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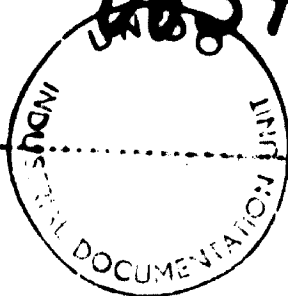
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REGIONAL PROJECT OF THE GOVERNMENTS OF INDIA, INDONESIA, IRAN,
MALAYSIA, PAKISTAN, PHILIPPINES, REPUBLIC OF KOREA, SINGAPORE,
SRI LANKA, THAILAND, UNITED KINGDOM (ON BEHALF OF HONG KONG).^{1/}

(DF/RAS/72/110/11-01/14)

Project findings and recommendations

Terminal report prepared by
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^{1/} The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has been produced without formal editing.

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I. SCLARY

International subcontracting is still a novelty to both government and private sectors of the developing nations. Accordingly, much time has been devoted in making them convinced of the growing need of international subcontracting arrangements since the introduction of the current project.

Further to canvassing the need of international cooperation, the project has followed the guideline laid down by the International Subcontracting Programme of UNIDO to establish an international subcontracting unit in every country of the region where such organization does not exist.

Pakistan, as the first country in the region in which a country programme comprising setting up of an international subcontracting unit with a UNIDO expert assigned to her has been introduced, launched the project in September 1974. The project has been found fruitful having had comprehensive contacts with a number of potential subcontractors in the country through personal visits made by the expert and the local government officer assigned to that unit.

Identical projects have been proposed to the governments of Sri Lanka, Thailand, Malaysia, the Philippines and Indonesia. Generally, the officials of the governments of these countries are still not fully acquainted with the concept of international subcontracting, and it is felt that occasional personal visits by UNIDO personnel are imperative to expedite the actions of the governments in reviewing and finally accepting the proposals made by UNIDO.

Should the term of this regional project be extended, which is felt to be an essential measure, continued efforts should be made to strengthen the international network of the Programme in this region.

II. INTRODUCTION

2.1 Project Background

International subcontracting has become a current feature of the business relations between industrialized countries and is a common place in the automotive, agricultural machinery, electrical equipment industries and in many other branches of industry. Unfortunately, developing countries have not yet succeeded in sharing the benefit of this new flow of international trade and only a few of these countries have had experience in international subcontracting.

Manufacturers of industrialized countries have not given serious thought to placing subcontracting orders with those of developing countries. Being convinced that the development of this type of industrial cooperation between firms in industrialized and developing countries would be beneficial to both, UNIDO has prepared the International Subcontracting Programme to promote international subcontracting involving the developing countries.

2.2 Official Arrangements

As of April 1974, when this regional project started, the Programme had been endorsed by the Governments of India, Indonesia, Iran, Malaysia, Pakistan, the Philippines, Republic of Korea, Singapore, Thailand and United Kingdom (on behalf of Hong Kong). Later, the Government of Sri Lanka expressed its desire to join the Programme.

2.3 Objectives of Project

The long-term objective of the project is to expand industrial production for export, by utilizing the spare capacity of the developing nations of the region with subcontracting production

for enterprises of Japan and other advanced countries. On the other hand, the project is to stimulate the inflow of overseas technology, strengthen the competitiveness of manufactured goods of the developing countries of the region.

The immediate objective of the project is to identify manufacturing processes amenable to subcontracting in developing countries, to locate specific firms interested in subcontracting a portion of their operations to developing countries, to identify potential subcontractors in developing countries, and to bring them together to establish international subcontracting arrangements, providing all sorts of assistance needed.

In addition, it is also a main task of the project to explain the governments of the regional developing countries the advantage of international subcontracting and to canvass the availability of UNIDO's technical assistance in establishing international subcontracting units, and, through the regional contact points, to assess the potential sectors of local industry.

III. PROGRAMME ACTIVITIES IN JAPAN

3.1 Downward Economic Trend in Japan during the Project

During the entire one year period of this project, Japan, similarly with the other nations throughout the world, had been severely hit by the economic depression. Towards the end of the project, there had been numerous bankruptcy of enterprises of many branches of industry. However, the monthly number of enterprises gone to bankruptcy started decreasing again since March 1975 as compared with that of the previous month, where the first phase of the present project was about to be completed.

Among many sectors which were heavily affected by the depression, textile and garment industries were most hard hit. Liberalized import regulation allowed a considerable in-flow of garment products of the surrounding countries like the republic of Korea, Hong Kong, and so forth, especially those which were produced by the Japanese joint venture undertakings abroad, or under subcontracting arrangements. Majority of Japanese enterprises these days did not have enough orders to keep their own factory facilities and workers fully engaged in production. Many firms introduced lay-off during the past one year, having still intensified such production up towards the end of 1974 and the first three months of 1975.

Under the circumstances, the market climate was not quite favorable in placing orders for subcontracting parts of their work in abroad. The number of practical subcontracting inquiries placed by the Japanese enterprises during the past one year was very little.

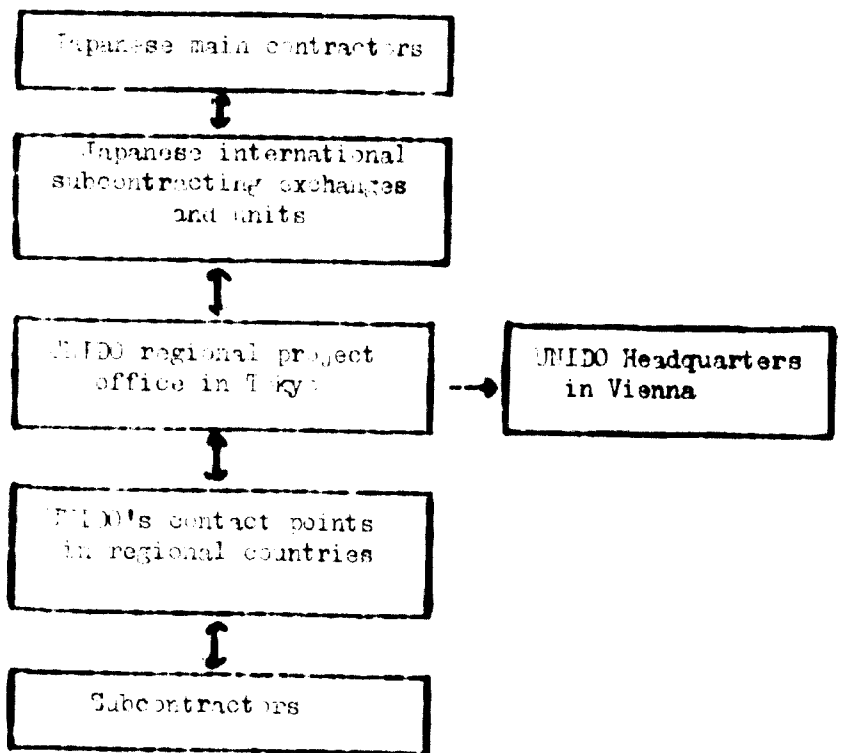
Despite such unfavourable conditions, however, international subcontracting will become more imperative to many sectors of the Japanese industry, which are being encountered with the problems of labour shortage, rising wages, increasing transportation costs of imported raw materials, limited land space, public nuisance, etc. More subcontracting potentials are foreseen in such sectors of industry as indicated in paragraph 3.3, Prospective Branches of Japanese Industry in International Subcontracting.

