



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

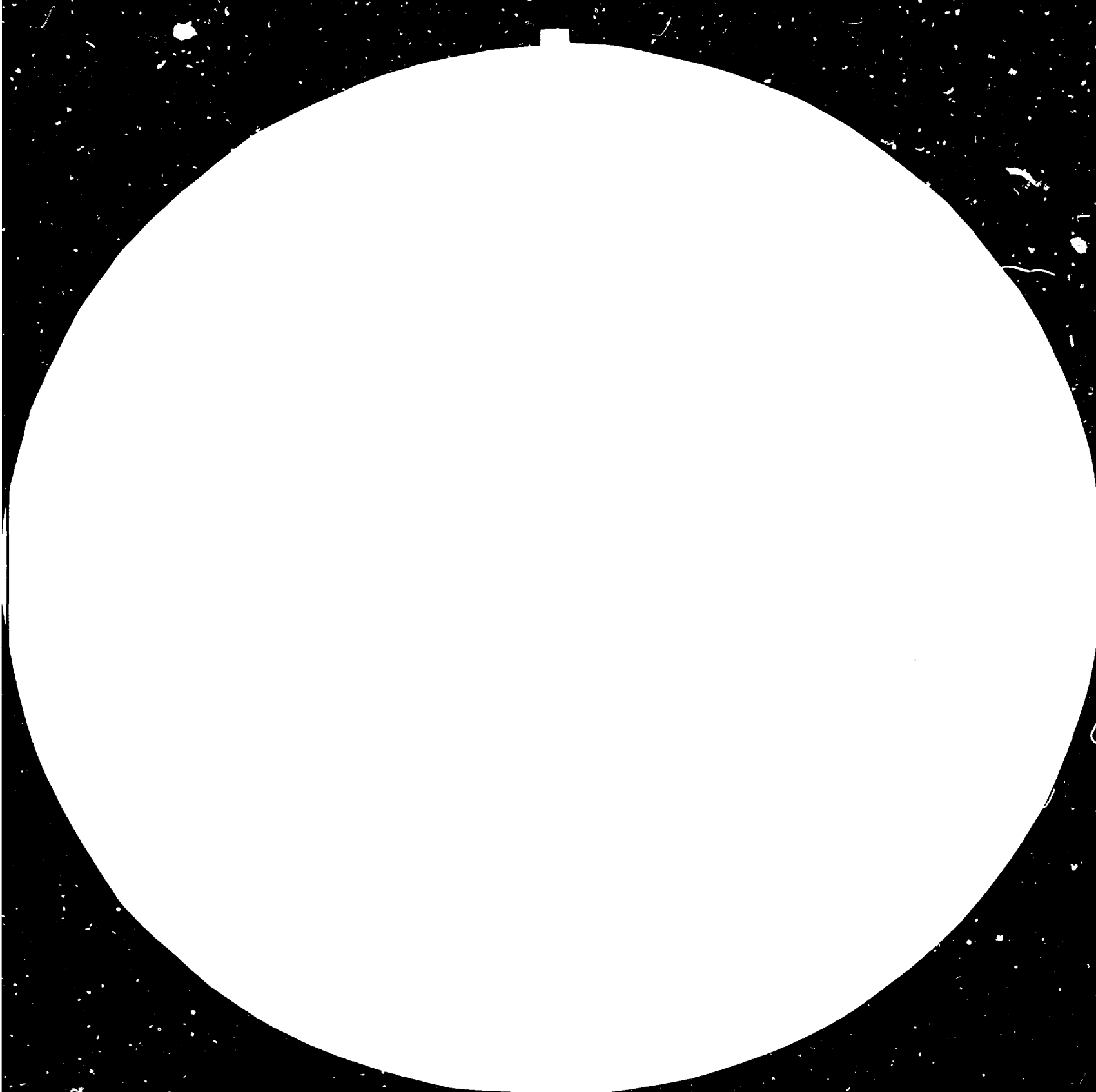
## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

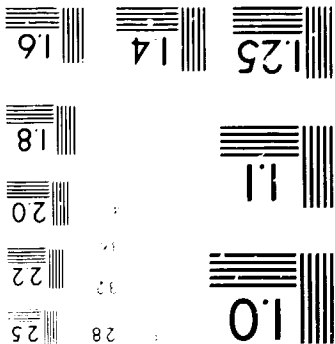
## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)



