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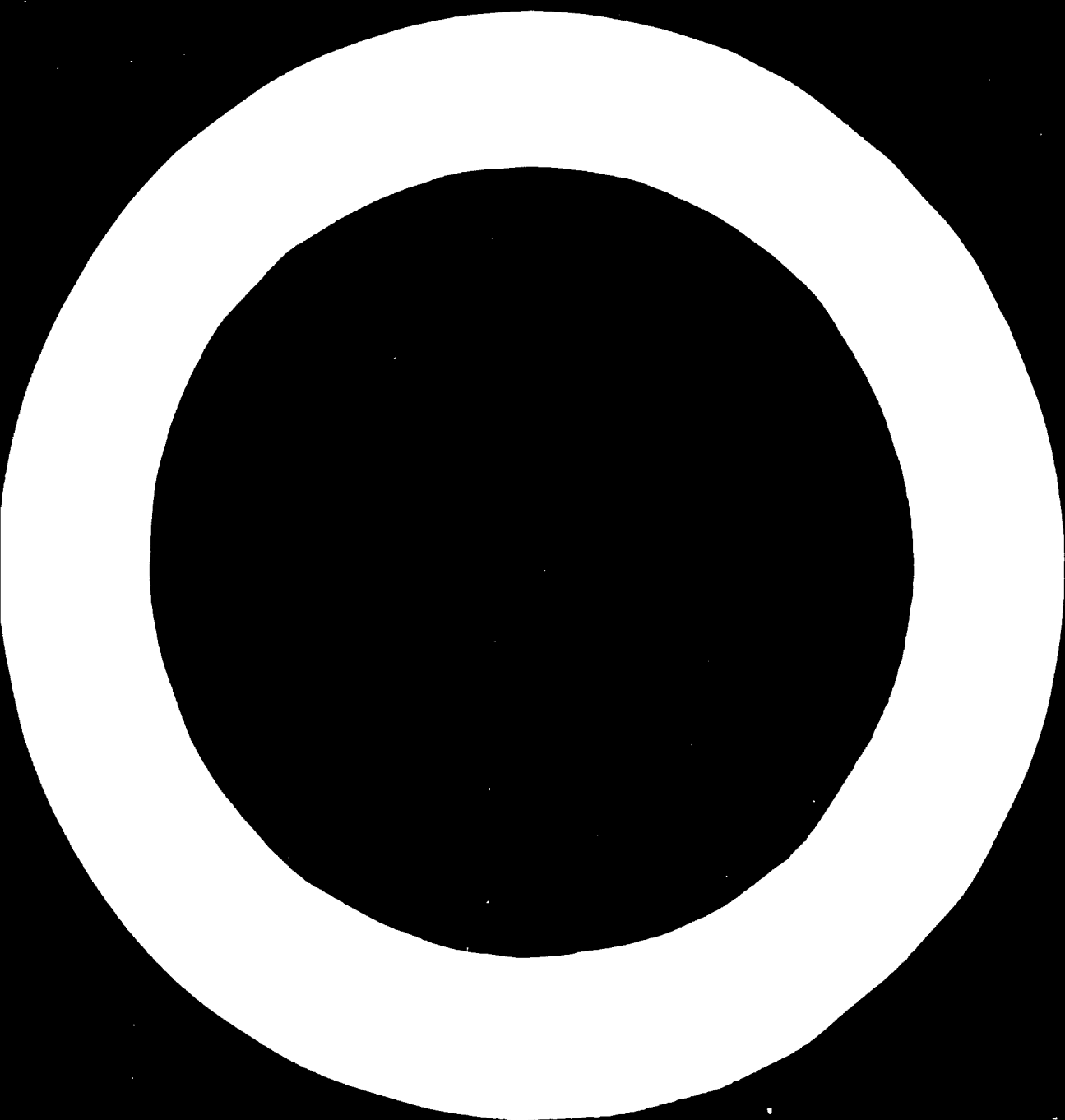
CO-OPERATION BETWEEN INDIA AND EASTERN EUROPEAN
COUNTRIES IN PROMOTION OF INDUSTRIAL EXPORTS 1/

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CHAPTER 1

INDUSTRIAL CO-OPERATION BETWEEN SOCIALIST AND
DEVELOPING COUNTRIES

Need for International Co-operations:

1. There are two major obstacles that technical progress, with its vast potentiality, places on the development of developing nations. They are a persistent trend towards external disequilibrium and the chronic savings gap. International co-operation is absolutely necessary to overcome these obstacles and help speed up the growth rate. Experience during the last few years has shown that co-operation is not forthcoming either in the form or on the scale necessary. Nothing meaningful has been accomplished at the international level to halt the trend towards external disequilibrium, except for the import substitution measures introduced in developing countries. On the contrary, restrictions on primary commodities have become more severe and the growth rate of exports has been highly unsatisfactory. Obstacles to exports of industrial products from the developing countries are serious, although these exports have, in the last five-six years, risen at the promising rate of 10.4 per cent per annum. The exports of manufactures and semi-manufactures are, however, still far from solving the problem of trade disequilibrium. The developing countries are taking steps to expand their intra-trade but progress is slow and results are negligible.

2 The picture in regard to savings gap is no more encouraging. At the beginning of the Development Decade it was hoped that flow of finance to developing countries would be 1 per cent of the gross product of the industrialised countries but 1966 figure was no more than 0.60 per cent. The recent deliberations at UNCTAD III showed that there was no guarantee that the target of 1 per cent would be achieved in the near or distant future. The debt service burden of developing countries has grown heavily and has created a series of critical situations and steps are being taken to alleviate through rescheduling.

3 The shortage of international finance has affected the developing economies in other ways also. Since a vast number of labour remains unoccupied and thus potential labour force wasted, faster growth in income and hence in savings capacity is prevented. The multiplier effect of domestic savings that would have resulted from a larger flow of international finance is thus weakened.

4 Unfortunately, no determined effort has been made to deal with the problem of external vulnerability. Apart from the agreements on coffee, tin, wheat and olive oil, no headway has been made with measures to stabilize primary commodities. There being no long-term approach to the development problem, it has not been recognised in practice that the stabilization of primary commodity prices is a matter of common concern to all - whether developing

or developed. Negotiations are protracted indefinitely in the tactical interplay of opposing positions.

5 Such, in brief, is the picture of international co-operation in this Development Decade. No doubt there is so much frustration in the developing world. The frustration is understandable. The growth rate of the developing countries during the Development Decade has not reached the annual figure of 5 per cent which was set as a minimum target. Actually the average rate for 54 countries representing 87 per cent of the population of the developing world as a whole was only 4.5 per cent per annum from 1960 to 1965. On a closer analysis, it appears that where countries had certain international co-operation, the process of their development was faster and their growth more than the general average. Among the 54 countries mentioned, there is a group of 18 with an average growth of 7.3 per cent per annum while the rate of growth for 15 countries was scarcely 2.7 per cent per annum. In the former, exports increased at an annual rate of 8.7 per cent whereas in the latter, they expanded only by 3.3 per cent. Between these two extremes, there were 21 countries whose average growth rate was 4.9 per cent and whose exports increased by 4.8 per cent per annum. It is thus clear that when exports expand slowly, they hold back development and they stimulate it if they gather speed.

6 But exports are only one of the dynamic external factors although a very important one. Another factor is the inflow of finance from industrial centres. This is illustrated from the fact that countries of faster growth received an annual average financial contribution of $\$ 8.54$ per capita and those of slower growth $\$ 2.37$. The countries in the middle group received $\$ 5.95$ per capita.

