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09260

Distr.  
LIMITED

UNIDO/ICIS.131  
15 November 1979

ENGLISH

UNITED NATIONS INDUSTRIAL  
DEVELOPMENT ORGANIZATION

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INDUSTRIAL REDEPLOYMENT TENDENCIES  
AND OPPORTUNITIES IN BELGIUM \*

23 NOV 1979

Prepared by the  
Global and Conceptual Studies Section  
International Centre for Industrial Studies

000319

UNIDO Working Papers on Structural Changes  
No. 9, June 1979

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I N T R O D U C T I O N

Within its research programme on redeployment and structural adjustment, UNIDO initiated, in 1976, a number of surveys on Industrial redeployment potentials in selected developed countries (Belgium, Federal Republic of Germany, Sweden, Switzerland). Within this series a survey was undertaken of Belgian industrial enterprises in 1976/77. The purpose of the survey was twofold: to gain insight into the interest, motives and priorities of Belgian enterprises for redeploying industrial activities to a developing country and to identify major bottlenecks and constraints facing firms interested in redeployment. The findings of the survey were used for highlighting pertinent issues regarding redeployment prospects and constraints in the industrialized countries and served as an input also for the direct promotional activities of UNIDO. The survey was undertaken by P.K.M. Tharakan, W.M. Schoofs and A. Vaes of the Center for Development Studies University Faculties St. Ignatius, Antwerp University, as UNIDO consultants in co-operation with the UNIDO Secretariat. UNIDO greatly appreciates the co-operation given by Belgian enterprises and federations. The present report summarizes the findings of the survey in a very brief form in order to present to the public the most essential results of this particular country survey.

I. APPROACH

In carrying out this first survey of the industrial redeployment possibilities in Belgium, a total of 414 firms were contacted. In practically all sectors the samples were preselected. The procedure used was (1) to contact the Federation or the "Enterprise Council" concerned in order to obtain the names of the firms which were most likely to be considering redeployment and (2) to initiate contact on the basis of the information received. In the case of paper and cardboard industries, paper- and cardboardworking industries, the food-sector and the woodworking industries, only a partial preselection was possible. Out of the 414 firms contacted, 133 firms replied to the inquiry. Among these 133 replies, 43 firms indicated an active interest in redeployment. These 43 firms were subsequently interviewed. The main objective of the questions asked and the questionnaire used during the company interviews was to identify the following: the kind of redeployment activities undertaken and planned, the motivations for redeployment, the names of the developing countries in which the company had already invested, the forms and terms of collaboration used, the countries preferred for redeployment, the criteria used in selecting these countries, the support desired in case of redeployment and the main obstacles to redeployment activities.

II. IDENTIFICATION OF REDEPLOYMENT  
TENDENCIES AND OPPORTUNITIES

The results of the 43 interviews of Belgian industrial firms are summarized in the table below. (The firms interviewed were classified into the following industrial sectors: metalworking industry, chemical industry, construction industry, tanneries, leather products (marocquinerie), footwear, clothing, textiles, woodworking industry, paper and cardboard industry, paper and cardboardworking industry, food industry, engineering companies in the food sector, other engineering companies and other sectors).

NAME OF THE FIRM	SPECIALIZATION FOR THE FIRM'S PRIMARY BUSINESS	NUMBER OF EMPLOYEES IN SERVICE IN MANUFACTURING	MANUFACTURING BILLING	TOTAL SALES IN 1968	TOTAL ASSETS	TOTAL REVENUE	TOTAL DEBT	TOTAL EQUITY	TOTAL LIABILITIES	TOTAL ASSETS	TOTAL EQUITY	TOTAL LIABILITIES
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	Lighting for roads, plants, etc.									



