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Workshop on Leather Industry Development
in Developing Countries

Vienna, Austria, 27 August to 1 September 1973

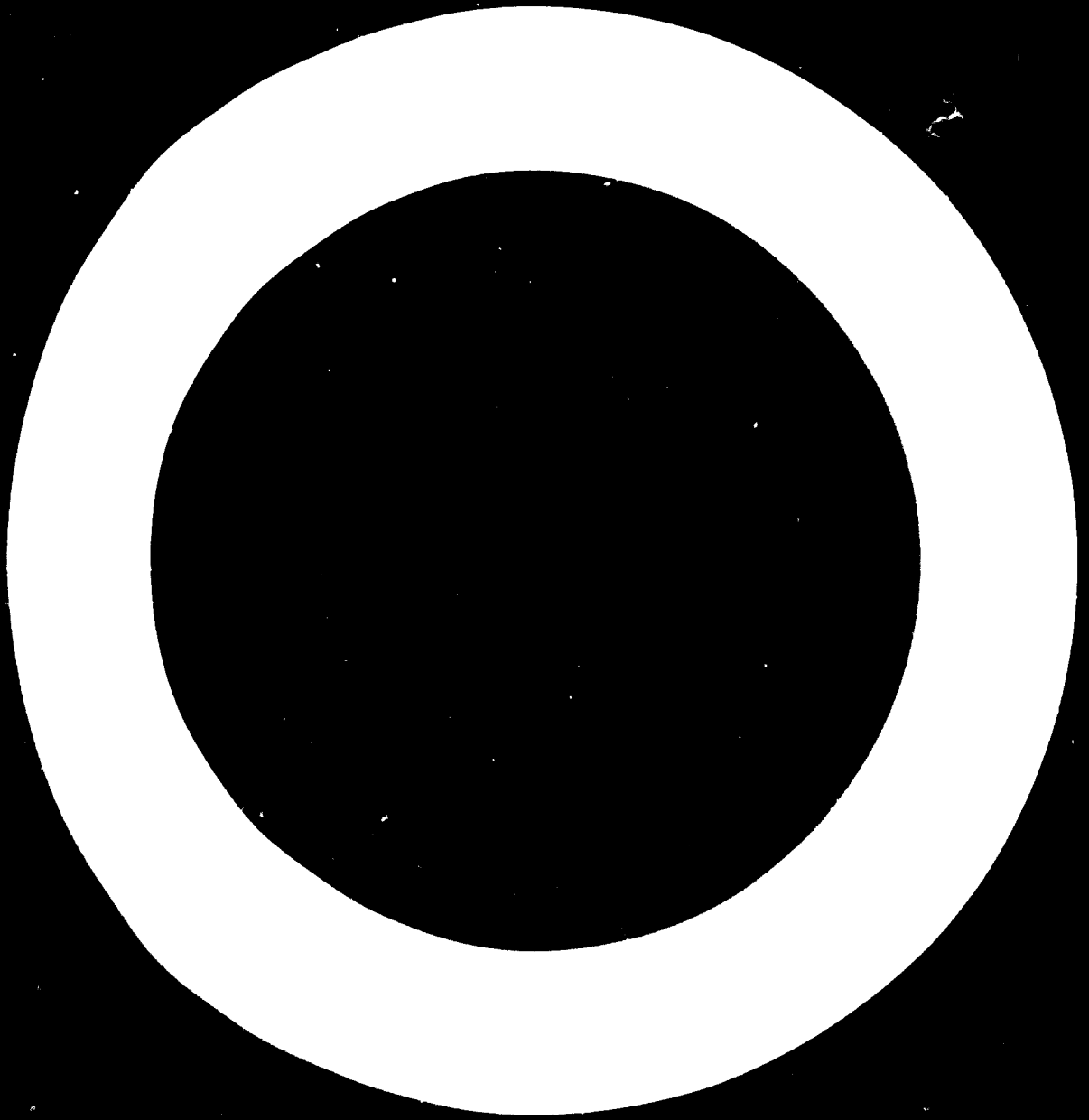
UNIDO'S PROGRAMMES DEALING WITH INTERNATIONAL
SUBCONTRACTING, PRODUCT ADAPTATION AND INVEST-
MENT PROMOTION ^{1/}

prepared by
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Within the scope of promotion of international industrial co-operation, UNIDO is carrying out three promotional programmes which are operating on a company-to-company level for facilitating and promoting contacts between the potential partners of the developing and the developed countries. These three promotional programmes are; the international subcontracting programme, the product adaptation and development programme for export-oriented industries and the investment promotion programme.