RESOLUTION TEST CHART  
NATIONAL BUREAU OF STANDARDS-1963-A  
U.S. GOVERNMENT PRINTING OFFICE: 1963  
O - 348-094



13624-E

Distr.  
GENERAL  
ID/CONF.5/22  
12 January 1984  
ENGLISH



**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

---

**FOURTH  
GENERAL CONFERENCE  
OF UNIDO**

*Vienna, Austria, 2-18 August 1984*

---

*Item 5(i)*

**STRENGTHENING ECONOMIC CO-OPERATION  
AMONG DEVELOPING COUNTRIES**

---

**ISSUE PAPER**

Item 5(i) of the provisional agenda

INTERNATIONAL CO-OPERATION, RELEVANT NATIONAL ACTIONS  
INCLUDING INDUSTRIAL POLICIES, AND UNIDO'S CONTRIBUTION  
IN CRITICAL AREAS OF INDUSTRIAL DEVELOPMENT 1985-2000:

Strengthening economic co-operation among developing countries

Issue paper prepared by the UNIDO secretariat

## INTRODUCTION

1. The present international economic situation, characterized by stagnant growth, recessionary conditions and protectionist tendencies in the developed countries and a worsening of the terms of trade, balance-of-payments problems and debt burdens of the developing countries, has seriously affected the growth prospects of the latter countries. Hesitant signs of recovery are to be seen, but reliance cannot be placed on their having any "trickle-down" effects. Current world conditions underscore the need for greater industrial co-operation among the developing countries (ICDC). 1/

2. The developing countries are at different stages of economic and industrial development, but together they represent a considerable concentration of resources, both human and material. They represent vast markets for industrial products, and many of them have developed considerable technological capabilities. Complementarity of resources, commonality of approaches and similarity of conditions among the developing countries provide the basic rationale for enhanced efforts towards ICDC. The development of a policy and institutional framework for ICDC should encourage optimum use of the technological and material resources of the developing countries and lead to the mutually beneficial development of markets and trade in appropriate products. ICDC would thus be a measure of first rather than last resort.

3. While South-South co-operation is not a substitute for North-South co-operation, greater South-South co-operation can lead to identifying common objectives which favour partnership and co-operation between North and South. Through a self-sustaining ICDC action programme, the technological capabilities of the developing countries can be enhanced and the countries themselves enabled to make better use of North-South co-operation, thus reinforcing meaningful global interdependence. ICDC should not suffer from the same asymmetry that characterizes industrial transactions between developed and developing countries: it should be based, rather, on conditions of equality and mutual benefit.

4. ICDC is now at a new stage of consolidation and expansion. The developing countries have already significantly increased their efforts (through consultations and joint planning) towards economic co-operation among themselves. For instance, the programmes of action adopted at the United Nations Conference on Technical Co-operation Among Developing Countries (Buenos Aires, 1978), the Fourth Ministerial Meeting of the Group of 77 (Arusha, 1979) and the Caracas Conference (1981) have gone a long way towards providing a framework for international action in the field of economic and technical co-operation among developing countries. The Second and Third General Conferences of UNIDO, in the Lima and New Delhi Declarations and Plans of Action (1975 and 1980 respectively), also stressed economic co-operation among developing countries as of fundamental importance to industrial advancement. Pronouncements at international forums, however, would need to be expanded to include proposals for a new set of industrialization principles, policies and measures that could provide a framework that would allow the developing countries to assist each other on an equal footing.

5. The strengthening of economic co-operation among developing countries is also dealt with in detail in a background paper prepared for item 5(i) of the provisional agenda of the Fourth General Conference (ID/CONF.5/4). Moreover, the subject was discussed at the High-Level Expert Group Meeting held preparatory to the Conference (Bangkok, July 1983).

6. The present paper deals with ICDC policy considerations, instruments and mechanisms - as well as areas which promise effective ICDC. The areas covered are not exhaustive: only those are discussed which are vital to industrial production, namely, human resources, technology, energy, finance, marketing and industrial consultancy. (Other suggestions for co-operation appear in papers prepared for the relevant agenda items.)

