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The Increasing Role of UNIDO as Cooperation Promoter

by Abd-El Rahman Khane, Vienna *

After ten years during which technical assistance to developing countries by the United Nations Industrial Development Organization (UNIDO) rose from \$ 5 mn in 1967 to \$ 40 mn in 1976, factors influencing the organization's evolution, future tasks, operations and plans have taken place. In the long term much will depend on the extent to which international cooperation keeps pace with declared intentions, and favourable indications have been provided by the response to early experiments in global consultation. Realization that industrialization encourages all other forms of development, particularly education and health services, should also encourage greater material support to UNIDO from Governments.

For the present, every activity within UNIDO and every decision made, has as a basic motive the need to conform with the strategies outlined in 1975 at the Second General Conference, and to bring to reality the objectives then agreed. One of the objectives was to stimulate industrial production so that developing countries could increase their share to 25 p.c. of the world industrial output. When the decision was made their share was about 7 p.c., and two years later it is not much more.

The Second General Conference of UNIDO was held in the capital of Peru and the main document adopted is thus known as the Lima Declaration and Plan of Action. This, together with resolutions concerning some special action for UNIDO to take and showing concern for the human aspects of industrialization, was later confirmed by the Seventh Special Session of the General Assembly which thus reinforced the universal accord.

Naturally the decisions were not spontaneous. They evolved from debates in many fora over many years starting as far back as the 1950s when the idea of industry as a means to progress first made an impact in the United Nations. In 1961 the Centre for Industrial Development was set up within the Department of Economic and Social Affairs, becoming the predecessor of UNIDO, created in 1966 and operating in Vienna from January 1967.

Early Guidelines

First operational guidelines were derived from the International Symposium on Industrial Development held at the end of 1967 in Athens after many preparatory meetings including four for regions,

held in Iraq, Egypt, Chile and Kuwait. These provided real opportunities outside the United Nations for developing countries to express their views on industrial development.

Altogether more than 200 recommendations emerged from the Symposium to be used as directives for years to come, but the net result was that academic studies were not wanted and UNIDO had to make its work action-oriented. Priority for action designed to create more industry in developing countries became higher with the General Assembly's adoption of a strategy for the Second International Development Decade, and emphasis in succeeding meetings of the governing Industrial Development Board¹ related to types of industry regarded as bringing highest results in benefits to economic systems and increases in employment.

The next full-scale examination of UNIDO's work, its results and the effectiveness of strategies came in 1971 when a Special International Conference was held in Vienna during June, with 108 nations participating. Although an exercise in stocktaking, this also was preceded by conferences between nations at regional meetings. Many of the views expressed during such consultations were also reflected in many statements from Governments to the Secretariat. A consensus resolution emerged covering long-range strategy and orientation of UNIDO's activities, including the role for the Second Development Decade and the transfer and adaptation of technology for industrial develop-

*) Executive-Director of the United Nations Industrial Development Organization (UNIDO).

¹ At each annual session of the United Nations General Assembly 15 Member States are elected on an equitable geographical basis to maintain at 45 the membership of the Board, which holds one meeting a year to decide policies for UNIDO. A subsidiary Permanent Committee meets twice a year to make detailed examinations of activities.

ment in developing countries, and the structure and financing of UNIDO. Subjects on which opinions differed were the transformation of UNIDO into a specialized agency and whether the United Nations Development Programme (UNDP) should be the main source of funds for operations.

Developing a Strategy

Perhaps the most significant development of this special conference was a request for the Secretary-General to appoint a small group of experts selected for their international standing and not for their nationality to formulate a long-range strategy. This was followed up by the General Assembly and the Secretary-General promptly appointed 18 experts who held four meetings between March 1972 and February 1973, serving in their individual capacities. After giving extensive consideration to world employment, the relationship between socio-economic development and industry and the working of UNIDO, the experts produced a report with recommendations for the future. Six points covered industrial strategies and policies, a clearing house of industrial information, operational and promotional activities, organization and finance. This was the foundation for the road leading to Lima and the plan of action reaching to the end of the century.

An *ad hoc* committee of 27 Board members to identify ways and means of implementing the expert group's recommendations and fill-in the details of the long-range strategy brought decisions for immediate implementation from the Board and General Assembly, which also decided that another general conference of UNIDO would be necessary in 1975.