I would like to present to you a brief explanation of these three promotional programmes which are unique as a UNIDO programme and which consolidated aims are to cover as wide as possible the various aspects of encouraging and accelerating industrial development in the developing countries. Although this Workshop is concentrating on the development of leather industries, my explanation will refer to the activities in general, of course, the leather branch occupies an important part in the programme.

I. Industrial Investment Promotion Programme

This programme aims at stimulating the flow of external resources in the form of capital and/or know-how, including technology, management and export marketing, from the world of established industry to the developing countries. The programme has been deliberately restricted to the project level, namely to the promotion of specific industrial investment proposals in developing countries requiring specific components of foreign contribution.

In principle, the operational process is carried out in (a series of) sequence:

- (i) collection of all available information on the project as submitted by project's sponsors in developing countries;
- (ii) preparation of brief project information sheets;
- (iii) location of appropriate sources of the investment inputs required by disseminating the project information sheets to prospective and potential investors, through individual contacts as well as established channels developed and maintained by UNIDO in industrialized countries;
- (iv) assistance in organizing and servicing the necessary dialogue between interested parties on a confidential, person-to-person basis, and at the request of the parties from the developed countries, in the further stages of project formulation, evaluation and negotiation.

These processes are applied through several activities:

- (i) a portfolio of industrial projects for those investment proposals which emerge from current pre-investment activities in the developing countries, on a continuous basis and without reference to any scheduled meetings;
- (ii) regional and national investment promotion meetings organized on a multi-sectoral basis;
- (iii) sectoral investment promotion meetings usually combined with technical symposia or expert group meetings on the relevant sector of industry.

The investment promotion programme is backstopped by the Industrial Financing and Investment Promotion Section, from which Section further details of the activity may be obtained. Contact address: Mr. Quang Tran-Le, Senior Industrial Development Officer, Industrial Financing and Investment Promotion Section, Industrial Policies and Programming Division.

II. International Subcontracting Programme

The international subcontracting programme of UNIDO has been instrumental in promoting production arrangements between companies in developed and developing countries as a means of accelerating the transfer of technology and promoting exports of manufactured products. By these arrangements, a company from an advanced country, the Contractor, orders products or components of products from a company in a developing country, the Subcontractor, who manufactures or transforms them according to the design and specification provided by the Contractor.

An increasing number of companies in industrialized countries are interested in obtaining supplies of components from abroad, in order to be able to maintain their competitive provision and filling up growing volumes of orders with economies in production costs. Also several developing countries dispose at present of a surplus of relatively inexpensive and yet sufficiently skilled or easy to train labour force, and have a considerable amount of excess capacity in their industrial network. These factors will lead to the development of international co-operation arrangements.

UNIDO, being aware of this trend, has decided to play an intermediate role and identify international subcontracting offers from developed countries' firms and propose suitable partners from developing countries. In order to carry out

this function in an effective way, a network of contacts - so-called Contact Points - with organizations and firms in more than thirty developing countries throughout the world has been established.

A company in a developed country, interested in an international arrangement, addresses its request to UNIDO by specifying the kind of production which it intends to subcontract, together with all the details necessary for the implementation of the subcontracting work. This is done through the specially prepared "enquiry" forms. The subcontracting offer is channelled through the mechanism of UNIDO to suitable Contractors, and their reply, together with the relevant details on the operations of the firm, are subsequently communicated to the Contractor. At this stage, a direct dialogue between the Contractor and the potential Subcontractor is established for further negotiations. In order to accelerate this process, UNIDO has created a roster of industries from developing countries, which countries have indicated their interest in our international subcontracting work, which is compiled by means of a "questionnaire". The existing roster at present contains detailed information on the manufacturing operations of more than four hundred potential subcontracting firms. A summary of this information is compiled into a "capacity list", according to the industrial branches. These can be made available to interested parties.