3.2 Japanese International Subcontracting Exchange and Units

During the earlier stage of the project, efforts were made to establish cooperative relationship with the existing international subcontracting exchanges in Japan. Since Japan is deemed to be a principal source in the South-East Asian region of providing subcontractors with subcontracting work, approaches have been conducted extensively to numerous international subcontracting exchanges and units, which are operated by the chambers of commerce and industry, federations

of industries, etc. Appendix 2. List of Japanese International Subcontracting Exchanges and Units with which the project has established Cooperating Relationship gives such organizations which have joined UNIDO's international subcontracting network

The Project made arrangements with such international subcontracting exchanges and units to exchange informations in the manner as illustrated below:



———— Subcontracting Offers
———— Copies of Correspondence

In practical cases of subcontracting offers, initial introductory is made by UNIDO's regional contact point and by these Japanese international subcontracting exchanges and units through UNIDO's regional project office in Tokyo as well as directly. Then potential main contractor and subcontractor exchange correspondences with each other with copies forwarded to UNIDO's contact point and regional project office in Tokyo.

3.3 Prospective Branches of Japanese Industry in International Subcontracting

a. Automotive Parts

Automotive parts industry is one of the potential sectors of industry in international subcontracting arrangements between Japan and in the developing countries region. International cooperative relationship by means of sharing some portion of automotive parts manufacture is being considered positively by the Japanese automotive parts industrialists.

The Japan Auto Parts Industries Association (JAPIA, which has joined UNIDO's international subcontracting network, is holding from time to time seminars where industrialists from developing countries are invited to discuss ways and means to collaborate each other with a view to having international complementation arrangement. A seminar on the international cooperation of auto parts industries of selected Asian countries is planned by JAPIA to be held in Tokyo in October 1975. Considering that UNIDO's International Subcontracting Programme would be benefited by co-sponsoring the seminar, the project has put up a proposal to its Vienna Headquarters. The proposal is attached to this report as Appendix E. UNIDO's participation in similar seminars being held by other Japanese potential sectors of industry would be meaningful in canvassing the needs of international among the industrialists of the regional countries.

b. Foundry and Forgings

Several Japanese machine tool builders and other industrialists have placed some foundries in Republic of Korea and other South East Asian countries with subcontracting orders for cast iron and steel components. More international subcontracting orders are expected since foundries in Japan are having difficulties in finding spaces for expansion or even being driven out of urbanized parts of the old industrial cities where the question of public nuisance is becoming serious problem.

The undermentioned firm placed an enquiry for hubs made of steel casting for cargo transportation wagons:

Hiigata Engineering Co., Ltd.
Chemical Plant Division
4-1, Kasumigaseki 1-chome
Chiyoda-ku, Tokyo 100

Against several enquiries sent to potential subcontractors, quotations were received from India and Singapore. During the last mission to India, a visit was made to

Bhartia Electric Steel Co., Ltd.
6 Anil Maithra Road
Calcutta - 700019

who offered most competitive price. Information plus photos collected or taken at my visit were supplied to the main contractor. Further negotiation is being made between them.

c. Chemicals and Pharmaceuticals

Similarly, factories of chemicals and pharmaceuticals are having difficulty in expansion or in finding new factory sites in Japan. Although this industry branch is still in a preliminary growing stage in the regional developing countries, more prospect is foreseen in international subcontracting arrangements with technology transfer

which will bring up the technical level of the developing countries and stimulate investment by developed country industrialists in the developing countries.

d. Electronics

Many Japanese electronics enterprises have established their overseas operations in the neighbouring countries. Several contacts with such firms as well as with those which intend to have international collaboration proved their interest in international subcontracting in future when the domestic and world demand on electronics items recover.

Since the modern technical innovation of machinery and industrial plants induce more application of electronic devices, the demand will increase rapidly when circumstances of world's industry in general become favourable.

e. Furniture

Many parties have tried out knock-down furniture components production abroad for final assembly and finishing in Japan. According to contacts made with some furniture manufacturers and distributors, they were of the same opinion that particular tastes of Japanese users were still not well acquainted with by the producers in the regional developing countries.

In this respect, it is recommended that such countries may invite technical assistance similar to the one made in Thailand where a UNIDO design expert is assigned to assist a government industrial design institute to introduce designs favoured by the overseas market.

f. Leather and Leather Products

Japan depends on import of raw leather almost 100%. Most tanneries are of cottage industry scale. Japanese tastes generally do not allow any defective on the skin which eventually has to be fine-finished, whereas imported tanned leather usually have defects

that are not permissible for Japanese market. On the other hand, tanning industry here still needs more technical know-how from the country like Italy, and, therefore, is incapable of rendering technical guidance to leather-producing countries in the region. The guidance of Italian experts will surely attribute success to market the products of the developing countries in Japan.

g. Machine Tools

Several Japanese machine tool builders have already established overseas operations in certain countries for production of lathes, milling machines, etc. Contacts were established at the Japan Machine Tool Builders' Association and at the Osaka Machine Tool Fair, which was held in November 1974, with some machine tool builders. In future, their domestic production may be centered on more sophisticated machinery such as numerically controlled (NC) machine tools, machining centers, etc. while these new technologies could be transferred through international cooperation. When the technical level of the subcontractors of the regional developing countries attained the required standards, there would be a vast potentiality of subcontracting their parts, or even the complete assembly of machine tools.

h. Rubber and Rubber Products

Synthetic rubber versus natural rubber is a disputed problem often raised by natural rubber producing countries. Since the matter has been a topic of discussion on the diplomatic level, there is a growing tendency among the Japanese rubber industries to use natural rubber more widely. As such, it will be worthwhile to seek for international subcontracting opportunities in this line of industry.

i. Sewing Machines and Parts

The industry has long been one of Japan's representative export industries, but its export market nowadays is being interrupted by low priced products of developing countries. This fact may induce Japanese sewing machine makers to import subcontracted parts as well as complete assembly from developing countries in future.