7 The importance of trade and international financial co-operation in the development is thus obvious. It is in this background of need for faster growth in the developing countries, but non-availability of external finance from the industrialised countries to the extent desired and slow rate of growth in exports of primary commodities which are the mainstay of developing countries' exports, that we must analyse the recent co-operation in trade and industrialisation between the socialist countries and the developing countries.

8 An important factor which has greatly influenced the thinking in socialist countries towards international specialisation is the trend towards economic reforms in these countries. These reforms seek to make the management of the economy more efficient and to minimise central control of day to day operations of enterprises. They will also facilitate the formulation of long term decisions in accordance with the criteria of economic rationality. Decentralisation of decision-making, profit orientation,

recasting of price structure, improvement in planning methods and animation of supply-demand relationships are the key facets in current measures. They combine and vary in individual countries according to the difference in their economic structures, stages of development and the degree of urgency of particular issues. In general, the scope of decision making and direct financial responsibility of enterprises is being enlarged. Greater efficiency in the use of capital is sought to be achieved by selective investment policies. Banks in some countries have obtained considerable latitude for giving priority to innovations, rationalisation and export promotion projects. Most socialist countries are currently revising their price structures to make them reflect more accurately all relevant factors of production and relative scarcities or surpluses in the market. The new prices should make it possible to measure the profitability of a particular industry or product and assess the advantages of projects involving a wider participation in the international division of labour. The process of harmonisation of the various price set-ups is being initiated in a number of socialist countries with a view to achieving an economically more justifiable relationship between them and facilitating the assessment of benefits from the international division of labour.

9 Under the reforms, state monopoly of foreign trade is maintained in order to adapt foreign trade to the objectives of the plan and to ensure a uniform policy abroad.

A whole range of new forms of organisation, management, financing and incentives are being introduced or examined, in order to render foreign trade more flexible and adaptable to changing circumstances. The principle seems to have been accepted in a number of socialist countries that inefficient units have no place in the economy and they should not be allowed to subsist on budgetary allocations and that thus protection from foreign competition should be gradually reduced.

10 The emphasis on efficiency, profitability, quality improvement and innovations has created a favourable climate for relying more on foreign trade, promoting international specialisation and stimulating suitable structural adjustments. The drive for efficiency and competitiveness in foreign markets has led to bidding for co-operative ventures with foreign firms, in order to bring about improvement of quality, reduction of cost, sub-contracting in export to third countries etc.

11 While the lack of external finance and need for faster rate of growth has forced the developing countries to look forward to socialist countries for co-operation, the socialist countries have also discovered that the old pattern of foreign trade and co-operation among the limited group of countries in Europe would not do. In the circumstances, the intrinsic advantages of international specialisation have been newly emphasised and foreign trade

is becoming a key policy factor. This policy requires, in addition to imports of "essentials" not available within the national economy, a systematic wide utilisation of advantages inherent in the international division of labour.

Scope of Industrial Co-operation between Socialist and Developing Countries

2 The objective of expanded trade can be achieved only if developing countries can find ways and means of exporting more and more of manufactured products, in addition to primary commodities. As stated earlier, unless external finance is forthcoming from the developed countries to the extent desired, process of industrialisation in the developing countries would not be fast enough to accelerate export of manufactured products, particularly in the field of new manufactures such as engineering, chemicals and pharmaceuticals, leather and plastics. Socialist countries have shown willingness to co-operate with the developing countries in their endeavour to industrialise, not on the basis of royalties and repayment of loans in the form of cash but on the basis of mutual exchange of commodities which the developing countries would generate through industrialisation. They are also prepared to integrate the industrial planning and production in developing countries in their own planning, inasmuch as if a product or group of products can be developed in a developing country because it has special advantages, they would consider modifying and adjusting their planning in such a way that they might

not produce that product themselves. There are thus possibilities of enlarging and intensifying bilateral co-operation in existing fields and extending it on tripartite basis.

13 The prerequisites for broadening of such co-operation are specialisation demand in each other's market and production factors such as natural resources, availability of raw materials and skilled and unskilled man-power as well as other factors for economic production. To achieve most fruitful and beneficial results, the intensive industrial co-operation and specialisation would necessarily have to be with the object of ensuring -

- (i) long-term stability;
- (ii) long-term interests of the partners, and
- (iii) fair distribution of benefits.

14 Co-operation envisaged above may be scientific, technical, productional, commercial, financial and could have various fields such as : -

- (a) exchange of knowhow and information;
- (b) organisation and improvement of production;
- (c) training of personnel;
- (d) supply of raw materials, intermediates, components and spares;
- (e) joint marketing and trade promotion through joint facilities for market research, after sale service, commercial publicity, trade fairs etc.;

- (f) joint activities in other countries for establishing industrial enterprises abroad;
- (g) joint research through the establishment of joint facilities; and
- (h) supply of licences, know-how, engineering services and equipment to set up production in any of the partner countries.

15 The economic content and form of co-operation between the enterprises of the partner countries could take various forms depending upon varying degrees of development in different sectors of industry, difference in size, geographic location, climatic conditions and economic systems prevailing in the partner countries.

16 In view of this, the most suitable form of co-operation which would lead to rapid industrialisation of all partners and foster constantly and systematically the economic relations and potentials should be determined with the aim of achieving the most effective business results within the frame-work of joint action and joint sharing of possible risks. To this end, individual partnership agreements will have to be signed between the partners concerned which include, among other things, the extent of participation of each partner in the production of finished products.

17 In this connection, it is necessary that wherever possible, enterprises and companies in the partner countries,

should exchange ideas and explore possibilities for co-ordinating their potential for equipment and services with a view to being able to offer competitive bids in other markets. The companies in partner countries will have to be encouraged to enter into consultations regarding the availability of equipment, know-how, technicians etc. and exchange ideas on the possibilities of working in co-operation with each other in the markets of other countries.

18 Planning is important for economic development. In order to obtain most efficient and optimum development in the process of mutual co-operation in the industrial production, advantage will have to be taken to exploit the opportunities offered in the existing methods of planning. As a first step, those sectors where co-operation already existed on bilateral basis will need to be considered for more intensive efforts. Intensification of co-operation in selected sectors might involve :

- (i) suitable modifications in respective national plans and instrument thereof providing for limitation or augmentation of national productive capacities and also
- (ii) special measures for promoting increased access into each other's markets for products of such industries.

19 Industrial co-operation creates a firm inter-dependence among respective partners in the production

processes and has, therefore, to be essentially of a long term character. As a pre-requisite for success of such industrial co-operation, the partner Governments have an important role to play, particularly in taking steps to secure necessary safeguards for establishing co-operation on a long term basis. They would have (i) to take into account the existing productive capacities while setting up new production, and (ii) to facilitate marketing of products of industrial co-operation in other markets. Another pre-requisite for long-term co-operation in industrial production is the need for achieving economic efficiency, increase in productivity and establishment of competitive prices. While these could be achieved through economies of scale resulting from augmentation of production through bipartite or tripartite co-operation, the process will need to be accelerated by undertaking other measures.

Measures to be taken for achieving co-operation:

20 Industrial co-operation in true sense can be achieved only if certain basic measures are taken. These measures are -

- (a) modification of import organisations,
- (b) adaptation of trade regulations; and
- (c) suitable trade and payments procedures.

21 Adaptation of trade regulations and preferences may have to cover -

- (a) examination of foreign trade regulations and payments procedures with a view to their adaptation for ensuring smooth trade flows in regard to raw materials, industrial components, spares and end products of industrial co-operation;
- (b) examination of working of quota systems in bilateral trading arrangements with a view to ensuring that necessary provisions are made for increased access into each other's markets for products of industrial co-operation ; and
- (c) consideration of modalities for accordng preferential tariff treatment to products which would be exchanged between the partner countries in connection with or based on industrial co-operation.

