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Seminar on Forms and Impacts of Redeployment of  
Industries to Developing Countries

Vienna, Austria, 20 - 21 September 1979

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DRAFT REPORT \*

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I. INTRODUCTION

Background

In the Lima Declaration and Plan of Action adopted at the Second General Conference of UNIDO in March 1975, the developed countries were urged to encourage their industries which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy, thus leading to structural adjustments within the developed countries and redeployment of the productive capacities of such industries to developing countries. In Resolution 3362 adopted by the General Assembly at its 7th Special Session that same year, this call was reiterated.

In December 1976 the General Assembly adopted a resolution (31/163) on industrial redeployment in favour of the developing countries. In that resolution the Executive Director of UNIDO was requested to prepare studies in collaboration with the pertinent international organizations of the United Nations system and to take into account national and international sources. These studies were to include recommendations concerning an interrelated set of policies, taking into account environmental and labour market conditions and including financial and trade measures for promoting redeployment as well as the economic structure and the economic, social and security objectives of the developed countries and the principle of permanent sovereignty of States over their national resources.

The studies were also to include the identification of specific industries and sectors of industries amenable to accelerated redeployment to developing countries.

These studies were to be submitted to the Industrial Development Board of UNIDO. The agenda of the Board now contains as a regular item the redeployment of industries from developed to developing countries.

This General Assembly resolution (31/163) constitutes the basic mandate for the UNIDO research programme into redeployment. Also implicit in that resolution is a substantial degree of responsibility incumbent upon UNIDO to examine this complex area of problems and to bring forward suggestions for national policies and international actions.

Since the General Assembly resolution in 1976, the International Centre for Industrial Studies of UNIDO has conducted a series of studies on various aspects of the redeployment issue and has reported periodically to the Industrial Development Board and to the General Assembly. The studies cover analyses of past and prospective changes of the industrial structure in developed countries and prospects for and implications of redeployment in developing countries.

The need to place increasing emphasis within the UNIDO research programme on developing countries' prospects, plans and policies with regard to redeployment was particularly emphasized during the Thirteenth Session of the Industrial Development Board by delegates of both developing and industrialized countries. The results of investigations in this area would help to guide the Secretariat in conceiving new forms and mechanisms for international industrial cooperation as well as to assist developing countries in assessing their policies in light of international experiences and in establishing suitable measures and institutions for fostering redeployment.

In Board sessions and through the systematic monitoring of the actions taken and progress achieved by Governments in the implementation of the Lima Declaration and Plan of Action, the Secretariat of UNIDO has received various comments and suggestions from both the developed and the developing countries regarding the concept of redeployment and the scope and approach of the studies being undertaken. However, it became evident that a direct dialogue with the various countries is needed in order

for the Secretariat to obtain close collaboration and guidance in its work.

In this context a proposal was made at the Thirteenth session of the Industrial Development Board by some delegates of the developing countries that the Secretariat should organize a meeting with high level experts from a number of developing countries to ascertain their views and suggestions related to industrial redeployment and in particular to the work programme of UNIDO in this field.

In pursuance of this suggestion and in recognition of the need for the Secretariat to establish a direct exchange of views and information with developing countries in the field of redeployment, the Secretariat organized the Seminar on Forms and Impacts of Redeployment of Industries to Developing Countries in Vienna, 20 - 21 September 1979.

#### Aim of Seminar

The seminar was primarily aimed at:

- (a) Reviewing the concept of redeployment;
- (b) Identifying and highlighting essential issues pertaining to prospects and implications of redeployment for the developing countries;
- (c) Providing indications of the specific priorities and policies of individual developing countries in regard to areas and forms of future industrial co-operation with developed countries;
- (d) Formulating general proposals for consideration by the international community as regards actions and policies of developed and developing countries and international organizations.

It should be noted that the meeting was not to agree on a formal position of developing countries on the issue of redeployment.

### Participants

Due to budget constraints, the total number of participants had from the outset to be limited to 15 countries. 12 developing countries were finally represented with a total number of 14 participants (see Annex II).

### Papers

A number of papers on the issues covered by the seminar were prepared by participants and submitted to the meeting. The papers are listed in Annex III.