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<p>1.1.1.1.1.1.1</p>	<p>1.1.1.1.1.1.2</p>	<p>1.1.1.1.1.1.3</p>	<p>1.1.1.1.1.1.4</p>	<p>1.1.1.1.1.1.5</p>	<p>1.1.1.1.1.1.6</p>	<p>1.1.1.1.1.1.7</p>	<p>1.1.1.1.1.1.8</p>	<p>1.1.1.1.1.1.9</p>	<p>1.1.1.1.1.1.10</p>	<p>1.1.1.1.1.1.11</p>
<p>1.1.1.1.1.2</p>	<p>1.1.1.1.1.3</p>	<p>1.1.1.1.1.4</p>	<p>1.1.1.1.1.5</p>	<p>1.1.1.1.1.6</p>	<p>1.1.1.1.1.7</p>	<p>1.1.1.1.1.8</p>	<p>1.1.1.1.1.9</p>	<p>1.1.1.1.1.10</p>	<p>1.1.1.1.1.11</p>	<p>1.1.1.1.1.12</p>
<p>1.1.1.1.2</p>	<p>1.1.1.1.3</p>	<p>1.1.1.1.4</p>	<p>1.1.1.1.5</p>	<p>1.1.1.1.6</p>	<p>1.1.1.1.7</p>	<p>1.1.1.1.8</p>	<p>1.1.1.1.9</p>	<p>1.1.1.1.10</p>	<p>1.1.1.1.11</p>	<p>1.1.1.1.12</p>
<p>1.1.1.2</p>	<p>1.1.1.3</p>	<p>1.1.1.4</p>	<p>1.1.1.5</p>	<p>1.1.1.6</p>	<p>1.1.1.7</p>	<p>1.1.1.8</p>	<p>1.1.1.9</p>	<p>1.1.1.10</p>	<p>1.1.1.11</p>	<p>1.1.1.12</p>
<p>1.1.2</p>	<p>1.1.3</p>	<p>1.1.4</p>	<p>1.1.5</p>	<p>1.1.6</p>	<p>1.1.7</p>	<p>1.1.8</p>	<p>1.1.9</p>	<p>1.1.10</p>	<p>1.1.11</p>	<p>1.1.12</p>
<p>1.2</p>	<p>1.3</p>	<p>1.4</p>	<p>1.5</p>	<p>1.6</p>	<p>1.7</p>	<p>1.8</p>	<p>1.9</p>	<p>1.10</p>	<p>1.11</p>	<p>1.12</p>

1	2	3	4	5	6	7	8	9	10	11
WINDY 1954	Tanning	50%	Cheap labour. Raw materials.	Columbia (Caracas) India (technical cooperation)	Machines and technology. - Limited financial participation.	Industrial park development program	Case: Mexico - 1954-1955	% of total production	Production of leather products increased due to the importation of raw materials and machines.	Major factor in the development of the leather industry in Mexico.
LEATHER PRODUCTS (MAROQUINERIE)										
LA JONGHE 1955	Working gloves in leather and cloth.	50%	Cheap labour.		Technical cooperation from Belgium. Also technical assistance and equipment from Belgium.	Industrial park development program	Case: Mexico - 1954-1955	% of total production	Production of leather products increased due to the importation of raw materials and machines.	Major factor in the development of the leather industry in Mexico.
TAAALIF 1955	Watches or bags for schools.	50%	Cheap labour. Penetration of local markets.		Technical cooperation from Belgium. Also technical assistance and equipment from Belgium.	Industrial park development program	Case: Mexico - 1954-1955	% of total production	Production of leather products increased due to the importation of raw materials and machines.	Major factor in the development of the leather industry in Mexico.
THE INDUSTRY										
WASH-BE 1955	Watches or bags for schools.	50%	Cheap labour. Penetration of local markets.	Mexico	Technical cooperation from Belgium. Also technical assistance and equipment from Belgium.	Industrial park development program	Case: Mexico - 1954-1955	% of total production	Production of leather products increased due to the importation of raw materials and machines.	Major factor in the development of the leather industry in Mexico.
INNOVATA 1955	Watches or bags for schools.	50%	Cheap labour. Penetration of local markets.		Technical cooperation from Belgium. Also technical assistance and equipment from Belgium.	Industrial park development program	Case: Mexico - 1954-1955	% of total production	Production of leather products increased due to the importation of raw materials and machines.	Major factor in the development of the leather industry in Mexico.

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<div style="border: 1px solid black; padding: 2px;">1</div>	<div style="border: 1px solid black; padding: 2px;">2</div>	<div style="border: 1px solid black; padding: 2px;">3</div>	<div style="border: 1px solid black; padding: 2px;">4</div>	<div style="border: 1px solid black; padding: 2px;">5</div>	<div style="border: 1px solid black; padding: 2px;">6</div>	<div style="border: 1px solid black; padding: 2px;">7</div>	<div style="border: 1px solid black; padding: 2px;">8</div>	<div style="border: 1px solid black; padding: 2px;">9</div>	<div style="border: 1px solid black; padding: 2px;">10</div>	<div style="border: 1px solid black; padding: 2px;">11</div>

