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## SUMMARY RECORD OF THE 12th MEETING

Chairman:

Mr. BURKE

(Ireland)

### CONTENTS

AGENDA ITEM 90: INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION  
AND MODERNIZATION OF PRODUCTIVE ACTIVITIES IN DEVELOPING COUNTRIES

ORGANIZATION OF WORK

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The meeting was called to order at 10.05 a.m.

**AGENDA ITEM 90: INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION AND MODERNIZATION OF PRODUCTIVE ACTIVITIES IN DEVELOPING COUNTRIES  
(A/46/445-E/1991/141)**

1. Mr. HALLOWAY (United Nations Industrial Development Organization), introducing the report of the Secretary-General on Industrial development, cooperation and the diversification and modernization of productive activities in developing countries (A/46/455), drawn up pursuant to the request made by the General Assembly in resolution 45/196, said that despite the formidable time constraints the Secretariat had endeavoured to submit a concise report containing recommendations based largely on the UNIDO medium-term plan, 1990-1995 (GC.3/17). The views of the Administrative Committee on Coordination, the UNIDO Industrial Development Board and the Economic and Social Council had been taken into consideration in the final version, as had the comments made by Member States and specialized agencies and the results of the debate on the cross-organizational programme analysis.

2. Regarding the medium-term evolution of the industrial sector, UNIDO suggested a major study of the long-term development of world industrial structure, addressing such issues as technological progress, international trade and resource flows, environmentally sustainable industrial development, employment generation and human resource development, and, finally, the role of government, markets and decentralized economic management. Additional resources would be required in order to carry out that study, a preliminary outline of which had been circulated.

3. UNIDO had refrained from making specific recommendations on access to environmentally sound technology pending the International Conference on Ecologically Sustainable Industrial Development, to be held in Copenhagen from 14 to 18 October 1991.

4. With regard to the transfer of technology, the report recommended that the General Assembly take note of resolution GC.3/Res.7 of the General Conference of UNIDO, which dealt with the question.

5. The report contained a number of recommendations on industrial programming, advocating in particular that developing countries should formulate their national industrial modernization programmes with a view to identifying new priority sectors and products where growth could be based on efficient production, and that bilateral and multilateral agencies should support industrial modernization programmes.

6. With regard to economic and technical cooperation among developing countries, the Assembly might wish to recall resolution GC.3/Res.9, which dealt with the issue. It was particularly important to encourage a better flow of information among industrial enterprises in developing countries.

(Mr. Halloway, UNIDO)

7. Because of time constraints, it had not been possible to deal in document A/46/455 with the question of the training of scientists, engineers and entrepreneurs in the developing countries. Working jointly with the United Nations Secretariat, UNIDO would shortly draw up a report, including a plan of action, to be submitted to the Assembly at its forty-seventh session.

8. The Secretary-General's report also contained recommendations on the development of small-scale enterprises in the private sector, the mobilization of financial resources for industrial development, especially through joint ventures, cooperation between UNIDO and international financing institutions, especially the World Bank, the development of special trust funds to support industrial enterprises and the industrialization of the least developed countries.

9. Mr. NAADJIE (Ghana), speaking on behalf of the Group of 77, said that the developing countries, which had not had the opportunity of participating in the industrial revolution which had transformed society, were striving with the aid of the international community to utilize to the full the opportunities engendered by the increasing globalization of the world economy in order to move along the road to industrialization. However, rather than being an end in itself, industrialization should make it possible, through concerted international efforts to create employment, alleviate poverty and increase the population's general standard of living.

10. In order to achieve those aims, it was vital to step up international cooperation to ensure that the intensified global competition stimulated by recent events did not widen interregional and inter-country gaps in income, industrial capacity and technology. The developing countries did not wish to be left behind in those areas. The forthcoming decade would therefore require innovative approaches to international cooperation so that they would be able to broaden and strengthen their industrial base.