An inquiry was placed by the undermentioned firm for sewing machine parts including bobbin case, hook, feed dog, etc.:

Towa Industries Inc.
Nikken Building
9-1, 5-chome, Nishi-Nakajimacho
C.P.O. Box 737
Higashi-Todogawaku
Osaka

The enquiry was forwarded to several potential subcontractors in India, one of which replied by asking for detailed drawings. The contractor and the subcontractor are now under direct negotiation.

j. Textile and Garments

Japanese overseas operations are bringing in a wide range of low priced products into domestic market, seriously affecting local industrialists. The industry is one of the most typical ones being hit by the recession --- corporate liquidations are most frequently reported in this field of industry in Japan.

However, departmental stores, supermarkets and chain stores are seeking for sources of supply of low priced bulk selling items always, and approaches to them may be worthwhile.

k. Woodworking Industry

Timber exporting countries are introducing measures to ban export of logs to develop their woodworking industries so as to earn more foreign exchange on the resources they produce. To cope with such a trend, many Japanese corporations have established operations in the Philippines, Malaysia and Indonesia. There will be a wider prospect of subcontracting arrangements between Japanese wood product dealers and woodworking industries in such timber exporting countries.

10. PROGRAMME ACTIVITIES IN THE REGIONAL COUNTRIES

Three mission trips to the regional countries were conducted during the one year period of the project. The first mission made after briefing in Vienna and on the way back to Tokyo covered Iran, India and Indonesia, from 20 through 29 May 1974. From 17 June through 1 July 1974, the second mission was conducted visiting the Philippines, Thailand, Malaysia, Singapore, Hong Kong and Republic of Korea.

Commencing on 31 December 1974, the third mission was conducted with the aim to follow-up commitments made by the Programme, visiting India, Sri Lanka, Pakistan, Thailand, Indonesia and the Philippines.

The number of countries covered by the project amounts to eleven at present. According to my experience, follow-up activities in each country required considerable length of time. It is not possible to cover all these countries within a reasonable period of time. My last mission was limited to those countries which called for urgent follow-up. Those countries which were not visited are not necessarily less important countries.

The following paragraphs contain the gists of Programme activities in the regional countries and my findings during my missions to such countries:

4.1 Hong Kong

Industry of Hong Kong has shown remarkable growth in diversified fields and the industry's standing is rather becoming identical to that of advanced industrialized countries; i.e. increasing wages, shortage of new factory site, etc., whilst labour supply is still abundant due to rapid increase in population. More Japanese industrialists tend to establish operations in Hong Kong, because of close geographic location and comparatively high level of technology and skill available in Hong Kong. Various sectors of industry are deemed potential for international subcontracting between the two countries,

especially in the light industry sectors. On the other hand, due to increasing wages and general production costs, Hong Kong may themselves require in future subcontracting of parts of production to near-by countries.

4.2. India

The Trade Development Authority (TDA), the contact point of the Programme in India, has the machinery established to act as the international subcontracting exchange. No necessity in providing technical assistance is envisaged. As indicated by TDA, the country has the promising future for subcontracting in the branches of industry such as:

- Machine tools and accessories
- Garments (industrial use)
- Camping equipments (including tents)
- Electronic assemblies
- Automobile ancillaries and replacement parts
- Forging and casting
- Bicycle components
- Sewing machines.

During the one month time spent in India in January and February, this year, I visited a number of potential subcontractors throughout the country and attended the Indian Engineering Trade Fair, visiting a number of industrialists at the Fair, and giving a brief account on the Programme at a panel meeting on the Foundry Industry Day organised by the Fair. (For details, please see attached Appendix J. Notes on Factory Inspection Tour - India, and Appendix K. Contacts made at the Indian Engineering Trade Fair - February 1975).

In general, their technology and production facilities have made remarkable strides with much effort directed to overcome a number of difficulties, such as the shortage of raw materials, frequent power failures which force the factories to suspend production, etc. These industrialists were confident in the level of technology they have acquired so far, and what they admitted as their disadvantage was their lack of approaches to suitable marketing channels abroad.

On the other hand, the industrialists in developed countries including Japan, tend to regard the level of Indian industries as some ten years behind time, thus showing only lukewarm interest in international subcontracting arrangement.

To remove such barriers, it is felt that the Indians should make improvement in two specific points:

i) Rough and coarse finish of products:

Many products seem to be rough and coarse finish in appearance. Such products may be acceptable to the domestic users, but are not competitive in the foreign market where they are matched with the products of developed countries.

ii) catalogues and leaflets:

The catalogues and leaflets as are presently used by the Indian industrialists for displaying their products do not give a fair presentation of the real quality of their products, due to the inferior quality of papers and printing materials used.

In this respect, factory management should pay no less attention to the technique of display than to the improvement of products themselves.

4.3 Indonesia

Indonesian industries are still on the way to grow, and it may take some time until we find more subcontracting potentials in various fields of industry. Those branches having potentials at present are:

Garment

Woodworking products

Some chemical products such as butyl tyre cord, rayon

Blended yarns.

A proposal on country programme for setting up an international subcontracting unit had been submitted to the National Institute for Export Development (NIFED) through UNDP, Jakarta, prior to my last mission to Indonesia.

Unfortunately, the recent reshuffling of government organization dismantled the Bureau for Foreign and Public Relations of the Department of Industry, which had been our Programme's contact point. It is still unknown which division of the ministry will have the jurisdiction to handle international subcontracting.

UNDP, Jakarta was of the opinion that the Product Adaptation Adviser, who will be arriving soon, may be able to handle the establishment of international subcontracting project. As the adviser will be assigned to NIFED, I suggest that he may be requested to contact NIFED and other government departments aligned to the project, on behalf of our Programme.

4.4 Iran

Iran has close economic links with European and African countries as well as nearby Asian countries such as Turkey, Pakistan, Afghanistan, India, etc. Potential items for international subcontracting arrangement between Japan and Iran are therefore, limited to a few sectors of industry such as:

Mechanical engineering

Metallurgy

Machinery and equipment for petroleum refining and petrochemical industries.

Iran has so far acquired comparatively high level of technology, that can manufacture locally such machinery and equipment which had been imported from the advanced countries of Europe and Asia.