#### I. POLICY ASPECTS

7. Effective co-operation can result only when there is will and commitment on the part of sovereign States. Assuming that such will exists, the developing countries need to consider formulating, individually and collectively, the policies and measures necessary for promoting and strengthening industrial co-operation activities among themselves.

8. ICDC policies, to be effective, should be integrated within overall strategies and policies for industrialization at the national level, and should be harmonized at regional, interregional and global levels. This issue is closely related to the need (a) to reorient present national economic and industrial development strategies and (b) to determine the role which individual developing countries would like to assign to collective action and ICDC.

9. ICDC policies must be based on principles of equality, solidarity and mutual assistance and benefit if new, rewarding and equitable modes of interdependence in South-South co-operation are to evolve. In this context, it would be useful to develop ICDC "guidelines". Once evolved and put into practice, such guidelines could also serve as a model for North-South industrial co-operation.

10. Policies aimed at intensifying ICDC, to be effective and result-oriented, will have to be formulated on the basis of a dynamic information base. Information concerning industrial projects at the planning stages would be useful in the formulation of these policies: it would allow ICDC possibilities to be explored at an early stage of project planning and design, thus improving the chances for operational-level co-operation among enterprises in developing countries. Similarly, ICDC objectives could be furthered through information concerning supply and demand of equipment, technology, human skills, finance, markets and consultancy services. This leads to the question whether an Industrial Project Information System could help in collecting and disseminating this information, through national focal points such as those which exist in many developing countries. The Industrial and Technological Information Bank (INTIB) of UNIDO could perhaps expand its scope to include such a service.

11. Such policies may also aim at:

(a) Formulating integrated programmes of industrial development for the agro-industries, the capital goods industries, the building materials industry and the petrochemicals industry, to name but a few;

(b) Setting up networks of national manufacturing associations and chambers of commerce and industry to help in project identification and to promote contacts among the entrepreneurs concerned.

12. In the context of global interdependence, the industrialized countries could play a considerable role in providing support to ICDC programmes. They could, for example:

(a) Provide funds, within their development assistance programmes, for the promotion of co-operation activities which would strengthen the industrial and technological capabilities of the developing countries;

(b) Facilitate imports of capital goods, engineering services and technology from developing countries for use in their own investment projects;

(c) Support the development of new schemes for export credit finance and guarantees by the World Bank and regional development banks;

(d) Support the establishment of a South-South bank, in the light of on-going studies by the Group of 77;

(e) Increase their voluntary contributions to the United Nations Development Programme and the United Nations Industrial Development Fund with a view to meeting the growing requirements of the developing countries with respect to ICDC operations and programmes.

## II. INSTRUMENTS AND MECHANISMS

13. To translate policies supporting ICDC into practical projects and activities, certain instruments and mechanisms are needed at the national, regional and global levels.

### A. National level

14. At the national level, authorities could promote enterprise-to-enterprise co-operation in a large number of areas, including technology transfer, joint ventures or the establishment of multinational enterprises. Both public and private enterprises have an important role to play in ICDC, and incentives and assistance mechanisms could be employed to promote their participation.



15. Governments should include ICDC programmes in their national development plans. National focal points for ICDC could be set up which might be linked to, and receive support from, international organizations and other external institutions.

16. Agreements for co-operation might be of the general "framework" type, or relate specifically to certain programmes. "Twinning arrangements" should be considered. These would bring together, with a view to long-term co-operation, industrial enterprises or institutions which support industrialization (research centres, technical universities, standards institutes etc).

B. Subregional, regional and interregional levels

17. The following measures could be taken at the subregional, regional and interregional levels:

(a) Mechanisms favourable to ICDC should be established as part of integration schemes (e.g. mechanisms for liberalizing trade in manufactures);

(b) Industrial programming should be undertaken which would lead to industrial complementarity among participating countries;

(c) Multinational enterprises should be set up;

(d) Physical infrastructure projects (related to hydro-electric development and the construction of international roads, bridges, railways etc.) should be undertaken jointly;

(e) Technology development programmes should be undertaken jointly;

(f) Complementarity and co-operation in the fields of consulting and engineering services - as well as in the provision of university education - should be given priority;