Tripartite Agreement for Industrial Co-operation
between India, U.A.R. and Yugoslavia

22 One of the most significant steps taken towards industrial co-operation between socialist countries and developing countries has been the signing of a tripartite agreement between India, U.A.R. and Yugoslavia. The agreement was signed as a result of a meeting among the top leaders of the three countries - Mrs. Indira Gandhi, President Nasser and Marshall Tito. The meeting at the top leaders' level was followed by a tripartite meeting of Ministers of India, U.A.R. and Yugoslavia on economic co-operation held

in New Delhi from 12th to 14th December 1966. A Working Group was set up to examine the possibilities of industrial co-operation and extension of trade between the three countries. After preliminary exchange of views, 13 sub-groups were set up to examine the possibilities and conditions therefor in the following specific fields :

- (1) Exploration and exploitation of mineral oil
- (2) Extractive industry
- (3) Ship-building and auxiliaries
- (4) Automotive industry
- (5) Electrical engineering
- (6) Electronics
- (7) Chemicals and pharmaceuticals
- (8) Production of raw materials and processing of fertilisers
- (9) All other engineering industries
- (10) Geological and mining exploration, engineering and development of mines and beneficiation plants, land reclamation and hydro-technical exploration projects
- (11) Iron and steel industry
- (12) Textile and textile machinery
- (13) Leather and rubber industries

23 The sub-groups were directed, among others, to exchange available data and carry out examinations with reference to expansion and development of production,

exchange of commodities and industrial co-operation on the following questions :

- (i) identification of fields of co-operation;
- (ii) possibilities of extending to tripartite basis, where only bilateral interest existed;
- (iii) possibilities of specialisation in production;
- (iv) possibilities in augmentation of capacities by way of joint ventures;
- (v) possibilities of joint establishment of research work, development research as well as exploration works in extractive industry;
- (vi) availability of know-how and conditions under which such know-how can be shared;
- (vii) conditions for carrying out collaboration;
- (viii) possibilities of sharing the outlay, usage and further development of know-how purchased from elsewhere;
- (ix) identifying the obstacles which stand in the way of realisation of such co-operation;
- (x) feasibility of giving further assistance and preferential treatment to such co-operation;
- (xi) possibilities of exports, not only in the markets of the three countries but also to other markets; and
- (xii) adoption of uniform standards for quality testing.

24 The sub-groups held several meetings and examined in detail the relevant questions, reached valuable conclusions and made recommendations. A brief description of the results of these discussions is given below as it throws light on the nature of problems that are bound to arise in any industrial co-operation between the developed and developing countries. One thing that stands out prominently from these discussions is that the partner countries will have to think from a much wider angle than that dictated by the narrow national boundary. They will have to be prepared to merge some of their individuality, of course without compromising their sovereignty and they will have to have mutual trust and confidence. Unless national sentiments and prejudices are subjugated to the common long term interests of the countries comprising the partnership, the scheme of industrial co-operation will not succeed even though on paper it may look attractive.

CHAPTER 2

SCOPE OF BILATERAL CO-OPERATION BETWEEN
INDIA AND SOCIALIST COUNTRIES

25. In addition to tripartite industrial co-operation between India, UAR and Yugoslavia, some headway has also been made in the field of bilateral co-operation with Czechoslovakia, Poland, USSR, Bulgaria and Yugoslavia. Efforts are being made for similar co-operation with other socialist countries. A brief description of the nature, scope and specific field of co-operation is given below :

Industrial Co-operation between India and Czechoslovakia:

26. The Indo-Czechoslovak Joint Committee on Economic and Technical Co-operation was established in June 1966 through exchange of letters between the Commerce Ministers of the two countries. The task of the Joint Committee is to promote collaboration between the two countries in the commercial, industrial, technological and scientific fields. The first meeting of this Joint Committee which was held in New Delhi from 17th to 19th January 1967 made the following recommendations :

(1) Harmonisation of development plans:

The two countries were required to compile factual data covering development planned in the various sectors of industry and exchange the same with the concerned authorities in the other country for detailed examination and suggesting re-adjustments in

the production programmes, wherever required, so as to make the development plans of the two countries complementary to each other with a view to ensuring that the mutual requirements of the two countries are fully met. These studies are in progress.

(ii) Supply of industrial raw materials and components for the projects established in India with Czech assistance.

The relevant details covering industrial raw materials and components required by the Czech assisted projects both in public and private sectors have been worked out for the period 1968-70 and have been handed over to Czech authorities for scrutiny and indication whether they would be in a position to meet these requirements.

(iii) Export of finished goods produced in Czech assisted projects to Czechoslovakia and third countries.

Czechoslovakia would import from India products made in the Czech assisted projects for consumption within Czechoslovakia. They will also assist India in selling these products in third countries through their marketing organisations established in various countries.

(iv) Exports from India to Czechoslovakia of manufactures and semi-manufactures:

Studies of the Czechoslovak internal demand of the various manufactured and semi-manufactured products have been initiated so as to identify products which India is capable of producing and supplying to Czechoslovakia at comparable costs. Special attention is being given in the study to identify labour intensive products whose manufacture in Czechoslovakia may be curtailed or even stopped in favour of supplies from India. Some of the items falling under this category have since been identified. These are machine tools; auto ancillaries, vehicles and vehicular components, structurals, other light engineering goods and leather manufactures.

(v) Setting up of new Joint Ventures:

Czechoslovakia would assist India in setting up new industrial ventures based primarily on indigenous raw materials which would ultimately result into :

- (a) supply of capital goods, equipment and certain industrial materials by Czechoslovakia to India for setting up new ventures; and

(b) assured export markets for the products made in these projects to Czechoslovakia and third countries.

(vi) Indo-Czechoslovak collaboration in various projects in third countries:

The Joint Committee recommended that the goals in which co-operation in third countries can be advantageously developed may be identified and technical and commercial aspects of these projects examined. India has since collected details of the industrial ventures being set up by Czechoslovakia in the Middle East and the same are under scrutiny to identify sectors where India could fruitfully co-operate with Czechoslovakia in setting up these projects.

(vii) Technical and scientific co-operation:

The two sides have agreed to exchange information in regard to scientific and technological institutions, consultancy agencies and availability of technical educational facilities etc. This data has since been compiled and passed on to Czech authorities. Similar information from the other side is awaited.

27. For implementing the recommendation made (iv) above, Czechoslovakia sent a high-powered delegation headed by two Deputy Ministers who went round the various industrial units located in Bombay, Calcutta, Madras, Cochin, Jamshedpur and

New Delhi and identified the products of interest to them. These items were further discussed when an Indian Technical Delegation visited Prague in January last.

28. In the first meeting of the Indo-Czechoslovak Joint Commission on industrial co-operation, two of the major recommendations were that (i) Czechoslovakia would concentrate on the production of more sophisticated items leaving other items to India and (ii) joint ventures might be set up in third countries utilising engineering products both from India and Czechoslovakia.

29. During the year 1967, Czechoslovakia imported from India a large range of labour intensive and comparatively simpler items. This list is being enlarged and an Exploratory Delegation from Czechoslovakia recently visited India to find out which other manufactured products they could buy from India.

30. Efforts are also being made by Czechoslovakia and India in setting up joint ventures in third countries. One such example is the machine tools building plant in Iran and the other, the Railway Workshop in Gambia. Negotiations in this respect are in progress.