4.5 Malaysia

Malaysia is enjoying a favourable foreign exchange standing on her rich natural resources. Potential sectors of industry for international subcontracting arrangement are:

- Electronics
- Chemicals and pharmaceuticals
- Woodworking
- Textiles and garments
- Metal working
- Rubber products

Short supply and rising prices of petroleum have made world's industrialists to consider more adaptation of natural rubber products which had been replaced by synthetic rubber products before oil crisis had taken place among all oil importing countries.

Some Japanese operations in Malaysia in the fields of industry including the sectors as mentioned above are having spare capacities available for subcontracting.

4.6 Pakistan

Pakistan is the first country in Asia and the Far East, where technical assistance project for setting up an international subcontracting unit was launched.

Mr. E. Edwards, a UNIDO Expert, had been posted for six months in Karachi since September 1974 to assist the Pakistani Government to establish the unit. It is an inter-departmental project with an office located in the Export Promotion Bureau and the officer assigned to it is a deputy director from the Ministry of Industry, who assumes dual duty in the two departments.

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This is a deviation from the agreement made between the Government of Pakistan and UNIDO, which requires that the recipient government should nominate a full time officer. UNIDO's assistance is being provided with the intention that the government should run the unit with its own personnel after completion of the assignment of the UNIDO Expert, by which time the officer should have been fully trained. I agreed to the opinion of Mr. Edwards that the part-time officer may not be well trained since he cannot spend full time with the expert in the daily work of the international subcontracting unit. I understood that an official proposal had been put up to the authority in respect to having a full time officer for the unit.

Another difficulty experienced by the UNIDO expert was found to be transport problem. The expert and the counterpart officer had to travel frequently in town and out of town, visiting potential subcontractors, without being provided with a car for their exclusive use. On every occasion of my visit to the cities of developing nations, it usually has been a problem to hire a taxi not only because of language barrier, but also ^{of} a custom different from the ones found in the cities of the developed nations. To come to office and to get home hiring taxis every morning and evening is also not easy. In this respect, it may be pointed out that there is an agreement which stipulates that the recipient government should provide a transport for the expert. I hope such problem can quickly be solved with mutual good understanding and cooperation.

With good efforts made by both the UNIDO expert and the officer, the project found to be successful having made extensive contacts with over 100 potential subcontractors throughout the country.

In order that the unit may be further developed as a fully self-sufficient and autonomous exchange for international cooperation and subcontracting, a draft of the second phase country programme has been prepared. The draft is attached to this report as Appendix F.

4.3 Philippines

Although it may take some time until we find more subcontracting potentials in the various fields of industry of the Philippines, which have recently stepped forward to primary establishment, there are several branches of industry having subcontracting potentials such as:

- Footwear
- Sporting goods
- Garment
- Automotive parts
- Electronics
- Shipbuilding and repair
- Woodworking

There are several export-oriented industries which have been or being established under foreign collaboration in Bataan Export Processing Zone. Those foreign collaborators are from the neighbouring countries such as Hong Kong, Taiwan and Japan.

Shipbuilding and repair industry may have potentials in subcontracting shipbuilding and repair of small and medium scale vessels, though the industry is still on the way to grow.

Noteworthy effort made by the Philippines industrialists is the one by the Philippines furniture manufacturers who participated in the Third Consultation Meeting on Product Adaptation and Development for Export Industries held under the joint sponsorship of UNIDO and JETRO (Japan External Trade Organisation) in Tokyo last November. They are actively negotiating with Japanese counterparts in respect to subcontracting knock-down furniture components.

A Programme proposal has been submitted to the Department of Industry of the Philippines Government. A draft project document, attached as Appendix G., comprises a new pattern of UNIDO's technical assistance for the promotion of industrial subcontracting. It is aimed at twofold purposes i.e. for both local subcontracting as well as international subcontracting.

It is proposed that the subcontracting unit to be established should look after subcontracting arrangements not only between domestic and overseas industrialists, but also among domestic industrialists. It further proposes that, to achieve that aim, CIDA should have one expert for promotion of subcontracting (for a term of 12 months) and one expert in subcontracting exchanges (for a term of 6 months). The former will be the team leader. The counterpart officers shall also be two, one official of the Department of Industry shall be for promotion of subcontracting, and the other executive in charge of the subcontracting exchange should be nominated by the relevant authorities of the Government of the Philippines.

While the project will be attached to the Department of Industry, counterpart support would be available also from the Philippines Chamber of Industry, the Metal Industries Research and Development Centre (MIRDC), the Institute of Exports Development of the Board of Investment and the Export Promotion Bureau.

4.8 Republic of Korea

Japanese business circles have inclination to visit Korea and to conduct direct negotiations rather than going through any intermediary organisation, since the barriers of language and distance are immaterial to them. Japanese language is widely accepted among business circles, government officials, etc. in Korea.

4.9 Singapore

Similarly with Hong Kong, Singapore's industry has been developed in diversified fields, and the industry's standing is rather becoming identical to that of advanced nations --- increasing wages, shortage of factory workers, difficulty in finding new factory site, etc. Under the circumstances, subletting of parts of their work to the neighbouring countries is becoming necessary.

4.10 Thailand

Thailand and Japan are very closely tied economically, and further investment and assistance by Japanese corporations and government are anticipated, despite the anti-Japanese movement which took place in early 1974. There will be high subcontracting potentials in the lines such as:

- Watches and clocks
- Sporting equipments and sports wears
- Cameras
- Toys
- Electronics
- Garments
- Musical instruments
- Shipbuilding and repairs
- Leather
- Furniture components
- Rubber products
- Parquet flooring
- Agricultural machinery
- Ceramics
- Marine diesel engines
- Compressors
- Sewing machines
- Typewriters
- Auto parts
- Particle boards and veneers

Prior to the last mission to Thailand, a proposal on country programme for setting up an international subcontracting unit had been forwarded to the Directorate of Technical and Economic Cooperation (DTEC) of the Thai Government through UNDP, Bangkok. Being the inter-departmental coordinating body, DTEC is to decide and to nominate finally a government department which will take up the project to establish the unit. In the meantime, it was advised by DTEC that we should contact and sound out the opinions

of several governmental departments and private sectors. Through introduction, contacts were made with:

Industrial Economic and Planning Division,
Department of Industry

Trade Development Division,
Department of Commercial Relations

Board of Investment

Board of Trade of Thailand

Association of Thai Industries

The Industrial Economic and Planning Division of Department of Industry has been our Programme's contact point since 1972, and has expressed its desire to accept UNIDO's assistance. An official overture may be made through DIB.