### Procedure

The agenda is attached (see Annex I). The participants of the meeting decided to ask the Secretariat to assume the functions of chairman and rapporteur. The Secretariat made a brief introduction of each agenda item and in the subsequent discussions, factual information and suggestions were provided by the participants regarding the various issues involved. No formal record was made of the proceedings. Instead, a brief summary of the deliberations was prepared by the Secretariat and reviewed by the participants. The summary of the proceedings is presented below.

## II. SUMMARY OF PROCEEDINGS

### Definition and Concept of Redeployment

The Secretariat presented a review of the definitions so far used in the Secretariat's reports to the Industrial Development Board and the General Assembly. It was emphasized that there had been a consensus in the various fora to adopt a broad definition of the term. Concomitantly UNIDO had defined redeployment from developed to developing countries as "a form of international industrial co-operation for resource transfers aimed at establishing production capacities in developing countries with a view of increasing these countries' share in world industrial production"

The participants of the seminar were as a whole in favour of a short and clear definition following the line of the above-mentioned interpretation of the term. One participant suggested a definition along the following lines:

"Transfer of production factors and shifting market flows through international co-operation between more developed and less developed countries in order to achieve rapidly a better balanced world industrial production, taking into account the national objectives and interests of the individual countries concerned."

In the discussion it was emphasized that while no final, precise definition should be attempted to be established, the following elements should be seen inherent in the concept.

- (a) Redeployment is an expression of international industrial co-operation leading to long-term restructuring of world industrial production.
- (b) Redeployment should be seen not exclusively as co-operation between developed and developing countries, but also and increasingly as co-operation between developing countries themselves.



- (c) Redeployment entails restructuring of world trade in manufactures and should therefore be directly connected with increased access to the markets of the developed countries.

A consensus was reached that the general concept of redeployment should not include any specific qualifications or pre-conditions, since these would depend on the national objectives and policies of the individual countries concerned. These objectives may also change in the process of industrial development.

#### Experience and Impact of Past Redeployment in Developing Countries

The discussion regarding this agenda item centered around the past industrial development pattern of developing countries. This pattern was generally said to have been characterized by the following phases. In the first phase policies were primarily aimed at import substitution of consumer goods. Subsequently, the import substitution of intermediate and capital goods was promoted. In the further process the limitations of import substitution became increasingly severe due to the exhaustion of the domestic market potentials. Policies were therefore directed towards export oriented industrialization.

It was observed that the industrial policies during the import substitution phases were generally relatively liberal and that foreign companies were indeed willing to participate in these industrialization efforts. It was, however, also noted that the benefits that had accrued to the host countries were frequently less than expected due to lack of experience of the countries' authorities in conceiving and negotiation co-operation contracts and a tendency not to impose any substantial

control or monitoring of company operations. It was observed that in some countries foreign companies primarily had endeavored to sell equipment and not to become involved in the long-term industrialization process. The required inflow of foreign capital, therefore, did not materialize to the extent that was hoped for.

In the subsequent phase of export oriented industrialization, the major obstacles were said to be tariff and non-tariff barriers in the industrialized countries including obstacles such as standards, norms, packaging, labelling, etc. Yet another constraint was said to be the imposition of export limitations in licence and joint-venture contracts. It was observed that it was difficult in the context of this seminar to discuss and to measure the precise impacts of past redeployment on the national economies of the host countries. It was therefore felt that case studies would be used as a means to assess these impacts although evidently they would only be providing partial information. In this connexion a proposal was reviewed of a possible case study to be undertaken in Brazil jointly by UNIDO, a research centre in Belgium and a Brazilian university with a view to examining effects of past redeployment.

It was suggested that the progress of redeployment from developed to developing countries should be systematically measured and monitored and that for this purpose a set of criteria or indicators be established. This monitoring would include assessing the redeployment impact on development and changes of the structure of production and trade in both the developed and developing countries.

### Future Industrial Redeployment

This agenda item included the following subheadings:

- (1) Priority sectors for industrialization and criteria for priority ranking,
- (2) Preference regarding forms of redeployment, and
- (3) Regional co-operation among developing countries with respect to redeployment.