31. The first meeting of the Tripartite Working Group on Industrial Co-operation was held in New Delhi from 21st August to 2nd September 1967. As a result of these deliberations there would be many possibilities of industrial co-operation between the member countries emerging from the

detailed studies in various sectors of industry which are being carried out on the recommendations of the Working Group.

Industrial Co-operation between India and Poland:

32. The Protocol signed on 1st April 1966 between India and Poland envisaged that the two Governments would sponsor Sub-groups which will examine the following fields of industries to seek possibilities of industrial collaboration between the two countries :

- (i) Production of fishing trawlers;
- (ii) Development of fishery industry;
- (iii) Development of machine tool industry ; and
- (iv) Production and supply of consumer products to Poland.

Accordingly, four Working Groups have been set up in India. Studies on fishing trawlers as well as fishing industry have already been completed and two teams are shortly expected to proceed to Poland for studying the facilities available there so as to decide the pattern of industrial collaboration between India and Poland.

33. As regards machine tools, Poland has already surveyed the machine tool manufacturing industry in India and the Indian delegation would now be visiting Poland. Thereafter, the two delegations would sit together and decide the course of action to be taken by them, namely, what particular machines or components of machine would be supplied by India to Poland and vice versa.

34. India has also set up Study Groups which are examining the consumption pattern of consumer products in Poland with the object of setting up, if necessary, additional manufacturing facilities in India so as to meet the Polish requirements in respect of consumer products from India.

35. Joint studies between India and Poland have taken a definite shape during the year 1967. Three Study Groups have been set up to examine possibilities of co-operation between India and Poland in the following fields :

- (i) Fishing industry;
- (ii) Manufacture of fishing trawlers; and
- (iii) Machine tools.

36. These Study Groups would shortly be visiting Poland for conducting joint studies vis-a-vis the facilities available in India and Poland and devise measures which would be to the mutual benefit of our two countries.

Industrial Co-operation between India and USSR

37. Animated by the desire to further increase the trade exchanges and develop new forms of economic co-operation between India and USSR, Indian and Soviet experts held talks from 26th March to 20th April 1968. In the course of talks, apart from trade exchanges, India expressed interest in setting up industries on the basis of natural endowment factors like the availability of raw materials and other resources with Soviet technical assistance, so that the

products may conform to the specifications acceptable to the Soviet consumers and payment for the machinery and equipment required for such factories may be made out of the exports of goods produced. The possibilities are very bright for setting up a shoe factory with a capacity of 3 million pairs of shoes for export to USSR and for leather garments.

Regarding fruit juices while the existing capacity is enough, it may be necessary to add to the capacity in due course and also render technical assistance for producing juices of required specification.

38. Possibilities of setting up industrial undertakings and other projects in third countries with Soviet collaboration were also discussed. Experts from both the countries would examine projects for construction of projects from third countries as and when they come up.

39. List of items for the production of which India can supply technical know-how and equipment is given below.

1. Sugar making plant
2. Cement making plants
3. Industrial and package boiler making plant
4. Machine tools and small tools making plant
5. Crane- overhead electrical travelling cranes and Dock cranes making plant
6. Heavy structural plant
7. Plant for the production of electrical equipment and accessories like motors, transformers, cables, fans, lamps, storage batteries, room air-conditioners, refrigerators, house service meters etc.

8. Organic chemicals like oxalic acid, anonochloro acetic acid, methyl bromide, carboxy methyl cellulose etc.
9. Viscose staple fibre
10. Rubber products like tyre, tubes, hoses, gloves etc
11. Synthetic detergents
12. Synthetic resins
13. Leather cloth and linoleum
14. Glass container ware and thermos flasks
15. Paints, varnishes, lacquers and printing ink

40. The sectors of industry in which India requires components, machinery, equipment etc. and descriptive particulars of such machinery and equipment are given below :

I. Engineering industries

Capital goods requirements for the IV Plan:

- (1) Seamless tube plant
- (2) Gas cylinders and axel tube plant
- (3) Napa mills expansion

II. Petro-Chemicals:

Capital goods requirements for the IV Plan for the two Soviet assisted projects :

- (1) Barouni
 - (a) Benzene plant
 - (b) Caprolactum plant
 - (c) Oxo-alcohols plant
 - (d) Propylene etc.
 - (e) Glycerene

(2) Baroda

Toluene plant

III. Other Chemical industries:

Capital goods requirements in the IV Plan

Chemical & allied industries

Name of industry

1. Caustic soda/chlorine
2. Soda ash
3. Synthetic cryolite
4. Industrial gases
5. Plastics fabrication equipment
6. Nitrogenous & phosphatic fertilisers
7. Acrylic fibre spinning equipment
8. Polyester fibre spinning equipment
9. Nylon spinning equipment
10. Pulp & paper industry
11. High tension insulator plant
12. Veneer & plywood industry
13. Drugs & pharmaceutical industry
14. Rubber-goods manufacturing industry including tyres and tubes
15. Leather and leather goods including footwear

IV. Balancing equipments:

Global requirements of machine tools, small tools etc. for the IV Plan period.

41. The following is the list of industries which India would like to build with Soviet co-operation for exporting the final products to the Soviet Union :

- (a) Leather footwear
- (b) Garment leather and leather garments
- (c) Fruit juices and preserves.

42. Needless to say that once capacity is established, these goods can be exported to the third countries also in addition to the USSR.

43. Long term requirements of public sector undertakings in India have been handed over to the USSR. This will help her in interpreting these requirements while drawing up the plan for production.

Industrial Co-operation between India and Bulgaria

44. Although, in the past, imports from Bulgaria were mainly of machine tools, machinery, spares, industrial raw materials, non-ferrous metals and fertilisers and exports from India were mainly of traditional items like jute, tea, textiles, the picture is changing in that we expect to take non-ferrous metals, fertilisers and industrial raw materials in greater quantities as compared to machine tools and other machinery. Bulgaria has developed her resources in non-ferrous metals to a great extent and her production of lead, zinc and copper (including electrotype copper) now exceeds 2,22,000 ^{metric tons} annually. India expects to have an assured source of supply of these commodities from this area. Success of the past plans in Bulgaria has generated a big increase in the demand of consumer materials which include processed foods, textiles, garments, shoes etc. Under the Indo-Bulgarian Industrial Co-operation, many of these commodities could be supplied from India. If, by adopting economies of scale, India is able to manufacture consumer goods like garments or leather footwear or processed

foods, her products could be offered at competitive prices and may settle in the habit of the average Bulgarians to some extent. If specialisation in machine building in Bulgaria leads to competitive offer of quality products, India may be able to afford purchases by export of increasing quantities of non-traditional goods. The strategy for the future will be largely based on a kind of collaboration and complementarity of needs.

Industrial Co-operation between India and Yugoslavia

45. The Leaders of the Trade Delegation from India and Yugoslavia during their talks held in Belgrade and New Delhi in October 1965 and March 1966, respectively reviewed the cordial relations between the two countries and the growing co-operation in various fields of activity. With a view to further promoting the trade and economic relations between the two countries it was agreed

(a) to set up a sub contract for assembly of railway wagons at a suitable site in Yugoslavia for supply of assembled wagons to Hungary. This arrangement has since been finalised and assembled wagons are being supplied to Hungary. This co-operation is being extended for large scale production of railway wagons in Yugoslavia out of components produced in India and Yugoslavia and sale of such wagons to Yugoslavia and third countries.

(b) to set up joint ventures in India in the following fields :

(i) Manufacture of barges, tugs, trawlers, fishing

crafts and fishing equipment etc.

(ii) ship equipment and ancillaries;

(iii) food processing industry;

(iv) chrome tanned leather, shoes and garments;

(v) garments of cotton, rayon and synthetic fabrics.

