



**TOGETHER**  
*for a sustainable future*

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INTERNATIONAL SUBCONTRACTING PROGRAMME ✓

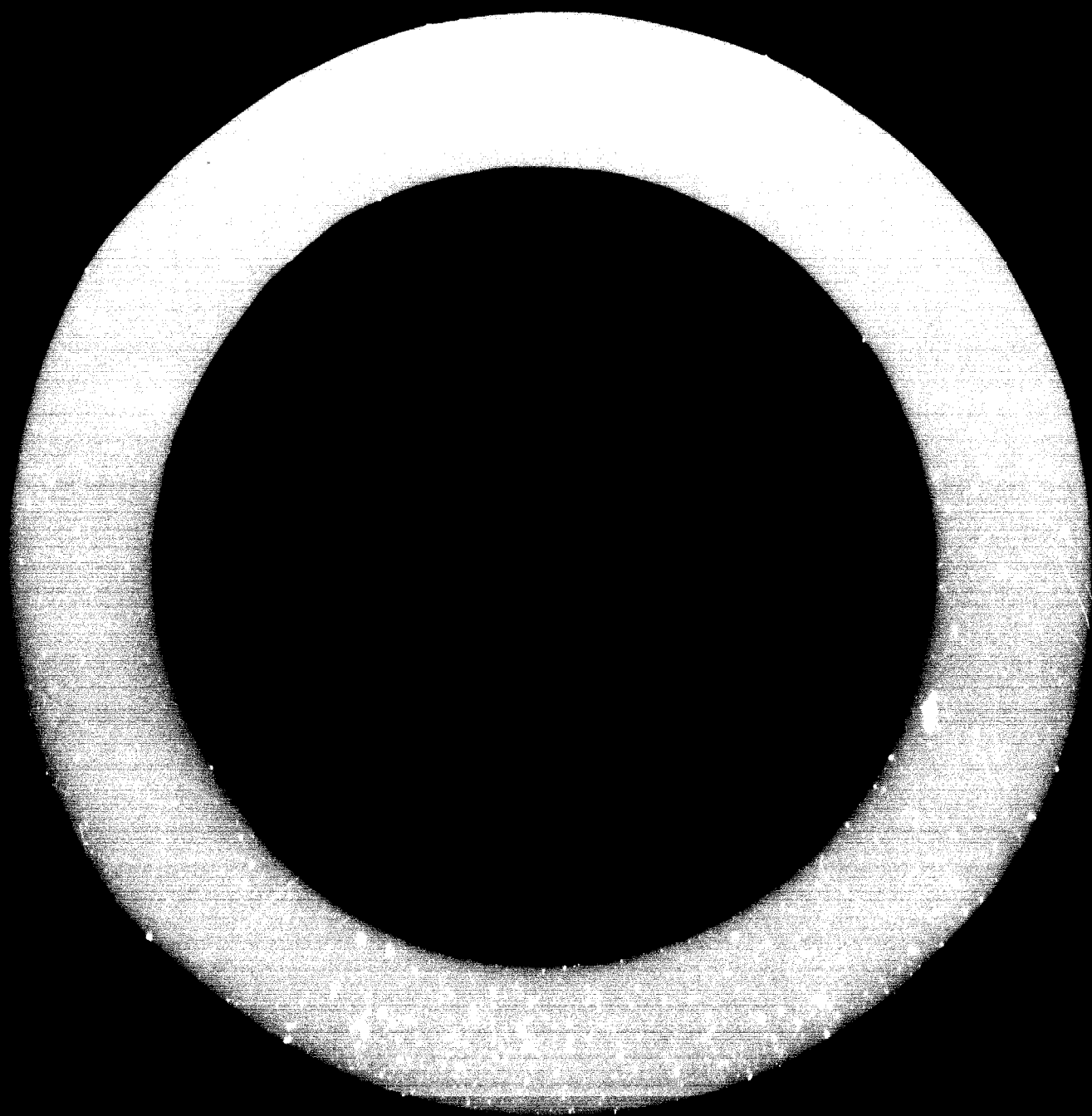
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## Basic Features

As a means of developing export-oriented industries and accelerating the transfer of technology from developed to developing countries, the programme of International Subcontracting was organized to promote such arrangements between firms in the developed and developing countries. These arrangements are contractual agreements between companies from developed countries, (the contractor), and companies from developing countries, (the subcontractor), whereby the contractor orders products or components from the subcontractor, who manufactures or transforms them according to the design and specifications of the buyer.

In principle, the programme is geared to utilize manufacturing capacity and the surplus of the relatively inexpensive and yet sufficiently skilled labour forces existing in many developing countries, at a time when an increasing number of firms in industrialized countries are interested in obtaining supplies from abroad in order to maintain their competitive position and to fill up growing volumes of orders without further strain on the domestic economy. Although it is a familiar feature of the business relations between industrialized countries, international subcontracting arrangements have so far been a novelty and an unexplored field for most industries in developing countries.

## Functions of the Programme

UNIDO, being aware of this trend in international business relations, plays an intermediate role and is trying to identify subcontracting offers from firms in developed countries and make them known to suitable partners from developing countries. For this purpose an International Subcontracting Exchange has been established to act as an intermediary between firms with the following functions:

- (1) To identify, in the industrialized countries manufacturing processes which could be subcontracted in developing countries;
- (2) To locate firms in developed countries which are interested in subcontracting part of their production to developing countries;
- (3) To locate firms in developing countries which are able to participate in such arrangements and act as subcontractors;
- (4) Provide technical, economic and legal assistance to potential subcontractors during the negotiations of the contract.

In order to carry out this programme in an efficient manner, UNIDO has established a network of contacts with firms and organizations in developed and developing countries, in particular, financial organizations such as Federations of Industry, Chambers of Commerce, and banking institutions. It is evident that these organizations play an important role in communicating the advantages of international subcontracting arrangements to interested firms.

### Practical Implementation

The procedure to be followed when entering into an international subcontracting arrangement has been kept to the strict minimum of administrative burden to the business community and is being guided by the fundamental necessity of prompt and expeditious action. It is carried out in such a way that the firm interested in an international subcontracting arrangement addresses its request to UNIDO, by specifying the kind of production which it intends to subcontract, together with all details necessary for the implementation of the subcontracting work. The subcontracting offer is channelled through UNIDO to suitable subcontractors and their reply, together with the relevant details of the prospective subcontractor is subsequently communicated to the contractor. It is normally from this stage onwards that the contractor enters directly into negotiations with the subcontractor which he considers the most suitable for his purposes.

In order to accelerate the process of establishing contacts between firms in developed and developing countries, UNIDO has in addition established a roster of industries from developing countries which have indicated their interest in subcontracting work. This roster contains important information such as production line, capacity, number of employees, hourly salary rates, the type of products, parts or components the firm is in a position to manufacture under subcontracting arrangements and detailed technical characteristics and specifications of the machines used in the production. A summary of these details is included in "Capacity Lists" which are forwarded to interested companies upon request. So far UNIDO has included some 400 firms in this roster and has registered around 40 subcontracting offers from firms in industrialized countries.

Further details on the international subcontracting programme set up under UNIDO's auspices can be obtained from the Export Industries Section, Industrial Policies and Programming Division, UNIDO, P.O. Box 707, A-1010 Vienna.



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