(g) Technical co-operation networks should be set up to link institutions in different countries dealing in "soft" technology areas (e.g. vocational training, engineering education, technological research and standards) and "hard" technology areas (e.g. the agro, petrochemical, cement and capital goods industries);

(h) Mechanisms should be established jointly which would provide technological know-how services and "packages" to participating countries in areas such as iron and steel, electric energy, non-ferrous metals and plastics. They could effectively complement the work of the technical co-operation networks mentioned above;

(i) "Clubs for industrial co-operation" such as the ASEAN (Association of South East Asian Nations) "clubs" could be established to provide a mechanism for promoting co-operation between private- and public-sector organizations in specific branches of industry;

(j) Tax credit agreements could be concluded which might serve as a basis for the promotion of multinational enterprises within a framework of broad interregional economic co-operation;

(k) The exchange of experience among economic groupings in different regions should be promoted. (An important issue in this connection would be that of making legal arrangements to establish the mechanisms and instruments - such as multinational enterprises - needed for effective ICDC);

(l) Sectoral consultation meetings could be held at the regional level to help focus on possibilities for sub-regional and regional co-operation among developing countries.

### C. Global level

18. One of the impediments to ICDC is related to the identification and formulation of industrial projects. Assistance in preparing industrial projects, including the undertaking of feasibility studies and the formulation of bankable project proposals, would help considerably in overcoming this impediment. The Project Development Facility suggested in the New Delhi Declaration and Plan of Action (Third General Conference of UNIDO) could be of considerable assistance in this field.

19. Since finance is a crucial input to industrialization, it would be useful to consider ways and means of mobilizing the funds needed for industrial projects. In this context, the Conference may wish to consider suitable actions for the purpose of accelerating financial flows.

20. Public enterprises have emerged in a number of developing countries, in the industrial production sectors of the economy as well as in the industrial support sectors such as research and development, consultancy and marketing. In view of the special responsibilities of these enterprises, both as productive mechanisms and as instruments of government policy, it would be worth considering their potential as effective instruments of ICDC.

21. The pace of change in technological innovations, market profiles, industrial opportunities and projects is so fast that a monitoring mechanism appears to be necessary for the early sensing of impending changes and the indicating of possible implications for developing countries. The responsibility for responding to such changes would naturally be with the sovereign States; however, a common monitoring mechanism could provide the data and analyses the developing countries need to enable them to design and formulate their responses appropriately and speedily.

22. Industrial joint ventures among developing countries have been increasing in number and appear to be promising vehicles for co-operation at the enterprise level. In this connexion "guidelines" could be evolved to facilitate the conclusion of such joint ventures.

23. It should be noted that the preparatory High-Level Expert Group Meeting on ICDC held at Bangkok in July 1983 approved the above propositions for consideration by the Fourth General Conference. UNIDO could play a significant role in providing assistance in the establishment of the global mechanisms needed.

### III. PROMISING AREAS FOR ICDC

24. In order to give shape and form to a concrete ICDC programme of action, it is essential to identify specific functional, sectoral and project areas which hold promise and potential for ICDC activities. This is particularly relevant where areas critical to the planning and putting into operation of industrial production units in developing countries are concerned, namely: human resources, technology, energy, finance, marketing and industrial consultancy. Since separate documentation on most of these areas is before the General Conference, the present chapter will confine itself primarily to reviewing certain ICDC possibilities in each one.

#### A. Human resource development

25. Adequately and appropriately trained manpower is one of the most important requisites for the operation of industrial production units. Considerable scope exists for increasing the ICDC activities already taking place in the area of training such manpower. Industrial training in another developing country, for example, offers certain advantages as the training conditions, environmental factors and problems to be solved are likely to be familiar, and the training cost will be less than in a developed country.

26. Another promising possibility for ICDC would be to promote the establishment of regional networks of training institutions and centres of excellence in the developing countries. These would provide a wide range of training and development programmes designed to suit the changing profile of industrial and technological needs in the countries concerned. Through these networks, in-plant training programmes in the industrial plants of developing countries could also be organized more effectively.

27. The preparatory High-Level Expert Group Meeting on ICDC attached particular importance to development-oriented education and training meeting the specific requirements of developing countries and made a number of recommendations as to how this could be provided through ICDC. It also stressed the special needs of the least developed countries and recommended that guidelines be developed for assisting those countries with regard to establishing extension services, choosing appropriate technology, disseminating information and training industrial manpower (including manpower for rural industries). The guidelines should be based on the sharing of experience and the pooling of ideas by the developing countries in each of these fields.