(o) It has been further agreed that there are possibilities of mutual co-operation in joint ventures in third countries as both India and Yugoslavia have expanding economic relations with many of the friendly countries in Asia, Africa and Latin America. The following fields have been identified in which joint collaboration could be pursued to mutual advantages :

(i) Marketing in third countries of the products of industries set up in India with Yugoslav co-operation or vice versa; and

(ii) Joint efforts for selling composite products and/or plants requiring complementary parts/ components manufactured in the two countries or participation in joint ventures in third countries for the setting up of following industries :

1. Fruit processing industry;
2. Textile industry and tanneries;
3. Building materials industry;
4. Chemical processing industry
5. Thermal and hydro power plants; and
6. Transport equipment and structurals.

CHAPTER 3

CONCLUSION

46. Motivated by a genuine desire to co-operate with each other, India, UAR and Yugoslavia have, no doubt, entered into a dialogue and have been successful in identifying certain industrial sectors in which mutual co-operation is possible but ultimate success will depend on continuance of mutual trust and understanding. The pre-requisite to success of the scheme, in my opinion, is continued recognition and realisation of the fact that well-being of their people from the long term point of view lies in mutual co-operation. This would mean that even if there are political changes, economic interests will be dictated by economic factors and not by political thinking. Each of the three partners will have to be prepared for subordinating national sentiments and prejudices to the long term common interests of the three countries. There will be no room for reservations. Even unpleasant facts will have to be faced and bold decisions taken if such a step is in the common interest. Although all the three countries are wedded to socialistic pattern of society, the form and nature of Government in one differs from another. Strong local influences will be working to a course of action which a particular Government may find it difficult to resist although such a step may not be in common interest. Relaxation of import trade control, modification of exchange control regulations, allotment of priorities in respect of industries, adjustment of planning

to fit in with the combined thinking of the three countries about the location, size and marketing of the product in question are all matters which will have to be viewed from a much wider angle. Since the object of industrial co-operation between the three countries is not only to serve the needs of the three countries alone but also to cater for fourth countries, a great deal of understanding will be needed to subjugate individual interests.

47. While questions of external finance would not present a serious problem inasmuch as plant and machinery may be supplied to a partner country on deferred payment basis, local resources of finance will have to be tapped to the fullest extent possible. Savings will have, therefore, to occupy an important place in the internal planning. Imports of finished products and maintenance stores will have to be on a balanced trade basis but transfer of plant and equipment will have to be on a different basis.

48. Discussions among the three countries and exchange of mass of information has already revealed the opportunities which exist for co-operation. These preliminary discussions will have to be given further shape and machinery will have to be created to implement these decisions. The broad decisions and conclusions already drawn up may not stand the scrutiny of keen businessmen who have ultimately to convert generalised thinking into practical business reality. A Co-ordinating Committee at the level of each industry will have to be set up to keep a watch on the progress, hurdles in

the way and find out ways and means of resolving differences.

49. Success by bipartite co-operation will greatly depend also on the fact that Governments concerned in the East European countries adapt themselves to the new pattern of trading with developing countries in general and India in particular. India's pattern of export trade has been changing as a large number of manufactured goods have been taken on the export list by India. These goods mainly conform to specifications of components and parts that go to make a composite machinery or plant. The East European countries have been manufacturing plants and machineries in collaboration with the West in general. Similar is the case with India. A large scale complementarity is, therefore, existing in the production structure of India and the East European countries with prospects of inter-changeability. Even in cases where there may be no bipartite co-operation between India and the East European countries, if trade is to be continued and enlarged, a sort of introspection will be necessary to see what commodities socialist countries individually can exchange with India who is, no doubt, one of the pioneer countries in the developing world. India will automatically need a large volume of raw materials and spares as well as components not only for production purposes but also for maintenance needs. Naturally, therefore, a thorough planning will have to be organised to ensure composite exchange of goods between India and East European countries in general as it is being done by the 'Comicon' countries themselves.

50. Of late, it has been found that there is a tendency in some of the East European countries to relax their centrally controlled economy in the matter of trade and allow free import to as much extent as possible to feed their factories and also dispose of their end-products to developing countries like India. For example, Yugoslavia has already introduced liberalised import trade. To a great extent Hungary has also introduced some import relaxations, although in a different degree since January 1, 1968. There is a growing liberalisation trend in the economic policy of Czechoslovakia also. It is well-known that among the 'Comicon' countries, tariff and customs duties are no barriers as they have been situated in such a fashion. But India does not enjoy the same facility. For example, under the recent liberalised economic policy in Hungary, while 'Comicon' countries' commodities enjoy preferential tariff and customs duties remissions, India's goods are subject to heavy duties. This presents a problem for India to become competitive in the East European market. This has been accentuated by extra freight charges, which have cropped up because of the Suez Canal closure. These are basic problems which India is to face in the East European market in spite of political as well as economic understanding to the effect that India and East European countries should introduce division of labour in the method of production as well as in marketing their goods, not only in their own countries but also in the third countries. This warrants a

deeper understanding which obviously is yet to be developed in spite of so many bipartite and tripartite co-operation agreements existing today.

51. Although Yugoslavia has entered into a special co-operation agreement with India along with UAR, the Indo-Yugoslav trade is presently posing a lot of problems for India to develop trade on the basis of these understandings. For example, Yugoslav enterprises are more attached to the free foreign exchange countries in West Europe to buy the same goods against payment in free foreign exchange rather than import them from India against payment in Indian rupee which has accumulated at a staggering point in their rupee account maintained in India. While the Yugoslav Government stress that they have no control over their enterprises who are free to import and export commodities to countries abroad, it is found that some sort of control can be exercised by way of allocation of foreign exchange fund to Yugoslav businessmen and enterprises to import from India specially. Normally, it would have been quite possible for the Yugoslav enterprises to buy from India many items which are comparable in price and quality against the rupee accumulations. But, the free nature of trade has taken away the initiative from India to other countries which are adjacently geographically situated with Yugoslavia. It has often been found that in cases where India has proved competitive, the Yugoslav Government authorities are inclined to give preference to local manufacturers to

supply such items rather than buying from India. The spirit of co-operation as concluded between the Government of India and Yugoslavia is, therefore, yet to be inducted in the minds of the Yugoslav enterprises who should go above their sentiments and local considerations and try to buy from India in order to utilise their own rupee fund accumulated in India. If this sense of inter-responsibility does not grow in the field of trade by relaxation of import procedures as well as by adjustment of each other's economic requirements, it will be difficult to take full scale advantage out of bipartite and tripartite co-operation. In some cases, it has been found that the Yugoslav enterprises are asking more stringent credit terms from Indian exporters for purchase of Indian commodities particularly machineries, plants, accessories as well as manufactured products like rolled steel items etc. Their argument is that they are getting similar credit and deferred payment terms from countries like France, West Germany and other West European countries. It is needless to emphasize that India is a developing country and as such Yugoslavia or any other East European country should neither expect nor press India to get similar stringent credit terms. In spite of that, in many cases the Indian exporters are under the current credit rules offering deferred payment terms to East European buyers although in a sense there should be no demand for deferred payment terms on India at all from East European countries' buyers side, particularly from those who have built up large rupee credit balance in India. These are some of the difficulties that are still

lying in the matter of procedure so far as East European countries are concerned. Some positive corrective measures should be adopted to see that no barriers come in the way of socialist countries' trading with India. The following positive corrective measures may be adopted by the East European countries in general :

- (a) Elimination of the psychological barriers that presently prevent East European buyers from buying Indian goods even when they are competitive. The infrastructural disadvantages such as non-availability of shipping etc. need to be remedied by both sides. It will be welcome if the East European countries become agreeable to give some preferential treatment to the Indian goods to offset the high transportation charges arising out of Suez Canal closure;
- (b) Relaxation of banking regulations in East European countries to ensure that difficulties in buying rupee exchange are eliminated; and
- (c) Relaxation of currency regulations which have in-built barriers for clearing account countries

These are only a few recommendations that are essential to smoothen the trade between India and the East European countries. They will lead to produce a better result on the projected co-operation in the fields of industry as well as trade with the third countries.