1 2 3 4 5 6 7 8 9 10 11

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WOMEN:	Large women's garment industry, especially in the textile and apparel sectors. Includes women's apparel, footwear, and accessories.	Textile and apparel manufacturing.	Large labor force, especially in the textile and apparel sectors. Includes women's apparel, footwear, and accessories.		Foreign investment and participation.	Rep. of Korea	Textile and apparel manufacturing.		Textile and apparel manufacturing.	Textile and apparel manufacturing.	Textile and apparel manufacturing.
WOMEN:	WOMEN: WOOD INDUSTRIES										
WOMEN:	Large furniture, machinery, and equipment industries. Includes furniture, machinery, and equipment.	Large furniture, machinery, and equipment industries.	Large furniture, machinery, and equipment industries.		Foreign investment and participation.	Rep. of Korea	Furniture, machinery, and equipment manufacturing.		Furniture, machinery, and equipment manufacturing.	Furniture, machinery, and equipment manufacturing.	
WOMEN:	Wooden and metal brushes.										
WOMEN:	WOMEN: PAPER AND PAPER PRODUCTS										
WOMEN:	Pulp and paper products, including paper, paper products, and related industries.	Pulp and paper products manufacturing.	Pulp and paper products manufacturing.		Foreign investment and participation.	Rep. of Korea	Pulp and paper products manufacturing.		Pulp and paper products manufacturing.	Pulp and paper products manufacturing.	
WOMEN:	WOMEN: AGRICULTURE										
WOMEN:	Export-oriented agriculture, including various crops and related products.	Export-oriented agriculture.	Export-oriented agriculture.		Foreign investment and participation.	Rep. of Korea	Export-oriented agriculture.		Export-oriented agriculture.	Export-oriented agriculture.	



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<p>SEE SECTION THREE</p>										
<p>SEE SECTION THREE</p>	<p>Various activities for industrial purposes... (see report)</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>
<p>SEE SECTION THREE</p>	<p>Several tractor... (see report)</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>
<p>SEE SECTION THREE</p>	<p>Engineer in charge of... (see report)</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>
<p>SEE SECTION THREE</p>	<p>Transportation</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>
<p>SEE SECTION THREE</p>	<p>Radio... (see report)</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>	<p>See Section Three</p>



### III. ANALYSIS OF FINDINGS

On the basis of the information gained in the interviews, it is possible to distinguish between different "types" of companies, willing to carry out industrial activities in the developing countries.

#### Companies with low capital intensity

A number of companies in the industries characterised by a rather low capital intensity are considering the possibility of (further) redeployment to developing countries. This group consists of 13 companies belonging to the following sectors: tanneries (1), leather products (?), shoes (?), clothing (1) and textiles (3), paper and cardboard (1), paper and cardboard working (1) and wood-working (?). Eight are small firms, the others medium-sized. Five (four small ones, one medium-sized) have set up activities in developing countries for the purpose of re-exporting the products produced in the developing countries to Belgium. Their main motivation for such redeployment was (and still is) the availability of cheap labour in the developing countries. Another small firm is considering redeployment for the same purpose and motivation. For some companies in this group the penetration of local markets, and in some cases the presence of raw materials, constitute additional motivations for redeployment. The companies already having subsidiaries in developing countries established these very recently.

The main obstacles to (further) redeployment by the firms with a low capital intensity are:

- lack of finance;
- lack of Belgian personnel willing to work in developing countries;
- difficulties in finding a local partner;
- lack of basic inputs;
- administrative problems, especially in relation to the



- the import of some inputs to the developing countries;
- in some cases lack of skilled personnel in the developing countries.

Especially for the smaller firms, the three first obstacles play a very important role. These firms, therefore, request support from the Belgian government, international organisations and the local authorities in the developing countries in providing guarantees for financing and in finding suitable local partners. Concerning the forms and terms of collaboration, the main contribution of the Belgian firms consisted, or will consist, of providing the technology, the machines, in some cases the management, personnel training, and in the case of re-export, the sale of products on the European market. Due to the limited financial capacity of most firms, financial participation in redeployment projects usually is or has been rather small.

The countries preferred for future redeployment by this group of companies are the following:

- Tunisia, Morocco;
- Mauritius, Nigeria, Gambia, Ivory Coast, Senegal;
- Saudi Arabia;
- Singapore, Thailand, Republic of Korea, Malaysia;
- Brazil, Costa Rica.

The important criteria in the selection of these countries were cheap labour, local markets, raw materials and political and economic stability.