The Trade Development Division of the Department of Commercial Relations expressed its desire to implement the project provided that the Industrial Economic and Planning Division of the Department of Industry cannot accept it.

The Board of Investment was of the opinion that the Board would not be in a position to accept the project since the Board was to look after new investments in industry rather than keeping contacts with the existing industrial enterprises.

The Board of Trade of Thailand and the Association of Thai Industries were of the same opinion that they were ready to provide any facility required to establish an international subcontracting unit within their offices respectively, on condition that the Government grants them to carry out the project with necessary financial support.

Follow-up contacts with the departments in question may be necessary to finally set the wheels of the project rolling, and I suggest that UNIDO should continue contacts through UNDP, Bangkok, and also by occasional personal visits of UNIDO personnel.

4.11 Sri Lanka

The Government of Sri Lanka has lately expressed its desire to join the Programme. I visited Sri Lanka 12 through 24 January 1975 coinciding with the visit of Mr. John Julian, inter-regional expert of the International Subcontracting Programme from Vienna. The purpose of our mission was to locate a suitable government department which would be instrumental to set up an international subcontracting unit within that department. Contacts were made with several government departments including:

Export Promotion Secretariat,
Ministry of Planning & Economic Affairs

Policy Division and
Export Promotion Division,
Ministry of Industries & Scientific Affairs

Trade Information Service,
Department of Commerce

As a result of the mission, the Export Promotion Secretariat of the Ministry of Planning and Economic Affairs has been designated as an official contact point. A draft country programme (attached as Appendix H) has been prepared for the purpose of providing UNIDO's assistance to set up an international subcontracting and industrial cooperation centre in Colombo.

4.12 ESCAP

Upon visiting the Division of Industry and Housing, ESCAP, Bangkok, I learnt that the Division has keen interest in UNIDO's International Subcontracting Programme. It had had an intention to launch a similar programme since some time back. It is felt that the Programme should keep the Division informed of its activities in the region so that cooperation between the two organisations of the United Nations could be helpful to further the progress of the Programme.

7. RECOMMENDATIONS

5.1 Regional Countries which Require Priority Importance of Technical Assistance

The Programme activities in the developing countries of the region, as a whole, are just at the stage of infancy until such time that international subcontracting units are well founded in such countries where technical assistance projects are really needed.

Such countries which require priority importance for the programme to provide technical assistance are:

Indonesia

Malaysia

Pakistan

Philippines

Thailand

Sri Lanka

5.2 Follow-up Activities in the Countries where Technical Assistance has been Proposed

Since the majority of the government officials of the regional developing countries still are not well acquainted with the concept of the international subcontracting in its true sense, no concrete steps can be taken to realize the documents of the proposed project until such time as they are paid visits. Positive follow-up activities by means of repeated visits by UNIDO Programme personnel with supporting contacts by UNDP officers should be made.

5.3 Strengthening International Network

Furthermore, even after the establishment of such units, UNIDO's Programme will have to see to the smooth running of such units by means of promoting a system of timely exchanges of relevant information among the units both in developing and developed countries.

5.3.1 Participation in Specialized Fairs

In this respect, a unique system currently adopted by UNIDO in giving assistance and encouraging the participation of the officials and the industrialists of the developing countries in the specialized fairs is worthy of note. Because, it provides the effective means of cultivating the spirit of cooperation and enhancing the level of technical knowhow as a result of the exchange of views among the units and the industrialists.

5.3.2 To organize and to take Part in Specialized Seminars

In addition to participation in fairs, it is suggested that the Programme should hold specialized seminars on international subcontracting in both developed and developing countries, and also should take part in such seminars organized by selected branches of industries which have potentials. At the consultation meeting on Product Adaptation and Development for Export of sporting goods, household goods and office equipment held in Tokyo last November, participants showed profound interest in discussing matters on international subcontracting. That represents the significance of the Programme's presentation at a seminar in which matters closely related to the objectives of the Programme are discussed.

5.3.3 Occasional Visits to Developed Countries by Counterpart Officers

The country programme of each developing country, which aims at setting up the international subcontracting unit under the aegis of the Programme, contains the provision for an executive or an officer of the unit to be trained in the developed nations. This is in line with the motives of the project. Apart from this, it is advisable to introduce a practice to enable such executives or officers to visit

developed countries from time to time bringing subcontracting offers in order to maintain direct approaches and negotiations with potential main contractors.

This is the practical follow-up activities to be made by the international subcontracting units, and personal approaches made by such executives and officers will keep themselves more acquainted not only with the industrialists abroad, but also with the technology further developed by such industrialists. Should a guideline be set forth by the Programme for carrying out international network of subcontracting, the practice as pointed out above may be incorporated in such a guideline.

5.3.4 Location of Project Office

Should the project be extended, I recommend that the project office be placed at a central location of the region (preferably in Bangkok) so that the movement of expert, who will be assigned for the regional project, will be more convenient. The expert, needless to mention, should be mobile, capable of visiting regional countries whenever and wherever follow-up activities are needed. At the same time, the expert should be assisted by a secretarial personnel, whose service during the past one year of the project was not available.

5.4 Regional Project to be Continued

I feel that the Programme should act as a coordinating and supporting organ in the region, assisting the setting up of the international subcontracting units in the developing countries, and providing timely assistance through personal visits by the Programme personnel

The past one year of this regional project has been the period for the Programme only to lay foundation stones. Full fledged functioning of the international subcontracting in the region is still premature, and unless further efforts are made by the Programme, commitments made by the Programme so far tend to

- 1 -

nip in the bud because the developing countries require high magnitude of developing assistance to help their projects grow. I strongly recommend that this regional project should be continued.

APPENDIX A

**REGIONAL PROJECT OF THE DEVELOPMENT OF
INDUSTRIALIZATION IN MALAYSIA, PAKISTAN,
PHILIPPINES, REPUBLIC OF CHINA, SINGAPORE,
THAI AND TAIWAN (FORMERLY OF HONG KONG)**

TITLE DESCRIPTION

DP/RAS/72/110/11-01/14

Post title Expert on International Subcontracting for Asia and the Far East

Duration One year, with possibility of extension

Date required As soon as possible

Duty Station Tokyo, with travel in industrialized and developing countries of Asia and the Far East

PURPOSE OF PROJECT To promote the manufacture, on a subcontracting basis by firms in developing countries, of components, parts, sub-assemblies and processed products for enterprises in Japan.