52. It may not be lost sight of that India's trade with the East European countries has been further complicated by the fact that some of the socialist countries like USSR, Czechoslovakia, Yugoslavia, Hungary, Bulgaria etc. have offered financial credits to India for purchase of their commodities and for establishing collaboration in developing productional units in India. These credit imports into India will naturally increase India's liability as it has already done and as such it warrants more extensive export trade from India to the socialist countries in order to maintain a balanced picture of trade. It can thus be realised that India has to export much more than she can import from these countries in order to pay off the credit repayment commitments. These repayment commitments, as is well known, are to be implemented through export of goods as all transactions with East European countries are in non-convertible Indian rupees. A phased planning is again necessary for repayments. This is really intended to increase the tempo of East European countries' purchase in India and automatically this warrants India's increase in production in the industrial sector. Thus, it is a gigantic problem and if India wants to stand up on her own legs to face the challenge, she will have to gear up home production in such a manner so that the factories do not suffer from raw materials or other uneconomic factors which stand in the way of production and distribution.

53. These are some of the points which envelope the whole Indo-East European trade like a dark cloud hanging over the head. Yet, they are not too difficult to be solved as

given goodwill and complementarity to each other, trade can be smoothened and raised upto the standard of expectations which must be fulfilled in the interest of economic unity and co-operation between the socialist countries and developing countries in general and India in particular.

54. One of the handicaps from which almost all the developing countries have suffered in the past is that because of protected national market, industries have not given much attention to quality control, reduction of cost and marketing. Just the continued market of the three countries generates a sense of complacency and adequate attention is not given to these urgent problems. It would be necessary to ensure that units concerned are made to realise that they will have to stand on their feet and face competition outside on the basis of quality and efficiency. The economic reforms introduced by Yugoslav Government recently have placed all imports to that country in general on an equal footing. Necessarily, therefore, manufactured products coming out of units set up on tripartite co-operation basis will have to be internationally comparable in regard to quality, price and other reliability factors.

55. The world market for manufactures is fairly competitive in many branches with strong demands for quality of products. The necessity of meeting standards set by foreign markets increases the possibility that such standard will be established simultaneously for internal markets of

the three countries. Thus, beneficial effects might include an increase in general efficiency as well as improvement in quality of products to meet competition in world markets. If the bipartite or tripartite industrial co-operation helps the industries concerned under such co-operation in improving their quality, achieving efficiency, reducing cost and becoming more competitive in world markets in general, steps initiated in this direction would usher in a new era of economic progress.

56. The quickening pace at which the economic gap between the rich and poor nations is now widening is, in the words of US Secretary of State Dean Rusk, one of the world's "most explosive" problems. In the latest most futile search for co-existence among the "haves" and "have-nots" at UNCTAD II, problems of developing countries appeared to be insoluble. The basic dilemma that faces the mankind is that on the one hand computer age technology is allowing the USA, Western Europe and the industrialised Northern Hemisphere in general to forge ahead economically in a kind of geometrical progression. Meantime capital shortages, lack of know-how and ever-expanding populations have prevented the nations of Latin America, Asia and Africa from improving their economic lot to any significant degree.

57. A faltering - though not altogether unpromising - start at bettering the lot of the less developed countries was made in 1964, when delegates of 132 nations met for three months in Geneva at the United Nations Conference on Trade and Development (UNCTAD) and came up with what amounted to

a plan for global redistribution of wealth. UNCTAD recommendations which included a scheme for stabilising world commodity prices were largely ignored by the industrialised nations, but the foundation had at least been laid for a continuing effort.

58. Then came UNCTAD II - the second big confrontation between developed and developing nations. That the conference has been a failure is not disputed by anyone. In the words of Dr. Paul Prebisch the UNCTAD's tireless Secretary General, all the nations represented at New Delhi must share the blame for UNCTAD II's "very limited" result. Development aid has dropped to the bottom of the list of priorities for the major powers. From .9 per cent of the developed nations combined GNP at the beginning of the decade, aid dwindled to .5 per cent in 1967. In 1968 the budgetary policies of the major powers are forcing still more cuts. The industrialised countries including USSR are now spending the staggering sum of $\$$ 150 billion a year on defence and only $\$$ 9 billion on economic aid to the poor nations.

59. Indeed the poorer nations have struck out on almost every count. The volume and price of their exports to the developed countries continue to decline. Conflicts among the rich nations have left the International Development Association virtually broke and the World Bank's lending rate has recently gone up from 6 per cent to 6 $\frac{1}{2}$ per cent which makes it harder than ever for a poor nation to afford

a development loan. Meantime, the loans that they have already received from the developed nations are costing the developing nations some \$ 4 billion each year in principal and interest. This figure, if deducted from global aid of \$ 9 billion leaves the impoverished two-thirds of humanity with only \$ 5 billion a year for industrialisation and a host of other developmental and welfare programmes.

60. Viewed from this general angle also success of industrial co-operation, a beginning for which has been made, is most essential. It would, however, be most unrealistic to assume that industrial co-operation between the socialist and developing countries in the manner discussed above will solve all the problems of the developing world. Flow of international finance, stability in commodity prices, regional grouping and greater co-operation among the developing countries themselves will be needed if the present disparity has to be removed and economic prosperity of the world as a whole has to be achieved.

ANNEX I

UNION OF SOVIET SOCIALIST REPUBLICS

Country	Duration	Specification of goods	Mode of payment	Technical credit
1. United Arab Republic	1966-70	Quotas	Clearing	\$ 6 million
2. Syrian Arab Republic	1965-60	Quotas	Clearing	\$ 500,000
3. Iran	1967-72	Quotas	Clearing	¥ 5.0 million
4. Brazil	1965-70	Indicative list of commodities	Clearing	¥ 10.0 million
5. Colombia	1967-69	Indicative list of commodities	Clearing	¥ 1.0 million
6. Chile	1967-69	- -	Free currency	
7. India	1964-68	Indicative list of commodities	Clearing	
8. Pakistan	1965-67	Quotas	Clearing	.
9. Ceylon	1965-67	Quotas	Clearing	.
10. Algeria	1964-66	Quotas	.	.
11. Guinea	1961-65	Quotas	Clearing	¥ 600,000 in 1961
12. Ghana	1961-.	.	.	.
13. Kenya	1964-65	Indicative list of commodities	Free currency	-
14. Tunisia	1962-64	Quotas	Clearing	Tunisian Dinars 400,000
15. Uruguay	1954-56 automatically extended	Indicative list of commodities	Free currency	-

CZECHOSLOVAKIA^{*/}

Country	Duration	Specification of goods	Mode of payment	Technical credit
1. United Arab Republic	1965-70	Yearly quotas	Clearing	\$ 4.0 million
2. Ghana	1966-69	Quotas	Clearing	Cedi 1.8 million
3. Morocco	1967-70	Quotas	Clearing	¥ 1.5 million
4. Tunisia	1964-68	Indicative list of commodities	Clearing	¥ 800.00
5. Nigeria	1962-65 automatically extended	Indicative list of commodities	Free currency	-
6. Afghanistan	1964-67 automatically extended	Indicative list of commodities	Clearing	\$ 300,000
7. India	1963-68	Yearly Quotas	Clearing	Rp.13.0 million
8. Iraq	1958-61 automatically extended	Indicative list of commodities	Free currency	-
9. Iran	1966-69	Quotas	Clearing	¥ 1.0 million
10. Yemen	1956-58 automatically extended	Indicative list of commodities	Free currency	-
11. Syrian Arab Republic	1959-62 automatically extended	Yearly Quotas	Free currency	-