11. However, the efforts made by developing countries would come to nothing if the international environment was unfavourable, unstable and unpredictable. Even a small increase in international interest rates, a sudden fall in commodity prices or an increase in protectionism could at a stroke wipe out all their efforts at resource mobilization and, at the least, limit the impact of the financial assistance they received.

12. Industrialization in developing countries was closely linked with the modernization of productive activities. As highlighted in the Caracas Programme of Action adopted in 1981, an integrated approach to issues relating to human resource development, development and transfer of technology and energy resources was needed to promote a sound industrial base. The developing countries had emphasized that increased cooperation among themselves was necessary to facilitate their industrial development and diversification, a position endorsed by the South Commission report.

(Mr. Naadjie, Ghana)

13. It was equally essential for multilateral agencies to expand their activities and for financial institutions to increase their cooperation with UNIDO. The regional dimension of industrialization in developing countries should also be addressed and special efforts made to assist the least developed countries.

14. Lastly, it was the task of UNIDO to provide policy guidelines in a multilateral framework for the industrialization of developing countries, and it was to be hoped that it would find the bold and imaginative solutions necessary.

15. Mrs. van der HEIJDEN (Netherlands), speaking on behalf of the European Community and its member States, said that, since the issue of industrial cooperation and the diversification and modernization of productive activities in developing countries had been dealt with extensively during the last session of the Economic and Social Council, she would limit herself to reiterating some of the main points made by the European Community representative on that occasion.

16. The European Community welcomed the fact that the General Assembly had decided to include the item on its agenda on a biennial basis, as that would make it possible to monitor and stimulate industrial development, which was an integral element of the Fourth United Nations Development Decade. It was therefore to be hoped that Governments would continue to formulate clear policies on the subject which formed an integral part of their national development plans and were compatible with the policies pursued vis-à-vis human development, democracy and popular participation.

17. Developing countries were currently endeavouring to devise industrial development policies aimed at furthering their economic and social development in an environmentally sound way, while at the same time encouraging savings and foreign and domestic investment. For their part, the industrialized countries should help the developing countries by striving to create an international economic climate conducive to economic growth and by improving access to their markets for the products of developing countries.

18. The right balance should be struck between the private and public sectors, between industrial production for the national and for the international market and, in particular, between the small and medium-sized enterprises and the larger enterprises. Attention should also be given to industrial development in both rural and urban areas.

19. The training of men and women was of the utmost importance in the interests of developing indigenous entrepreneurial capacity, which in turn would foster the development of the private industrial sector. At the same time, efforts should be made to enhance the efficiency of those industrial activities remaining in the public sector, notably by eliminating underutilization of existing industrial capacity, lack of maintenance, mismanagement and technological obsolescence.

(Mrs. van der Heijden, Netherlands)

20. As the United Nations Conference on Environment and Development drew nearer, it was clear that development must be environmentally sound in order to be sustainable. The industrial sector too had a vital role to play in the application of environmentally sound technologies and, in that connection, the conference to be held by UNIDO in Copenhagen would be of great value. Exchanges of information on such technologies should be strengthened and expanded and ways and means found to promote their transfer on preferential terms. In addition, the technology selected should always match the methods of production, real needs and state of development of the industry concerned.

21. While domestic supply and demand should not be neglected, liberalization of and access to markets and foreign direct investment were important in order to promote export-oriented industries and industrial efficiency. Foreign investors could also make an important contribution to the alleviation of poverty. The developing countries should therefore continue to devise investment policies capable of attracting foreign investment and adopt fully transparent regulations, so as to ensure fair competition among the countries seeking to attract such investment. In that connection, the European Community welcomed the initiative of the Greek Government to convene in Athens on 4 November 1991, in cooperation with UNIDO, the Second Consultation on the Building Materials Industry, which would offer a forum for a productive exchange of views between officials and investors from the developed and developing countries.