DUTIES Specifically, the expert will be expected to:

1. identify manufacturing processes amenable to subcontracting in developing countries. For this purpose he will be required to visit federations of industries, subcontracting exchanges and firms in industrialized countries of the region;
2. locate specific firms interested in subcontracting a portion of their operations to developing countries;
3. collect specific subcontracting proposals and evaluate their technical and economic feasibility;
4. assist UNIDO in identifying potential subcontractors in developing countries;
5. provide technical assistance to subcontractors in such matters as conclusion of agreements, planning of activities, production, delivery, etc.;
6. supervise and co-ordinate the activity of UNIDO field experts on international subcontracting based in Asia and the Far East.

QUALIFICATION

Industrial Engineering/Economist with experience in negotiations at top management level and extensive experience in industrial planning and development, as well as in business transactions.

LANGUAGES

English; Japanese an asset.

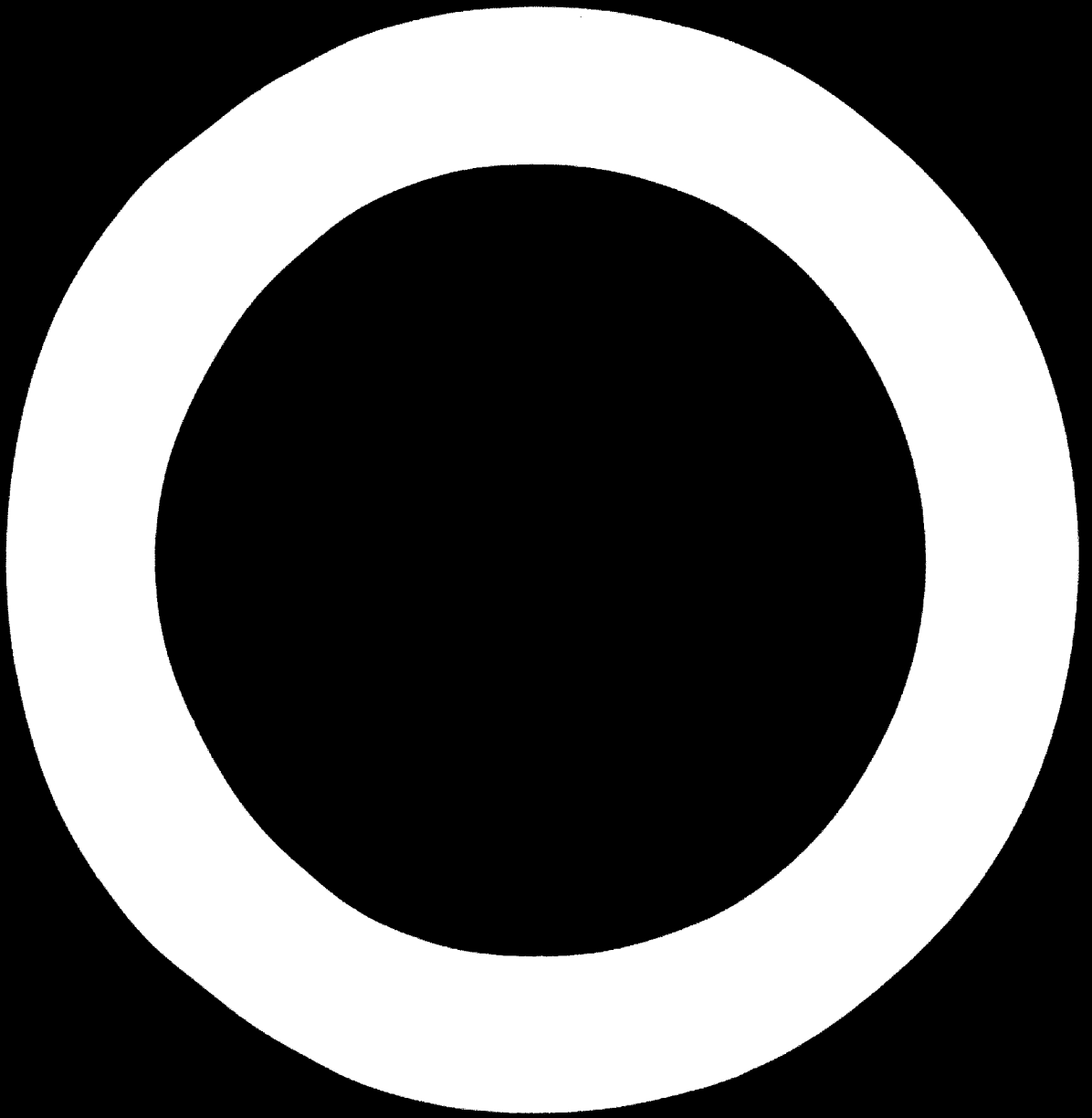
BACKGROUND INFORMATION

International subcontracting has become a current feature of the business relations between industrialized countries and is heavily practiced in the automotive, agricultural machinery and electrical equipment industry as well as in the confection sector. Unfortunately, developing countries have not yet succeeded in capturing a serious share of this new flow of international trade and only a few of these countries have had any experience at all in international subcontracting. Managers in industrialized countries have often not given any serious thought to placing subcontracting orders in developing countries. Being convinced that the development of this type of industrial co-operation between firms in industrialized and developing countries would be beneficial to both, UNIDO has prepared a programme to promote international subcontracting involving the developing countries, and this project was endorsed by the Governments of India, Indonesia, Iran, Malaysia, Pakistan, Philippines, Republic of Korea, Singapore, Thailand, United Kingdom (on behalf of Hong Kong). UNIDO will act as an intermediary between potential main contractors and subcontractors. The expert will be instrumental in establishing these links.