^{*/} excluding Latin America

POLAND^{*/}

Country	Duration	Specification of goods	Mode of payment	Technical credit
1. India	1964-68	Quotas	Clearing	.
2. Iran	1967-69	Indicative list of commodities	.	.
3. United Arab Republic	1965-69	.	.	.
4. Tunisia	1965-68	Quotas	Clearing	£ 700,000
5. Ghana	1967-72	Quotas	Clearing	Cedi 2.0 million
6. Guinea	1965-68	Quotas	.	.
7. Ivory Coast	1967-69	Indicative list of commodities	Free currency	-
8. Brazil	1960-65 automatically extended	Indicative list of commodities	Clearing	£ 4.0 million

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GERMAN DEMOCRATIC REPUBLIC

Country	Duration	Specification of goods	Mode of payment	Technical credit
1. United Arab Republic	1965-70	Indicative list of commodities	Clearing	.
2. Syrian Arab Republic	1965-68	Indicative list of commodities	Clearing	.
3. Lebanon	1961-64 automatically extended	Indicative list of commodities	Clearing	.
4. Yemen	1967-70	Indicative list of commodities	Free currency	.
5. Morocco	1964-67	Quotas	Clearing	.
6. Tunisia	1965-68	Quotas	Clearing	.
7. Ghana	1961-67	Indicative list of commodities	Clearing	.
8. Guinea	1966-70	Quotas	Clearing	.
9. India	1965-67	Quotas	Clearing	.

HUNGARY

Country	Duration	Specification of goods	Mode of payment	Estimated credit
1. United Arab Republic	1967-70	Quotas	Clearing	\$ 1.25 million
2. Syrian Arab Republic	1966-69	Indicative list of commodities	Clearing	\$ 300,000
3. Iran	1966-69	Quotas	Clearing	₹ 1.45 million
4. Iraq	1959-62 automatically extended	Indicative list of commodities	Free currency	-
5. Yemen	1964-67	Indicative list of commodities	Free currency	-
6. Tunisia	1967-68 automatically extended	Quotas	Clearing	500,000 New Francs
7. Ghana	1967-70	Quotas from 1968	Clearing	2.4 million Cedi
8. Tanzania	1967-69 automatically extended	Indicative list of commodities	Free currency	-
9. Nigeria	1963-66 automatically extended	Indicative list of commodities	Free currency	-
10. Ivory Coast	1967-69	Indicative list of commodities	Free currency	-
11. Guinea	1967-70	Quotas	Clearing	₤ 300,000

HUNGARY
(continued)

Country	Duration	Specification of goods	Mode of payment	Technical credit
12. Malagasy Republic	1965-67 automatically extended	Indicative list of commodities	Free currency	-
13. Kenya	1967-69 automatically extended	Indicative list of commodities	Free currency	-
14. India	1966-70	Quotas	Clearing	Rp. 31.5 million
15. Indonesia	1965-67	Quotas	Free currency	-
16. Brazil	1961-66 automatically extended	Indicative list of commodities	Clearing	\$ 3 million
17. Colombia	1959-62 automatically extended	Indicative list of commodities	Clearing	\$ 500,000
18. Ecuador	1968-70	Indicative list of commodities	Free currency	-

BULGARIA

Country	Duration	Specification of goods	Mode of payment	Technical credit
1. United Arab Republic	1966-70	Quotas	Clearing	2 million
2. Syrian Arab Republic	1966-68	.	Free currency	-
3. Tunisia	1965-68	.	Clearing	.
4. Algeria	1963- automatically extended	.	Clearing	.
5. Ghana	1966-71	Indicative list of commodities	Clearing	.
6. Guinea	1962-65 automatically extended	Indicative list of commodities	Clearing	.
7. Nigeria	1962-68	.	Free currency	-
8. Indonesia	1963-67	.	Free currency	-
9. Pakistan	1963-68	.	Free currency	-
10. Cambodia	1963-68	Indicative list of commodities	Free currency	-
11. India	1964-69	.	.	.
12. Brazil	1961-63 automatically extended	.	.	.

ROMANIA

Country	Duration	Specification of roads	Mode of payment	Technical credit
1. United Arab Republic	1967-70	.	.	.
2. India	1963-67	.	.	.
3. Indonesia	1963-65 automatically extended	.	.	.
4. Iran	1965-	.	.	.
5. Ghana	1962-66 automatically extended	.	.	.
6. Guinea	1967-71	.	.	.
7. Kenya	1966-67	.	.	.
8. Brazil	1961- automatically extended	.	.	.

ANNEX II

TRIPARTITE CONFERENCE OF MINISTERS OF INDIA, the UAR and
YUGOSLAVIA ON TRIPARTITE CO-OPERATION

(Held in Cairo on 15 and 16 July, 1969)

This conference reviewed the progress of co-operation under the tripartite agreement between India, United Arab Republic and Yugoslavia in the fields of trade, tariffs and tourism, industrial development, science and technology, shipping, telecommunication, banking and insurance.

Trade and tariff preferences:

In the field of trade and tariffs, the Ministers observed that the tariff preferences under the tripartite agreement of the 23rd December 1967 had exerted a beneficial effect on the flow of trade between the three countries. They agreed on an expansion of the scope of preferences by adding a supplementary list of 57 groups of products to the existing common list. A protocol for giving effect to these additions was also signed at the meeting. It was decided that the additions to the common list would take effect from 1st October 1969. The Ministers further decided that the three countries should facilitate expansion of trade in the goods specified in the common list. They adopted decisions to provide for a quick settlement of custom problems and other procedural matters connected with tariff preferences. They agreed that further attention should be paid to payment and financing arrangements. The Ministers also felt that it was important to explore the long-term possibilities of trade expansion and co-operation between the three countries with special reference to their development plans. A study on this subject has been directed.

Industrial co-operation:

As a result of the mutual visit of experts and businessmen and exchange of technical and economic information between interested enterprises, an outline for establishing tripartite co-operation in this field has emerged. The Ministers have now decided that Working Parties consisting of nominees of the three Governments as well as duly authorised representatives of interested enterprises be set up for each of the following projects :-

- 1) 50 HP wheeled tractors
- 2) Crawler tractors TG 50 and TG 90
- 3) TV Glass bulbs
- 4) TV picture tubes
- 5) Passenger cars and components
- 6) Auto ancillaries
- 7) Scooters
- 8) Small engines for bicycles and other uses (50 cc. model DBP)
- 9) Switchgear
- 10) Supply of electrical equipment for power plants to fourth countries.

These Working Parties will be set up before the end of August 1969 and will be required to submit their detailed Project Reports as early as practicable and in any case not later than the end of April 1970.

The Working Parties will take into account all relevant economic, technical and financial aspects and will prepare detailed project reports, covering as far as possible the points listed in Annexure I and outlining, in particular, the pattern of co-operation envisaged. For this purpose, the working parties will be supplied with necessary basic information and terms of reference on the lines suggested by the co-ordinators in Annexure I. It has been felt that for the success of these collaboration ventures, long-term arrangements are necessary. The Ministers of the three Governments re-affirmed that the three Governments would accord appropriate physical facilities and provide all requisite assistance for the grant of industrial licences, for the procurement, sale of raw materials and components and for the marketing of finished products.