22. The United Nations Industrial Development Organization had a major role to play in ensuring interagency coordination and, in so doing, it should pay special attention to the needs of the least developed countries, in accordance with the Programme of Action adopted by the Second United Nations Conference on the Least Developed Countries held in Paris.

23. Mr. ZIARAN (Islamic Republic of Iran) endorsed the remarks made by the representative of Ghana on behalf of the Group of 77 and thanked the Secretary-General for his informative report on industrial development cooperation (A/46/455).

24. Given the economic problems faced by developing countries, new industrial projects required adequate foreign investment. The international community should therefore explore ways of boosting the net flow of financial resources to the developing countries and granting them loans on favourable terms.

25. United Nations programmes for industrial development in the developing countries should be aimed at building up indigenous industrial capacity. Because most developing countries lacked the skilled manpower necessary, one of the prerequisites for their industrialization was access to technical services. To enable the developing countries to make rational choices, the national bodies responsible for industrial development should be strengthened. Moreover, given that return on investment was a long-term process and that technological innovation was developing very rapidly, it was

(Mr. Ziaran, Islamic Republic of Iran)

necessary for international cooperation to be oriented in such a way as to enable the developing countries to foresee the risks involved and make the best choices.

26. It must be recalled that without a supportive international environment, especially in trade and the transfer of technology, any endeavour by the developing countries in those areas was likely to founder. Thus, opening international markets to developing countries and accelerating the transfer of technology were crucially important. The developed countries should roll back protectionist measures in their uncompetitive industries.

27. Since regional cooperation could intensify the industrial development of developing countries, his delegation endorsed resolution GC.3/Res.18 of the UNIDO General Conference, concerning special programmes for the industrial development of Asia and the Pacific.

28. Given the importance of small- and medium-scale industries, the United Nations system should strengthen the national institutions of developing countries which dealt with the promotion of domestic investment, in order to facilitate the achievement of the target set at the second UNIDO General Conference, held in Lima in 1975; namely, that the developing countries should collectively account for at least 25 per cent of total world-wide industrial production by the year 2000.

29. Mr. ARKHIPOV (Union of Soviet Socialist Republics) said that the increased volume of international trade and direct foreign investment, and the rapid dissemination of technical advances, made it increasingly important to develop cooperation in the area of industrial development and to diversify and modernize productive activities in the developing countries. The Secretary-General's report (A/46/455), despite its brevity, was replete with useful information and recommendations in that area.

30. UNIDO was making ever-increasing efforts to facilitate the transition of the Eastern European countries and of the Soviet Union to a market economy, and its attention to the development of small- and medium-scale industries was particularly welcome. A truly viable sector of such industries would eventually have to be fully integrated with the modern industrial sector. The initial economic reforms undertaken in the Eastern European countries and in the Soviet Union, in particular, had shown that those countries did not have the necessary experience in that area and would require the assistance of UNIDO.

31. It would also be extremely useful to give all countries the benefit of the experience acquired in the strengthening of linkages between small- and medium-scale industries and larger enterprises. In that regard, his delegation endorsed the approach, taken at the recent meeting of ECE and ECLAC, of establishing parallels between the economic situation of the Latin American countries and that of the Eastern European countries, and felt that

(Mr. Arkhipov, USSR)

the development of regional cooperation between those two groups of countries was a very interesting prospect.

32. In modernizing the productive activities of developing countries, it was extremely important to promote the use of advanced and environmentally sound technologies and of modern management methods, and to coordinate measures aimed at helping countries to make full use of computers in the industrial sector. In that regard, it would be very useful for UNIDO to prepare the study of long-term world industrial structure proposed in paragraph 12' of the Secretary-General's report.

33. As to new directions in research, it would be interesting to study the methods and techniques necessary to convert defence industries into consumer industries, in view of the experience acquired and the prospects for cooperation in that area.

34. His delegation was prepared to participate in the consideration of that item, but felt that it would be more logical to refer it to UNIDO, as the United Nations body having competence on the subject.