Within the wide scope of various forms of international industrial co-operation, the industrial subcontracting programme touches only a part. However, UNIDO activities are carried out on such other aspects as licensing, know-how, technical co-operation, joint ventures, transplantation, etc. and with the joint co-operation of the other Sections, UNIDO is in a position to provide any assistance as may be required.

In this respect, reference should be made to a new form of promoting direct dialogues between potential partners, first experienced in Paris in 1972 with the support of the French Government by holding a Meeting on the Transfer of Technology through International Subcontracting and Licensing Agreements. This was also done in April 1973 in Utrecht at the VAT 73 (International Subcontracting Fair) with the support and co-operation of the Government of the Netherlands. In view of the positive results of such meetings, preparation is being made for holding similar meetings elsewhere, both in the developed and developing countries.

III. Programme on Product Adaptation and Development for Export-oriented Industries

Through experience it has been realized that the lack of export product know-how is quite often, and to a great extent, responsible for the relatively

low volume of exports of manufactured and semi-manufactured products from developing countries. The reasons for these products not being accepted in the markets of industrially advanced countries often relate to inadequate design, quality, quantity control, finishing, packaging, standardization, cost calculations, etc. of the products.

The aim of this programme is to bring together the manufacturers and technical managers from the developing countries on the one hand, with manufacturers, wholesalers, designers, production engineers and other specialists from a developed country on the other. Such action is taken in various forms, for instance by organizing a product adaptation consultation meeting in a developed country which is selected as a test market, or through product adaptation missions composed of international experts as well as active members of the business community sent to the developing country. Based on the experience and advice provided by the developed country's experts, at shop-level, the manufacturers of the developing countries have the opportunity of obtaining practical information and guidance for improved export product performance.

So far, two product adaptation consultation meetings have been organized in New York and in Stockholm, with the support and co-operation of the Governments Authorities of the United States and Sweden respectively. Similar consultation meetings are under preparation to be held in late 1973 and in 1974.

Regarding the product adaptation missions, a number of such projects were formulated and implemented vis-à-vis six developing countries. A number of other missions are under preparation, i.e. in the pipe-line.

The so-called spill-over effects of this product adaptation programme, - and these comments may also be applied to the international subcontracting programme - are that the technical assistance action itself does not end as a simple technical assistance project, but dovetails itself into solving the problems of export-marketing and marketing know-how. The market research, marketing know-how, distribution technique and creation of a sales network, etc. are pointed out as one of the major hindrances for the developing countries in promoting their exports. For this reason the United Nations have within the Family a Specialised Agency dealing exclusively with this subject. The UNIDO programmes provide an opportunity for the developing countries to solve these problems from the very beginning, since the direct contacts established between the potential partners will not limit themselves to technological problems only, but is likely to extend into business agreements and quite often on a long-term basis.

Last but not least, I would like to stress the fact that UNIDO is dealing with industrial development problems but industry is also business, therefore all matters should be considered on a business-like basis. The action involved should be along the "give-and-take" line, bringing benefits to both parties concerned. For instance, the difficulty of securing suitable labour power, the increasing cost of labour, the difficulties of securing raw material, etc. on the developed countries' side, contrast with the problems of unemployment, the necessity of industrialization, problems of lack of capital, technological know-how, production means, etc. on the developing countries' side. It is our belief that partner companies in both the developing and the developed countries are able to solve at least part of serious problems through such forms of international industrial co-operation.

It is our hope that with these programmes UNIDO may be able to make some effective contribution, acting as a catalyst, to fill in the gaps as mentioned above.

Regarding these three programmes, we have not sufficient time to go into more detail as each of these programmes themselves deserve a special meeting of ten days or more. I have, therefore, tried to give a brief description of the programmes and would like to suggest you to contact the Export Industries Section for any further details you may require. Contact address: Mr. William H. Tanaka, Acting Chief, Export Industries Section, Industrial Policies and Programming Division.





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