The Secretariat indicated that information on industrial development priorities of developing countries was being collected and consolidated by UNIDO on a continuous basis. The participants of the seminar had contributed to these endeavours by providing data on priorities and prospects of their respective country's future industrial development.

Employment creation was seen as a major criterion for the establishment of industrial development priorities. In the selection of priority sectors or specific technologies, considerable emphasis was therefore given to the employment generation opportunities.

Priority was said to be given also to branches contributing to the improvement of the countries' balance of payments. Thus, both import substituting and export oriented industries belong to the priority branches in the future industrialization process of developing countries. It was stressed that redeployment should indeed not contribute to the worsening of the foreign exchange problems of the developing countries, but to the alleviation of the problem.

Several participants pointed out that the more advanced of the developing countries find themselves at the stage of industrial development, where there is a crucial need for them to widen their markets and thus to export an increasing range

of manufactures. The access to developed country markets was therefore seen as a major precondition for their continued industrialization. Moreover, increasing attention would need to be given to foster trade in manufactures between the developing countries themselves.

It was pointed out that future industrial redeployment must ensure competitiveness of the industries being established and that the redeployed industries be geared to meeting the requirements of the international markets.

A further priority for future redeployment was the advancement of technology and the increased industrial utilization of local resources.

It was pointed out that the process of global industrial development would significantly increase the demand for energy. It was observed that for compensating the effects on the trade balance of their growing energy imports, non-oil producing developing countries would have to increase their exports including manufactured exports. Special efforts of developing countries to develop alternative energy sources were also reported upon in this context.

During the Seminar data on actually established sector priorities for future industrial development in the individual developing countries were reviewed. It was noted that industrial processing of domestic natural resources generally received high priority. A general orientation of future industrial development towards more sophisticated consumer and capital goods was also noticeable in the countries represented. The seminar: machinery, electronics and metallurgical industries seemed to be given priority for the future at least in some of the countries.

It was generally noted that the emerging new patterns of industrial development and trade -- such as an increasing intraindustry and intracompany trade -- would call for new approaches and policies. In this connexion it was observed that the public sector was assuming an important role in many developing countries, and that bilateral trade agreements had proven to be a valuable supplement to multilateral trade. This would suggest that co-operation between developing and developed countries might to a larger extent than before take the form of governmental agreements and/or bilateral co-operation.

In the discussion on changing forms of redeployment, it was also suggested that redeployment of industries between developing countries and redeployment as part of trilateral co-operation agreements could be seen as an important means to obtain greater access to a wider range of technology and to finance by the developing countries in the future.

It was suggested that redeployment might in the future be more directed in line with the need of regional dispersion of industry within the developing countries. One participant advocated that the industries - especially the labour intensive ones - in the process of redeployment, should be located to areas where labour existed outside the metropolitan areas so as not to further accentuate the agglomeration.

#### Instruments to Promote Redeployment

This agenda item was considered in the light of the preceding observations and was dealt with under the three subheadings:

- (1) Measures applied and planned by developing countries to promote redeployment and to overcome constraints.
- (2) Policies in developed countries to promote redeployment: views and suggestions of developing countries.
- (3) The role of international organizations in promoting redeployment, in particular UNIDO.

Referring to measures considered for action by developing countries, the following proposals were made:

- (a) Developing countries should ensure that their policies related to redeployment are clearly articulated, stable in content over time, as far as possible, and enabling an effective administration. Special emphasis should be given to promotional measures, including measures by private and semi-private institutions. Particular attention should be given to the promotion of redeployment by small and medium sized companies in developed countries. In this respect, developing countries should prepare and diffuse pertinent information to the companies concerned.
- (b) Developing countries should increase their endeavours to identify and assess prospects and establish priorities for industrialization and on this basis set out the areas in which redeployment possibilities - covering inter alia technology and financial transfers - would be sought.
- (c) Developing countries would need to systematically examine tariff and non-tariff barriers in the developed countries affecting, in particular, the industries identified as having a redeployment potential.
- (d) Developing countries should provide preferential treatment and incentives to foster redeployment among developing countries.

The question of the use of second-hand machinery was mentioned. One participant suggested that developing countries might examine the possible benefits of acquiring such machinery as one form of redeployment.