35. Ms. STOKES (New Zealand) said that the Secretary-General's report (A/46/455) noted that the current technological revolution was bypassing large parts of the developing world and that efforts to seek realistic solutions to the problems of industrial development should not slacken. The small Pacific island States faced special difficulties because of both geographic isolation and limited resources, and New Zealand consistently bore that in mind in its development assistance programmes, especially in the context of the Pacific Islands Industrial Development Scheme, which sought to encourage cooperation between the private sector in those countries and New Zealand enterprises. In that regard, New Zealand acknowledged the important role of development banks and multilateral organizations in formulating and implementing industrial development strategies in the South Pacific and other regions.

36. UNIDO was the coordinating organ in the United Nations system having primary responsibility for promoting and accelerating industrial development and the transfer of industrial technology to developing countries. Some of its priorities for action would be considered under separate agenda items. However, New Zealand already recognized that UNIDO could play a special role in the South Pacific through its technical cooperation programmes and projects, and that it was particularly competent to promote the development of the private sector, which was in the best position to act as a catalyst for increased economic growth. Lastly, New Zealand was pleased to note that UNIDO had demonstrated its willingness to reform its administration, to rationalize its budget and to formulate innovative solutions to the problems faced by developing countries.

37. Mr. RUIZ DI GIORGIO (Chile) said that the question of industrial development in developing countries had become increasingly complex in recent

(Mr. Ruiz di Giorgio, Chile)

years. To participate in the world economy, such countries must have a solid and competitive industrial base which allowed them to take full advantage of their resources; yet they could not be competitive without paying their workers starvation wages, forgoing any type of social security or exploiting their natural resources until they were depleted.

38. Although developing countries unquestionably had primary responsibility for developing their own industries, the adverse effects of the unstable international economic situation and of recent political upheavals should not be underestimated. In the past two years, the international community had concentrated mainly on reviving the economies of the Central and Eastern European countries. The fact that the assistance granted was primarily oriented towards the industrial sector was itself irrefutable evidence of the importance of that sector for development. In short, assistance was going to already industrialized countries whose economies had failed, and not to those which could not become industrialized without adequate international financial aid. Moreover, the relaxing of international tensions should enable the considerable resources formerly committed to the arms race to be allocated for the harmonious and sustainable development of the developing countries, without encroaching on the aid granted to Central and Eastern Europe. If statements of intention did not translate into concrete action, the economic problems of the North would once again be solved to the detriment of development in the South.

39. The developing countries could modernize their productive activities only if they had access to technological progress without delay. However, technology transfers were infrequent and very often did not meet the needs of recipient countries, as shown by the problems of unemployment, pollution and resource depletion. It was therefore important to redefine objectives. Mankind had entered the information age; accordingly, the role which a country played in the community of nations depended upon its command of communications technology. In that area, too, there was the risk of a widening gap between the North and the South, which could well endanger international peace. Indeed, world peace and respect for human rights were possible only if the peoples of the developing countries could be given greater access to know-how, to markets and to international financing sources, which would substantially raise their living standards.

40. Mr. GIRON (Colombia) said that, during the 1980s, the growth rate of per capita industrial activity in the developing countries had been negative. The long-term prospects were extremely gloomy. Accordingly, it was necessary to adopt urgent measures to promote industrial development and the diversification and modernization of those countries' productive activities. In adopting resolution 45/196, the Assembly had again placed on the agenda the question of industrial development, which had been virtually neglected during the past 10 years. In coordinating the activities of the relevant international organizations, UNIDO had the capacity for action in the three areas defined in the resolution - human resources development, diversification



(Mr. Giron, Colombia)

and modernization - while taking into account national and regional requirements.

41. While it was true, as indicated in the report of the Secretary-General (A/46/455), that the developing countries were primarily responsible for promoting their industrial activities, it was nonetheless true that in order to do so, they required a favourable international climate and the cooperation of the international community, the organizations of the United Nations system and the international financial institutions. Such factors as access to the financial and technical means conducive to human resources development and to environmental protection, cooperation among developing countries and access to international markets showed that adjustments carried out by developing countries would be insufficient if they were not matched by action on the part of the industrialized countries.