Dramatic events from 1973 onwards, with crises in economics, currency fluctuations, energy problems and sudden changes in balances of payments, not only affected developing countries much more severely than the others but had a noticeable effect in abolishing the mood of confrontation and replacing it with cooperation. New orientation came with the sixth special session of the General Assembly and the adoption of a Declaration and Programme of Action on the Establishment of a New International Economic Order in May 1974. Events followed rapidly and a series of regional meetings culminated with the Group of 77 hammering out their draft of the Declaration and Plan of Action for Industrialization, the basis of the document finally adopted by the Lima conference. There were also some surprises such as the finding at the World Population Conference that industrialization and development were more potent than contraceptives for controlling the population explosion.

So to Lima, where suddenly all nations were fighting on the same side and the way became much clearer for UNIDO. The intention, to bring the share of world manufacturing for developing countries up to 25 p.c. by the year 2000, brought commitments to all nations, especially the small proportion whose industries dwarf those of the rest. It then called on UNIDO to be the focal point, to mobilize world cooperative efforts, to be provided with greater resources and authority, to receive greater finance through a new Industrial Development Fund and to be transformed into a specialized agency.

Preparing for Action

This summary of events which are part of recent history provides a cue for the action now taking place, action whose pace must increase with each passing year. The quarter of a century from 1975 has dwindled to 23 years and it is time not only to take stock of what we have to do but how far we have advanced if at all.

At Lima the responsibilities placed on UNIDO changed its role from that of being only a technical assistance agent for UNDP to a promoter of co-operation among United Nations bodies, among nations and among all connected with industry; and to the role of being a leader in thought able to show the way to those seeking guidance in planning. UNIDO, it was stated "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. UNIDO should be prepared to serve as a forum for negotiations of agreements in the field of industry but should include among its activities a system of continuing consultations at global, regional and sectoral levels". Further, "UNIDO should provide a forum for negotiation of agreements between developed and developing countries or between developing countries themselves". For concrete content to be given to the process of industrialization in the latter countries, UNIDO must undertake studies and formulate specific measures in different sectors.

These are among the main points of a document which now influences every decision and every action taken in UNIDO and will continue to do so for the foreseeable future, perhaps with refinements to be added when the next general conference takes place in 1979.

What has happened since? Within the organization there was an immediate upheaval of restructuring based on the best advice given by more than 60 of senior UNIDO staff members.

It was not easy, it took the best part of a year. Even while it was taking place, the substantive divisions most affected were able to deliver a higher amount of technical assistance for 1976 than for 1975, despite added difficulties of UNDP money troubles and a hold-up of months through decisions affecting contracted work and field operations. Two divisions of UNIDO now look after the field activities.

Another substantive division is the International Centre for Industrial Studies, created to enable UNIDO to carry out its tasks of implementing requests from Governments to undertake action-oriented studies. Through its work UNIDO advises on the adoption of plans suitable for countries, regions or groups of regions according to global developments, technological advances and availability of resources. Each of these has been the subject of studies; the ability to absorb and disseminate information has been strengthened by cooperation with sources throughout the world; and an Industrial and Technological Information Bank has been initiated as a component of an international network for exchanging knowledge and expertise. Training in all its aspects and at all levels is another subject of study, as is the continuing problem of technology, its transfer on reasonable terms, its applicability to given circumstances and its development among countries and regions whenever possible.

High Priority for Economic Cooperation among LDCs

Promotion of economic cooperation among developing countries, started by UNIDO in 1973, now has high priority and has been improved by a survey made in 1974 and 1975 to define existing manufacturing capacities, technology and experience and institutional arrangements, together with the extent to which the Governments concerned want to join in common efforts. It was found that there are many ways in which groups of countries can complement each other's resources and make self-reliance a potent force for progress. Effective pooling of consultancy and other infrastructural services, training facilities, equipment manufacture and materials need Government understanding and adoption, or sometimes abolition of legislation to avoid bottlenecks of bureaucracy, another matter for UNIDO research. Encouragement to make indigenous research and development a reality has come from experts, studies and UNIDO publications.

More than fifty country reports are giving economic details and prospects for partnership enterprises. They are available for public and private business enterprises contemplating projects of

this nature, whether from advanced or other developing countries. UNIDO itself uses information of this nature when seeking equipment or consultancy contractors. Missions to Latin America, Asia and Africa this year have added to the possibility of bringing some small return to the developing countries, as well as of finding experts who know the regions to which they are sent.