Regarding measures by developed countries, the following proposals were put forward:

- (a) Developed countries should ensure that their policies do not continue to constitute an obstacle to redeployment.
- (b) Developed market economy countries should remove tariff and non-tariff barriers to entry for those products which result from industrial redeployment and change the present structure of the barriers so as to encourage the imports from developing countries of processed products in preference to imports of raw materials and semi-processed products. Developed centrally planned economy countries were called upon to increase the importation of manufactures from developing countries.
- (c) Developed countries should ensure that their fiscal policies give concessions on royalties, dividends and other returns from redeployment projects in developing countries.
- (d) Developed countries should provide assistance to structural adjustment through appropriate measures including the establishment of funds to cover costs involved in investigating specific redeployment possibilities and to generally support redeployment programmes.

As regards the role of international organizations in promoting redeployment, the participants recommended that UNIDO should play a leading role in pursuing the process of redeployment and structural changes in the industrial sector. In

particular, UNIDO should devote attention to the following matters:

- (a) Examination and identification of structural changes in industrial sectors in the developed countries on a continuous basis including the pursuance of an "early warning system".
- (b) Identification and compilation of specific potentials for redeployment and preparation and publication of succinct information pertaining to such potential
- (c) The assistance in preparation of relevant pre-investment studies taking into account the desirability of involving developing country consultancy services to undertake this task.
- (d) Review and monitoring of structural changes, resource transfers and major constraints including changes in tariff and non-tariff barriers specifically pertinent to redeployment, through studies and the development of appropriate indicators of structural change and redeployment. Regular reporting of these findings to the Industrial Development Board and the international community.
- (e) Analyses and review of the requirements, conditions and institutional arrangements for promoting redeployment taking into account existing arrangements such as the Mexican co-investment (fiduciary) funds.

It was suggested that UNIDO, in order to be able to comply with these recommendations, should strengthen its activities in this field and be given the required means for undertaking the tasks.



ANNEX I

AGENDA

A. OPENING

Statement of Mr. Zhou, Deputy Director, ICIS, UNIDO.  
Information on the procedures of the seminar.  
Election of officers.  
Brief introduction on the subject by the Secretariat:  
scope and aim of the UNIDO research programme.

B. DEFINITION AND CONCEPT OF REDEPLOYMENT

C. EXPERIENCE AND IMPACT OF PAST REDEPLOYMENT IN  
DEVELOPING COUNTRIES

D. FUTURE INDUSTRIAL REDEPLOYMENT

1. Priority sectors for industrialization and criteria for priority ranking.
2. Preference regarding forms of redeployment.
3. Regional co-operation among developing countries with respect to redeployment.

E. INSTRUMENTS TO PROMOTE REDEPLOYMENT

1. Measures applied and planned by developing countries to promote redeployment and to overcome constraints
2. Policies in developed countries to promote redeployment: views and suggestions of developing countries.
3. The role of international organizations in promoting redeployment.

F. SUMMARY AND CONCLUSIONS

ANNEX II

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ANNEX III

LIST OF PAPERS PRESENTED AT THE UNIDO SEMINAR  
ON THE FORMS AND IMPACTS OF REDEPLOYMENT,  
VIENNA, 20 - 21 SEPTEMBER, 1979

<u>Country</u>	<u>Author</u>	<u>Title</u>
Algeria	A. Keramane	Industrial redeployment by the North and development of the South
Brazil	L.C. Horacio Rego	The joint venture -- a viable solution in the Brazilian business environment
India	G.V. Ramakrishna	Redeployment of industries from developed to developing countries.
Kenya	J.G. Karuga	Redeployment of industries from developed to developing countries: its scope and application to Kenya.
Korea	Yuil Lee	Industrial redeployment in Korea
Mexico	C. Quintana	Redeployment from developed to developing countries. the case of Mexico
Morocco	A. Benabderrazik	Industrialisation and industrial redeployment: the case of Morocco
Romania	P. Tanasie	La participation active de la république socialiste de Roumanie a la coopération industrielle internationale
Tunisia	Rep. of Tunisia Investment Promotion Agency	Industrial development in Tunisia
Turkey	B. Turuc	Forms and impacts of redeployment to developing countries: the case of Turkey