CANDIDATES REQUESTED BY 30 OCTOBER 1973

LIST OF DOCUMENTS PREPARED DURING THE PROJECT

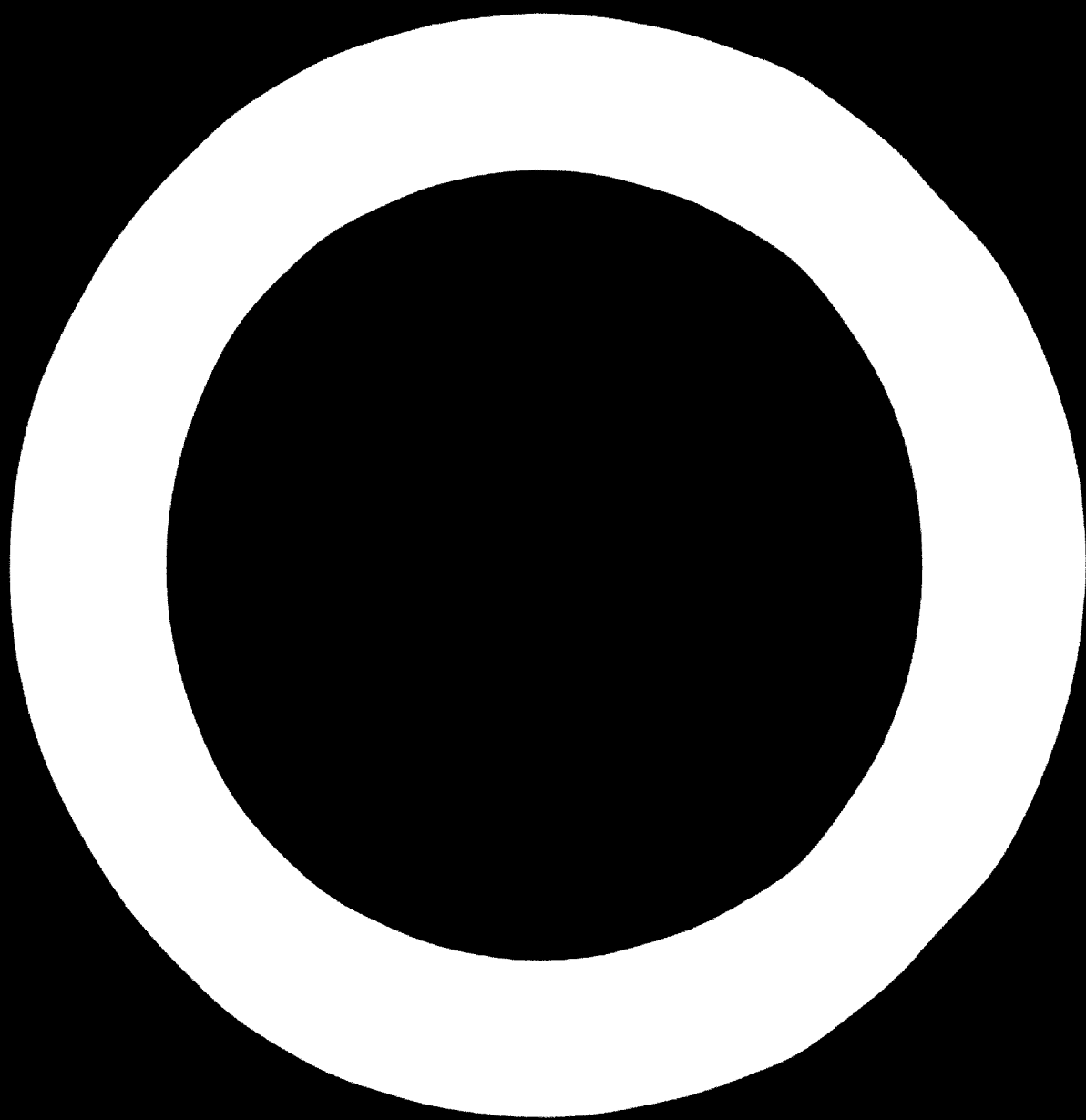
<u>No.</u>	<u>Title</u>	<u>Date</u>
TYO/1(74)	REPORT on Visit to Cebu, PHILIPPINES between 20 and 21 May 1974	1 June 1974
TYO/2(74)	REPORT on Visit to New Delhi, INDIA between 22 and 24 May 1974	- do -
TYO/3(74)	REPORT on Visit to Jakarta, INDONESIA between 27 and 29 May 1974	- do -
TYO/4(74)	REPORT on Visit to Manila, PHILIPPINES between 17 and 19 June 1974	16 July 1974
TYO/5(74)	REPORT on Visit to Bangkok, THAILAND between 20 and 22 June and 1 and 3 July 1974	- do -
TYO/6(74)	REPORT on Visit to Kuala Lumpur, MALAYSIA between 24 and 26 June 1974	- do -
TYO/7(74)	REPORT on Visit to Singapore between 27 and 29 June 1974	- do -
TYO/8(74)	REPORT on Visit to Hong Kong between 4 and 6 July 1974	- do -
TYO/9(74)	REPORT on Visit to Seoul, KOREA between 8 and 10 July 1974	- do -
TYO/10(74)	REPORT ON INTERNATIONAL SUBCON- TRACTING PROGRAMME IN ASIA AND THE FAR EAST - MAY - NOVEMBER 1974	8 December 1974



APPENDIX

LIST OF FAIRS/MEETINGS ATTENDED

<u>Date Attended</u>	<u>Title of Fair/Meeting</u>	<u>Remarks</u>
17 May 1974	VMI 74 (International Subcontracting Fair), Utrecht, HOLLAND	
2 November 1974	Osaka Machine Tool Fair, Osaka, JAPAN	
20 - 29 November 1974	Third Consultation Meeting on Product Adaptation and Development for Export Industries, Tokyo, JAPAN	
10 - 18 February 1975	Indian Engineering Trade Fair, New Delhi, INDIA	A brief account of the Programme was given at a pannel meeting on the Foundry Industry Day, 13 Feb. 1975



LIST OF MEMBERS INVITED TO THE 1957-58
EXHIBITION AND FAIRS - JAPAN AND
HAWAIIAN ISLANDS - 1957-58

1. Japanese International Contracting Agencies

- a. The Japan Economic Cooperation Center
The Japan Chamber of Commerce and Industry
2-2, 3-chome, Haranouchi
Shiyoda-ku, Tokyo 114
- b. The Tokyo Economic Cooperation Center
The Tokyo Chamber of Commerce and Industry
2-2, 3-chome, Haranouchi
Shiyoda-ku, Tokyo 114
- c. Economic Cooperation Section
International Division
Osaka Chamber of Commerce and Industry
53-7, Tohonomachi-Hashizumecho
Nagasaki-ku Osaka 540
- d. Economic Cooperation Center
Nagoya Chamber of Commerce and Industry
10-17, Sakae 2-chome
Naka-ku, Nagoya 460
- e. Economic Cooperation Center
Hiroshima Chamber of Commerce and Industry
5-44, Honomachi
Hiroshima 730
- f. Economic Cooperation Center
Fukuoka Chamber of Commerce and Industry
9-28, Hakata-ekimae 2-chome
Fukuoka 812
- g. Economic Cooperation Center
Takamatsu Chamber of Commerce and Industry
2-4, Bancho 2-chome
Takamatsu
Kagawa Prefecture
- h. The Shoko Chukin Bank
5, Yaesu 5-chome
Chuo-ku, Tokyo 104
- i. National Federation of Small Business Associations
Iikei Shinko Kaikan
5-8, Shibakoen 3-chome
Minato-ku, Tokyo 105

