO. Further, UNIDO has a crucial role in the implementation of the Declaration and Programme of Action on the Establishment of a New International Economic Order, adopted at the sixth special session of the General Assembly, in so far as they relate to industrial development. To this end, the scope and functions of UNIDO need to be extended and its organisational machinery strengthened.

66 In order to attain the above objectives, UNIDO should not only intensify and expand its present operational activities and action-oriented studies and research programmes in the field of industrial development but should include among its activities a system of continuing consultations at global, regional and sectoral levels, for the purposes set forth in paragraph 61 (d) above. UNIDO should be prepared to serve as a forum for negotiation of agreements in the field

of industry between developed and developing countries and among developing countries themselves at the request of the countries concerned.

67 In order to give concrete content to the process of industrialisation in the developing countries, studies must be undertaken and specific measures formulated in different sectors of industry, special attention being given to priority sectors. Such an approach needs to be reflected in the organisational structure of the UNIDO Secretariat, in the committees of the Industrial Development Board which may be established for the purpose, and in the review at ministerial level at the General Conference to be established for the purpose, on a permanent basis.

68 In order that it may intensify and extend its activities in the manner indicated above and play the central coordinating role in the field of industrial development within the United Nations system, and in order to increase its ability to render assistance to the developing countries in the most efficient way, it is essential that UNIDO's autonomy and functions should be increased and expand substantially and that UNIDO should be provided with the resources for this purpose.

69 For this purpose, it is recommended to the General Assembly of the United Nations that UNIDO should be converted into a specialised agency. To this end, the Secretary-General of the United Nations, in consultation with the Executive Director of UNIDO, is requested to submit to the seventh special session of the General Assembly, through the Economic and Social Council, draft statutes of a specialised agency for industrial development.

70 In the event that the General Assembly of the United Nations at its seventh special session should decide to transform UNIDO into a specialised agency, draft statutes of that agency should, inter alia, include:

(a) Industrial Development Board

(i) Functions In addition to the functions stipulated in General Assembly resolution 2152 (XXI) of 17 November 1966, the Industrial Development Board should be responsible for the implementation of the decisions of the General Conference and examine and approve the programme and budget of UNIDO;

(ii) Membership The representation of the developing countries on the Industrial Development Board should be increased;

(iii) Subsidiary Organs To assist the Board in the examination of the biennial programme and budget of UNIDO and other financial matters pertaining to UNIDO, a Programme and Budget Committee may be established. Other technical committees may also be established by the Board if it considers this necessary;

(b) Secretariat The number of officials from developing countries at professional and higher levels in the Secretariat of UNIDO and in the panels of consultants that advise the Secretariat should be increased within the desirable range of equitable geographical distribution to be established by the Industrial Development Board, with due regard to the need for ensuring the highest standards of efficiency, competence and integrity;

(c) General Conference In order to allow for periodic global consultations at a high level on international co-operation for the industrial development of developing countries and other aspects of world industry, the General Conference of UNIDO should be institutionalised. The General Conference should be convened every four years, and each session of the Conference should decide on the date and venue of the next session. The functions of the General Conference should be, inter alia:

(i) To review progress in the implementation of the present Declaration and Plan of Action;

(ii) To examine ways and means of increasing the share of the developing countries in world industrial output;

(iii) To recommend policies and procedures to member Governments to facilitate co-operation among nations in matters relating to industrial development for the benefit of the developing countries;

(iv) To serve as a co-ordinating mechanism to provide over-all integrated and continuing attention

for the successful co-ordination and follow-up of policies concerning industrial production, industrial co-operation among developing countries and other related matters by all the agencies of the United Nations family;

(v) To review major problems and policy issues affecting the world industrial situation and the steps being proposed to resolve them by Governments, UNIDO, the regional economic commissions, etc.;

(vi) To receive reports and maintain contacts concerning the above functions through the UNIDO Secretariat;

(vii) To review the effectiveness of UNIDO's institutional arrangements and take appropriate decisions on further strengthening the institutional machinery.

71 Pending the conversion of UNIDO into a specialised agency coming into effect, the Secretary-General of the United Nations and the Executive Director of UNIDO are requested to work out interim arrangements regarding greater autonomy of UNIDO. The Executive Director is requested to report to the Industrial Development Board on such arrangements.

Industrial Development Fund

72 The establishment of an Industrial Development Fund is crucial to both increasing the resources of UNIDO and enhancing its autonomy and ability to meet, promptly and flexibly, the needs of developing countries. The Fund should be established through voluntary contributions to UNIDO and existing voluntary funds under UNIDO's authority would be consolidated as part of the new Fund. The terms of reference and the rules for the functioning and administration of the Fund shall be established by the Industrial Development Board taking full account of the Report of the Secretary-General of the United Nations as contained in document A/9792. They should provide for sufficient flexibility so as to increase the possibility of obtaining further voluntary contributions.

73 In particular, the Industrial Development Fund should enable UNIDO to:

(i) Participate in the implementation of the Declaration and Programme of Action on the Establishment of a New International Economic Order, adopted at the sixth special session of the General Assembly, in so far as they relate to industrial development;

(ii) implement the recommendations of the Ad Hoc Committee on Long-Range Strategy for UNIDO;

(iii) Implement field projects, particularly those of non-traditional nature, with special attention to the needs of the least developed among the developing countries, land-locked countries and the island developing countries;

(iv) Intensify its activities in the development and transfer of technology;

(v) Intensify its programmes aimed at establishing and/or intensifying cooperation among developing countries and between developing and developed countries;

(vi) Strengthen its promotional activities.

Relationships with the Organisations of the United Nations System

74 UNIDO should have the primary responsibility as executing agency in the field of industrial development. To this end, UNIDO should hold consultations with UNDP with the specific objectives of ensuring that it receives the major share of UNDP projects in the field of industry, in accordance with the central role of UNIDO in this field.

75 In order that UNIDO should be able to fulfil effectively its central co-ordinating role in the field of industrial development, especially with respect to the implementation of the Programme of Action on the Establishment of a New International Economic Order, UNIDO should hold consultations with the United Nations and with the specialised agencies and other organisations related to industrial development. For this purpose an advisory committee should be established composed of representatives of the secretariats of the United Nations and of the relevant organisations of the United Nations system and chaired by UNIDO.