42. The recommendations made by the Secretary-General deserved thorough consideration, especially those concerning effective coordination both between UNIDO and the World Bank and between UNIDO and the development-financing institutions, and the use of special trust funds to finance projects.

43. Lastly, the preparation by UNIDO of a study of long-term world industrial structure would make it possible to derive maximum benefit from the reports requested in resolution 45/196, paragraphs 9 and 10, which could not be presented at the current session.

44. Mr. GANTCHEV (Bulgaria) said that the task of coordination which was incumbent upon UNIDO was particularly complex in that in the developing countries the restructuring of the industrial sector was indispensable to the promotion of industrial development. In addition, there were such issues as the development of technological capability, the degradation of the environment caused by rapid industrialization and insufficient investment, especially in heavily indebted countries.

45. In Bulgaria, overall structural adjustment involved the technological and environmental restructuring of the industrial sector. Legal, fiscal, institutional and other reforms were under way with a view to privatization and the breakup of monopolies. Bulgaria believed that a precondition of industrial development was human resources development - promoting technological, managerial and entrepreneurial capabilities. For that reason, it participated, within the limits of its means, in the training programmes sponsored by UNIDO in that field, and would support a recommendation by the General Assembly concerning human resources development.

46. In that context, it was particularly important to improve the access of small- and medium-scale industries to financing, and UNIDO could play an important role in that area. As recommended by the Committee for Programme and Coordination (CPC), it would also be appropriate to strengthen the role of UNIDO in coordinating the activities of other United Nations bodies promoting

(Mr. Gantchev, Bulgaria)

environmentally sustainable industrial development and clean, low-waste, energy-efficient technologies, as well as technical assistance in pollution control.

47. Bulgaria was looking forward to the UNIDO International Conference on Ecologically Sustainable Industrial Development to be held in Denmark.

48. Mr. WEIGGEN (Food and Agriculture Organization of the United Nations) said that the promotion of agro-industries played a key role in the industrialization of developing countries. FAO believed that agro-industry was an integral part of sustainable rural development. The rural population was central to the development framework advocated by FAO. The aim was to promote integrated production systems management and the diversification of rural incomes.

49. Thus, FAO was helping to introduce small-scale processing industries which could contribute to import substitution while offering value-added export possibilities. A case in point was the processing of medicinal plants, spices and aromatics. The value-added objective was carried through to by-products utilization, since the waste products of many natural-fibre processes could be used to stabilize soils.

50. In the past, products from developing countries had often been low-priced, mainly because of a lack of confidence in their quality. Accordingly, Member States were being assisted in improving the quality and diversifying the end-uses of their products. In cooperation with UNIDO, FAO had been preparing fisheries development programmes for West African countries.

51. As indicated in the Secretary-General's report (A/46/455), developing countries should have access to emerging technologies, particularly biotechnology.

52. Furthermore, if development was to benefit the population, it must not be limited to the public sector. It was therefore important that Government policies and international action should be directed towards promotion of the private sector. From that point of view, FAO assistance, including training and the dissemination of information was an important component of international efforts. Moreover, the Ministers for Foreign Affairs of the Group of 77 had stressed that an increase in agricultural production in developing countries could be a basis for industrial growth and diversification of their economic structure.

53. Mr. SANGA (United Republic of Tanzania), endorsing the statement made by Ghana on behalf of the Group of 77, said that the role of UNIDO was even more crucial now than ever before and was particularly appreciated, especially in the least developed countries, as in the case of the United Republic of Tanzania itself.