Round-table ministerial meetings encouraging co-operation among developing countries and arranged as a direct result of the Lima conference have been arranged by UNIDO after initiation by the host countries of Bulgaria and India. Bulgaria has held two such events, one to provide information to other developing countries on rapid industrialization and the other concerned with industrialization methods in agriculture. Besides stimulating discussion and the exchange of ideas, such meetings were considered as helping to fill the gap between purely technical meetings and those organized to arrive at policy decisions. In New Delhi this year the subject was industrial and technological cooperation, and the ministers not only identified suitable areas of industry but provided ideas for operational mechanisms. Following these successful events, others are considered in Latin America and Africa.

The Consultation Concept

Perhaps the most imaginative idea emerging from Lima, and one that will have an impact for many years, was that 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 amongst its activities a system of continuing consultations at global, regional and sectoral levels". This could well be the most valuable instrument for bringing equity to the use of raw materials and a redeployment of industry through examinations in depth involving Governments, industrialists and labour.

The Industrial Development Board decided that the matter of consultations should be approached cautiously by tackling sectoral branches of industry regarded as basic to development. UNIDO chose fertilizers for the first consultation and iron and steel for the second, (both took place in Vienna), to be followed later this year by consultations on leather products (Innsbruck) and on vegetable oils (Madrid). In each case such a global examination was a pioneer effort, and results were gratifying both for the fact that more than 80 countries provided, on both occasions, leading authorities in the sector and that views were also expressed by labour representatives, Governmental delegates, and financial specialists.

In preparation for the consultations the International Centre for Industrial Studies produced world-wide studies on the industries, and also held advance meetings of experts to suggest lines along which the consultations should proceed. Each meeting lasted for a hardworking week and all taking part displayed full readiness to cooperate in suggesting planned development for the benefit of all countries. For fertilizers and for iron and steel indications were seen that big productive increases would be needed to meet demands, and that developing countries should be provided with capacity to produce more than 25 p.c. well before the end of the century if the overall industrial target is to be met.

Anxiety to ensure that poorer countries would increase their shares appropriately, either individu-

ally or regionally was shown by those who came from industrialized countries as well as those still trying to make the utmost of their raw materials. Although they also demonstrated the magnitude of the effort required, they showed that the Lima targets are realistic. UNIDO is ready to continue the consultation system and to make it continuous so that progress can continue well beyond the year 2000.

More recently the General Assembly of the United Nations established a UN Industrial Development Fund with the purpose of increasing the operational activities of UNIDO. Contributions to the Fund will be received from Government and non-Governmental sources; and the Industrial Development Board at its 11th session recommended that \$ 50 mn yearly be a desirable level for the Fund to enable UNIDO to fulfill its mission.

NIEO

Transnational Corporations and International Economic Order

by Karl Wohlmuth, Bremen *

The demand for control over transnational corporations forms part of the demands for a New International Economic Order. The statements about the question of effective means of control are however so far vague and in the context of the demands for a New Economic Order even contradictory. Until now it has been impossible to evolve the essential requisites of a strategy of comprehensive control. Some of the reasons for this failure are set out in the following article which analyses the chances for the prosecution of such a strategy.

The "Action Programme on the Establishment of a New International Economic Order" contains in the section on "Regulation and control over the activities of transnational corporations" the demand to formulate an international Code of Conduct for transnational corporations and enforce it by international agreement. It makes explicit mention of five aspects of control over these corporations:

- ☐ prevent interference in the internal affairs of host countries;
- ☐ regulate their activities in host countries so as to eliminate restrictive business practices and ensure conformity of these activities with national development plans; review and revise existing arrangements between governments and transnational corporations in the light of national development objectives;

- ☐ bring about transfer of technologies and other services on "equitable" and "favourable" terms;
- ☐ regulate the repatriation of profits, taking the legitimate interests of all parties into account;
- ☐ promote reinvestment of profits in LDCs ¹.

The "Charter of Economic Rights and Duties of States" refers in Chapter I (Foundations of international economic relations) to the general requisites of control over transnational corporations (such as the principles of national sovereignty, territorial integrity, political independence of states, etc.) while Chapter II (Economic rights and duties of states) deals in detail with the problems involved. Several articles of the Charter are of

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¹ Cf: Kooperation oder Konfrontation? Materialien zur Rohstoffpolitik (Cooperation or confrontation? Material on raw material policy), ed.: Reinhardt Bolz, Manfred O. Hinz, Norman Paech, Karl Wohlmuth, Bonn 1975, p. 213 ff.