#### Companies with high capital intensity

The second group of companies consists of larger companies in rather capital intensive industries. Eleven companies in the metal-working industry (6), chemical industry (2), building materials industry (1) and food industry (2) could be classified into this group. All companies in this group wanted to expand their inter-

national market and - except one - had redeployed before. In order to penetrate new markets, investments in developing countries were found to be necessary, mainly because of protection by these countries and, in the case of some products, high transport costs. Most of these companies have been investing in the developing countries for quite some time. In the past almost all investments were carried out in Latin American countries. This was partly due to the fact that only countries with a certain degree of industrialisation represented possible markets for the products of these large companies.

The main obstacles to (further) redeployment in developing countries mentioned by companies with high capital intensity were:

- lack of skilled personnel and managers. (This was considered a major obstacle because the activities of these companies require rather complex technology);
- political and social instability;
- administrative problems and irregular business practices;
- in some cases, the lack of local credit facilities.

In order to limit administrative problems the companies are interested in achieving a good base of co-operation with local authorities. The contribution of the Belgian firm consists mainly in providing the technology, equipment, personnel training (the companies suggested that international organisations might help training), and management. Financial participation by the firms was generally rather limited.

Countries preferred for redeployment by large capital intensive firms are:

- Latin American countries;
- North African countries;
- the oil producing countries.

The criteria for selecting these countries are sufficient local markets, political stability and the possibility of profit repatriation.

Companies primarily interested in the sale of technology

A third group of companies was found to be interested in (further) redeployment primarily because of opportunities to sell technology. Nineteen companies in the sample (some of them also belonging to the second group) belong to this group. Seven are engineering companies while the other twelve companies are to be found in the following sectors: metalworking (4), construction materials (1), tanneries (1), textiles (4) and food (?).

With the exception of four firms in the latter group, all companies have redeployed before. These companies are often engaged in a large number of projects in different parts of the world, where their contribution consists mainly of providing technology, equipment, personnel training and technical assistance. They also often provide assistance in management and marketing for a limited period of time. The sale of technology seems to be a very attractive activity mainly because financial and political risks are considerably less than in the case of fixed investments. The sale of technology on a very large scale, however, seems to be a rather recent phenomenon.

Generally, enterprises belonging to different sectors are jointly involved in one large project. Engineering companies often act as "general contractors", bringing different companies together and co-ordinating all the activities needed to carry out the project. The engineering companies contract the suppliers of machines, equipment and know how. They provide management and marketing assistance. In some cases they train personnel and even assure the operation of a plant during a limited period of time. Some of the engineering companies are oriented to specific industrial sectors such as food (3), non-ferrous metals (1) and electrical equipment (1), while others (2) operate in several sectors. Since the projects are usually quite large and a lot of capital is involved, financing, restrictions on profit transfers and political instability are (actually or potentially) the main problems confronting the individual firms

engaging in these projects. Most projects are carried out in, or intended for, the oil producing countries. A number of projects are however also carried out in those of the poorer developing countries which receive support from international organisations such as the World Bank, the European Development Fund, etc.

The engineering companies were set up in order to collect and sell the technology of their parent companies. The parent companies are able to provide the "package" of technology needed to carry out large projects. Moreover, these engineering companies often belong to important financial groups, facilitating the financing of these large projects. The parent companies are interested in this kind of redeployment activity, not only because of the possibility to sell technology, but also because of the sale of machines, equipment, etc., which are directly or indirectly linked with these projects. Since they are an important direct and indirect source of exports, and hence employment in Belgium, such companies also receive support from Belgian government institutions.

#### IV. CONCLUSIONS

The main objective of this study was to identify industrial redeployment opportunities within Belgian industry. By means of interviewing a number of top managers of important Belgian enterprises interested in redeployment, a picture of current attitudes of Belgian enterprises towards redeployment and a new international division of labour was obtained. Of course, given the limited nature of the sample, the picture is incomplete, but it gives several important indications.

- . There seems to be a large potential for redeployment in various sectors of Belgian industry. The great majority of firms on which information was obtained was already actively engaged in the redeployment process and had plans to continue redeploying. The reasons for redeployment vary, depending on the characteristics of the company; the most important ones are cheap labour and the penetration of new markets for end products or technology.
- . Firms, however, see certain obstacles in the way of redeployment to the developing countries, those of a financial nature (such as lack of credit facilities, limitations to profit transfers) being the most general, followed by those which are of a more social nature (lack of skilled personnel, political instability).

Thus, this study clearly indicates both a potential for redeployment and the existence of a number of obstacles preventing redeployment. As such, it could be useful to decision-makers in Belgium as well as in the developing countries.



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