2. International Sponsoring Units of Federations of Industries in Japan

a. Automotive Parts

Japan Aut. Parts Industries Association
16-15, Iikawawa 1-chome
Minato-ku, Tokyo 106

b. Cast Iron Foundry

Japan Cast Iron Foundry Association
Kikai Shinko Kaikan
5-1, Shibakoe 1-chome
Minato-ku, Tokyo 105

c. Chemicals and Pharmaceuticals

Japan Chemical Industry Association
Tokyo Club Building
2-6, Kasumigaseki 3-chome
Chiyoda-ku, Tokyo 100

d. Chemical Shoes

Japan Chemical Shoe Industrial Association
1-15, Ohashi-cho 3-chome
Nagato-ku, Kobe

e. Electronics

Electronic Industries Association of Japan
Kosho Building
2-2, Marunouchi 5-chome
Chiyoda-ku, Tokyo 100

f. Furniture

Japan Export Furniture Manufacturers' Association ✓
30-10, Nakanatsubo 1-chome
Minato-ku, Tokyo

Federation of Tokyo Furniture Association
24-13, Yushima 5-chome
Bunkyo-ku, Tokyo

g. Leather and Leather Products

The All Japan Leather Association
Hikaku Kenpo Kaikan
12-13, Komagata 1-chome
Faito-ku, Tokyo

✓ Leading member firms import knock-down furnitures.

h. Machine Tools

Japan Machine Tool Builders' Association
Kikai Shinko Kaikan
5-8, Shibakoen 3-chome
Minato-ku, Tokyo 105

i. Machinist Hand Tools

All Japan Machinist Hand Tool Manufacturers Association
Kikai Shinko Kaikan
5-8, Shibakoen 3-chome
Minato-ku, Tokyo 105

j. Matches

Japan Match Manufacturers' Association
2-5, Namimatsuchō 3-chome
Nagata-ku, Kobe 653

k. Rubber and Rubber Products


The Japan Rubber Manufacturers' Association
Tobu Building
5-26 Moto-Ikasaka 1-chome
Minato-ku, Tokyo 107

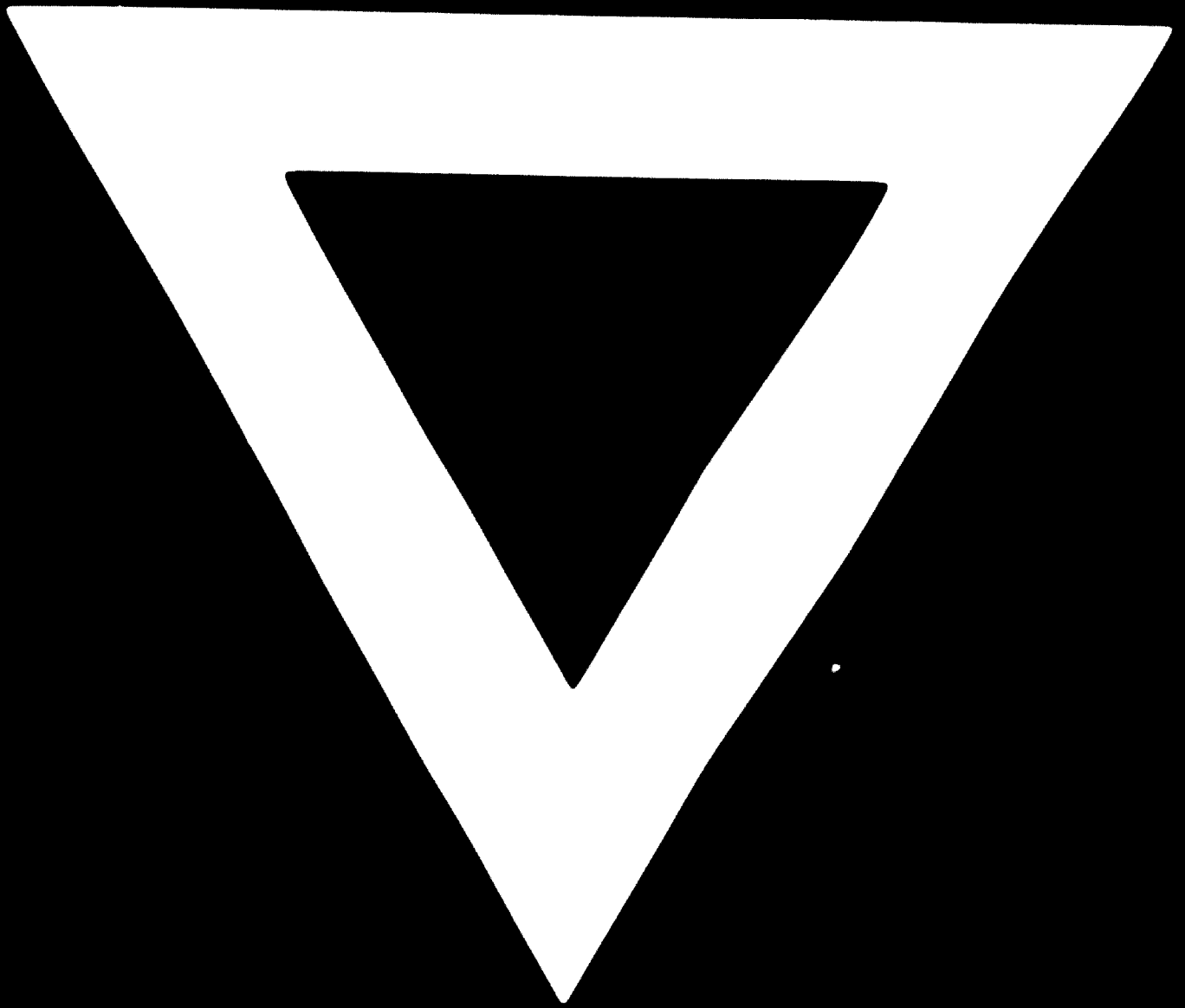
l. Sewing Machine

Japan Household Sewing Machine Manufacturers' Association
105-9, Sunayoshi-cho
Shinjuku-ku, Tokyo 160

m. Textile Machinery

The Japan Textile Machinery Manufacturers' Association
Kikai Shinko Kaikan
5-8, Shibakoen 3-chome
Minato-ku, Tokyo 105





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