(Mr. Sanga, United Republic  
of Tanzania)

54. The Secretary-General's report (A/46/455) clearly indicated that the developing countries were still very far from reaching the target set at the Lima Conference of 25 per cent of the world manufacturing value added to be achieved by the year 2000. His delegation therefore endorsed both the call by the Ministers for Foreign Affairs of the Group of 77 for a phasing out of industrial units in the developed countries in areas in which the developing countries' industries were more efficient and the recommendation made by the Secretary-General in paragraph 12 of his report on the preparation by UNIDO of a study of long-term world industrial structure.

55. In follow-up to the report submitted by the Secretary-General's Expert Group on African Commodity Problems, Africa had recommended the establishment of a commodity diversification fund and the General Assembly, by adopting the report of the Ad Hoc Committee of the Whole for the Review and Appraisal of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development would be recommending a study for the establishment of such a fund.

56. The United Republic of Tanzania endorsed all the UNIDO priorities set out in paragraph 16 of the Secretary-General's report (A/46/455). It was, moreover, one of the very few countries to have carried out a feasibility study on endogenous capacity building.

57. With regard to paragraphs 37 and 38, the main problem was the lack of available resources for the development of industrial skills, which meant that external assistance was essential.

58. More specifically with regard to paragraph 38, it was to be hoped that the role of UNIDO in the implementation of the recommendations of the United Nations Conference on Environment and Development would be strengthened.

59. His delegation fully endorsed paragraphs 55 and 56 of the Secretary-General's report and expected much from the outcome of the symposium on the industrial development of the least developed countries which was to be held in Vienna.

60. International cooperation for industrial development in developing countries would be of benefit not only to the developing countries themselves but also to the entire international community, since without industrial development economic measures could only alleviate the symptoms of problems without eliminating their cause.

61. The countries of southern Africa had addressed the problem of manufacturing value added in the framework of the Southern African Development Coordination Conference. Among the objectives for industrial development in the region were the creation of at least half a million new jobs in the manufacturing sector by the year 2000, an increase in savings and investments

(Mr. Sanga, United Republic  
of Tanzania)

to levels where self-sustained growth became possible, and the development and import of appropriate technology to improve the region's industrial base.

62. The growing trend in Africa towards an integrated industrial economy was not reflected in paragraph 7 of the Secretary-General's report. That did not in any way detract from the importance of UNIDO activities in Africa; Africa should continue to be given due priority with respect to industrial development through the treaty establishing an African economic community, starting at the subregional level, such as the Southern African Development Coordination Conference.

63. Mr. JASINSKI (Poland) said that industrialization, far from being an end in itself, was a means by which the individual could achieve progress and develop. In addition to high growth rates, the following important aspects of industrialization should be stressed. The Central and Eastern European countries' economic difficulties were partly attributable to their lack of an appropriate institutional framework. UNIDO should strengthen its assistance in that field, and it would be very useful if it could enhance its cooperation with financial institutions.

64. The role of small- and medium-sized businesses was also very important. It should be noted, in that connection, that Warsaw would host the next international small business congress.

65. Poland attached great importance to interregional cooperation and would like to extend such cooperation, especially with Latin America.

66. His delegation wished, lastly, to express its appreciation for the action taken by UNIDO.

#### ORGANIZATION OF WORK

67. The CHAIRMAN said that as some reports had not been submitted on time, the Committee would have to change its programme of work. Specifically, in connection with item 12 (1), on the Second Industrial Development Decade for Africa, since the Conference of African Ministers of Industry had not yet submitted its programme, it would seem that the General Assembly would not be able to consider that issue at the current session.

68. Mr. GATHUNGU (Kenya) said that he would like to have more details on the reasons for the delay, since the Second Decade had already begun.

69. Mr. STOBY (Secretary of the Committee) said that, in the text it had adopted at Dakar, the Conference had indicated that the relevant meeting had had to be deferred owing to unforeseen circumstances and the report could therefore not be submitted to the General Assembly. The Conference had also decided at Dakar to submit the report to the General Assembly at its forty-seventh session.

The meeting rose at 11.35 a.m.