#### B. Technology

28. If the developing countries are not to become helpless observers of the new and emerging technologies, the impact of these technologies on them will have to be assessed in depth and areas of co-operation identified. As noted in the International Forum on Technological Advances and Development (Tbilisi, 1983): "the emergence of technological advances would, in a sense, lead to a

new phase of co-operation among developing countries. The problems faced by them in information collection, forecasting, assessment, selection, acquisition, adaptation and absorption of new technologies and endogenous development and application of such technologies, will have much in common and it is therefore necessary to exchange information on policies and experiences in this field. Co-operative programmes should extend beyond the exchange of information to collective negotiation and acquisition of technologies, setting up of common production facilities, technological institutions and programmes. More importantly, the developing countries may have to consider together a collective strategy for their response to technological change."

29. Regional and interregional networks of research and development institutions should be formed which would facilitate the undertaking of joint research and development programmes aimed at satisfying specific needs (especially with respect to the development of relevant technologies) in one or more developing countries.

#### C. Energy

30. The developing countries have been encountering serious problems with respect to the energy inputs needed for industrial production. The high cost of energy and the limited availability of foreign exchange have compounded the problems. Energy therefore promises to be an important area for ICDC, particularly insofar as it concerns new and renewable sources of energy, mini-hydro plants, equipment manufacture, design and consultancy services, operations management and training programmes.

#### D. Finance

31. There appears to be good potential for establishing programmes of co-operation among regional development banks and among financial institutions in developing countries. Should the South-South bank come into existence, it could provide assistance to the networks of regional development banks, and in this way enhance ICDC activities.

#### E. Marketing

32. The establishment of general trading organizations for developing countries could go a long way towards promoting trade in manufactures among those countries. Regional and interregional networks of such organizations (whether privately or State-owned) could help in increasing trade flows in manufactures among developing countries. 2/ One function of a South-South bank should be to facilitate trading activities.

#### F. Consultancy services

33. Industrial consultancy plays a crucial role in the industrialization of the developing countries. The development of indigenous industrial consultancy capability could be enhanced through co-operation schemes involving the sharing of experience, the exchange of personnel, collaboration on projects, and the undertaking of joint ventures between consultancy firms in developing countries. It might be worth considering whether regional and interregional networks of consultancy organizations in developing countries could facilitate such co-operation.

#### IV. ROLE OF UNIDO

34. UNIDO has been playing an important role in assisting the developing countries to develop industrial co-operation among themselves. The Organization's ICDC programme features five mutually supporting activities:

(a) The organization of "solidarity" meetings, for the benefit of the least developed countries, and "round table" ministerial meetings;

(b) The promotion and development of joint programmes for specific industrial sectors;

(c) The follow-up of ICDC recommendations emanating from meetings of the System of Consultations;

(d) The exchange of experience and information on development, adaptation and transfer of technology;

(e) The provision of support measures to the Caracas Programme of Action of the Group of 77, including substantive assistance in the organization of follow-up meetings.

35. In light of the prevailing global economic situation, UNIDO has a special responsibility to discharge with respect to ICDC. The preparatory High-Level Expert Group Meeting on ICDC made a number of recommendations for strengthening and expanding the Organization's activities in this field. These are outlined in background paper ID/CONF.5/4. In brief, UNIDO is requested to expand its current activities with respect to organizing "solidarity", industrial branch and investment promotion meetings so as to provide favourable conditions for the negotiation of joint ventures among developing countries. The Technological Information Exchange System (TIES) of UNIDO could be enlarged, and model agreements and standard contracts made available to facilitate such joint ventures. The Organization should develop training systems and appropriate training materials. Moreover, it should assist in establishing co-operative mechanisms for developing technological capacities. Finally, UNIDO is called upon to continue to give high priority, in its overall technical co-operation programme, to the promotion of ICDC.

Notes

1/ Industrial co-operation among developing countries (ICDC) is defined in this document as comprising economic and technical co-operation among developing countries in the field of industrial development.

2/ See also background paper on provisional agenda item 4 (ID/CONF.5/14).