Scientific and technical co-operation:

To promote scientific and technical co-operation, the Ministers decided that specific organizations in each country should be nominated. These organizations would keep in close touch with one another in order to exchange experience and expertise in the fields of productivity, management, industrial design, technical skills, planning consultancy and market research. Co-ordinators will assist these organizations in intensifying their mutual co-operation.

Shipping and commercial infrastructure:

The Ministers noted that the Working Group on Shipping had produced a useful report. They considered that more intensive bilateral contacts

and to the extent necessary, exchange of memoranda amongst concerned specialists would help the Group to make further progress.

The Ministers desired that the Working Group should meet again, after due preparation, within six months with a view to evolving practical proposals for:

- i) the establishment of a joint shipping service and/or pooling arrangements; and
- ii) co-operation in other matters relating to the improvement of the Maritime Services and facilities between the three countries.

The Ministers were of the view that for the furtherance of trade exchanges between the three countries tripartite co-operation covering other forms of infrastructure, including telecommunications, banking and insurance, would be of great assistance. They accordingly decided that Working Groups for the purpose should be set up as soon as practicable. These Groups would make a study of required facilities and prepare reports for consideration at the third Ministerial meeting.

Tourism:

In respect of tourism, it was decided that in addition to other measures, active steps should be taken to encourage group travels and organize package tours for the three countries.

Machinery for implementation:

The Ministers attached importance to improving the machinery of tripartite co-operation and decided that arrangements for co-ordination should be made as under:

- a) There will be a Principal Co-ordinator in each country, entrusted with the function of co-ordinating all the activities coming within the scope of Tripartite Co-operation.
- b) Each Principal Co-ordinator will, if necessary, be assisted by a General Co-ordinator who will maintain continuous contact with his counterparts.
- c) Convenors will be appointed by each of the Governments for each Working Group in the major fields of co-operation, namely,
 - (i) trade, tariffs (including customs procedure), and tourism,
 - (ii) industrial co-operation and scientific and technical co-operation and
 - (iii) shipping and commercial infrastructure.
- d) Where a specific project is identified as suitable for being worked out in detail, a Promoter will be appointed by each of the three Governments.

- e) The names of Co-ordinators, Convenors and Promoters will be notified within a period of two months.
- f) Each of the Co-ordinators, Convenors and Promoters will correspond directly with his counterparts. Each of the Promoters will keep his Convenor in touch with the progress in his sphere. Similarly, each Convenor will keep the General Co-ordinator informed.

The Co-ordinators are authorised to take from time to time such steps as may be necessary to improve the efficiency of tripartite co-operation. The Co-ordinators will also prepare a Proposal, covering more precisely aims, objects, general principles and organisation of tripartite co-operation for consideration at the third Ministerial meeting.

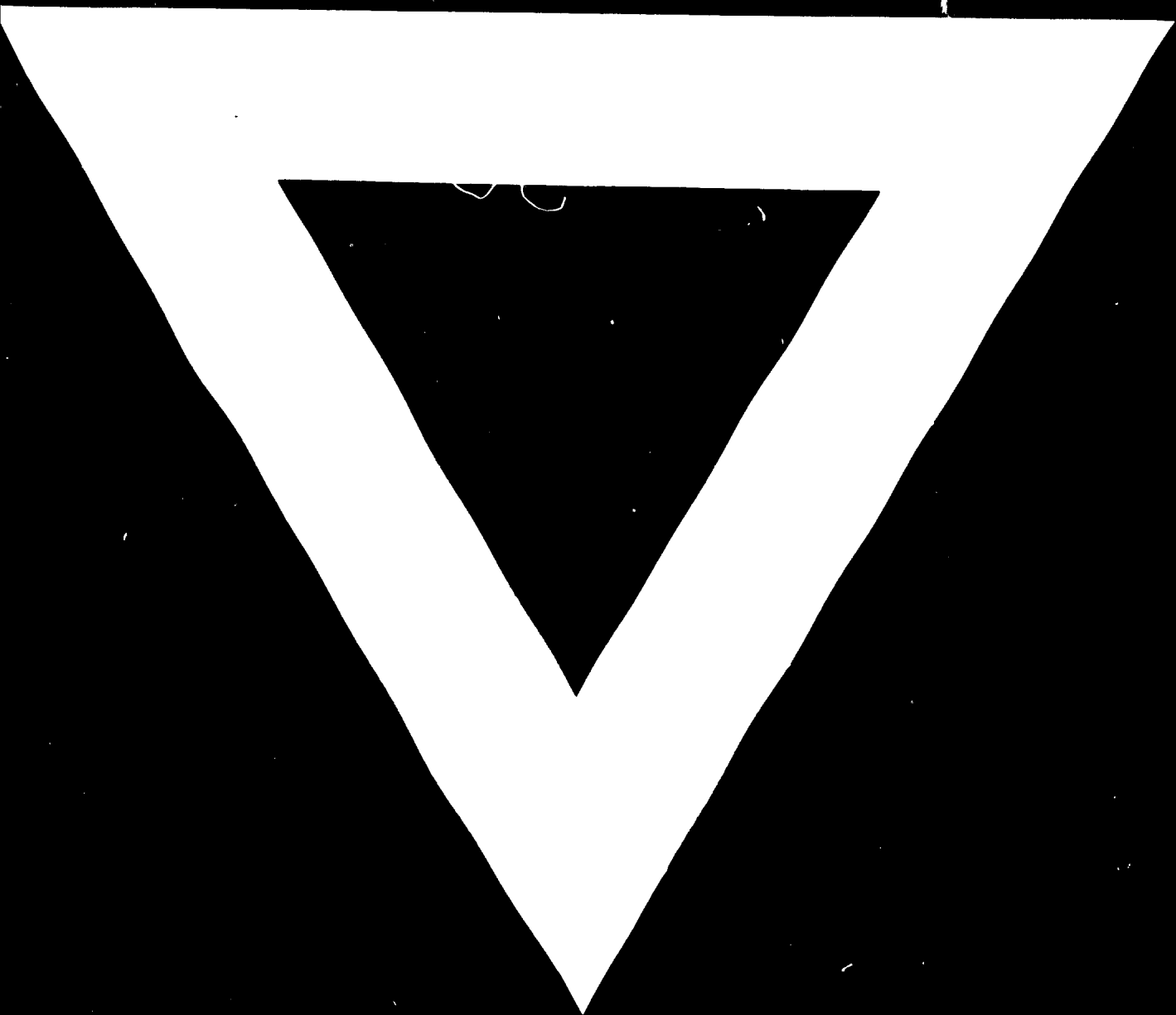
The Ministers considered that a review of the Agreement should be carried out annually at the level of Ministers. The date and venue of the third Ministerial meeting will be settled through diplomatic channels.

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

INDICATIVE TERMS OF REFERENCE

1. General target of co-operation arrangement
2. Main content of a co-operation arrangement :
 - Provision of licences, know-how, technical documentation, etc.
 - Exchange of components
 - Exchange of complete products
 - Joint research and development
3. Structure of co-operation arrangements -
Division and specialization in production
4. Role of each partner in co-operation arrangements
5. Structure and volume of export and import from each partner
6. Marketing concept, particularly in regard to export and
import from/for third markets
7. Source of equipment, if necessary, to extend productive capacity
8. Source of financing investments
9. Procurement of skilled labour and necessary training programmes
10. Plans for development of co-operation arrangements
11. Specific measures required from each Government -
facilities or licences in fiscal, trade and tariff and
industrial regulars.





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