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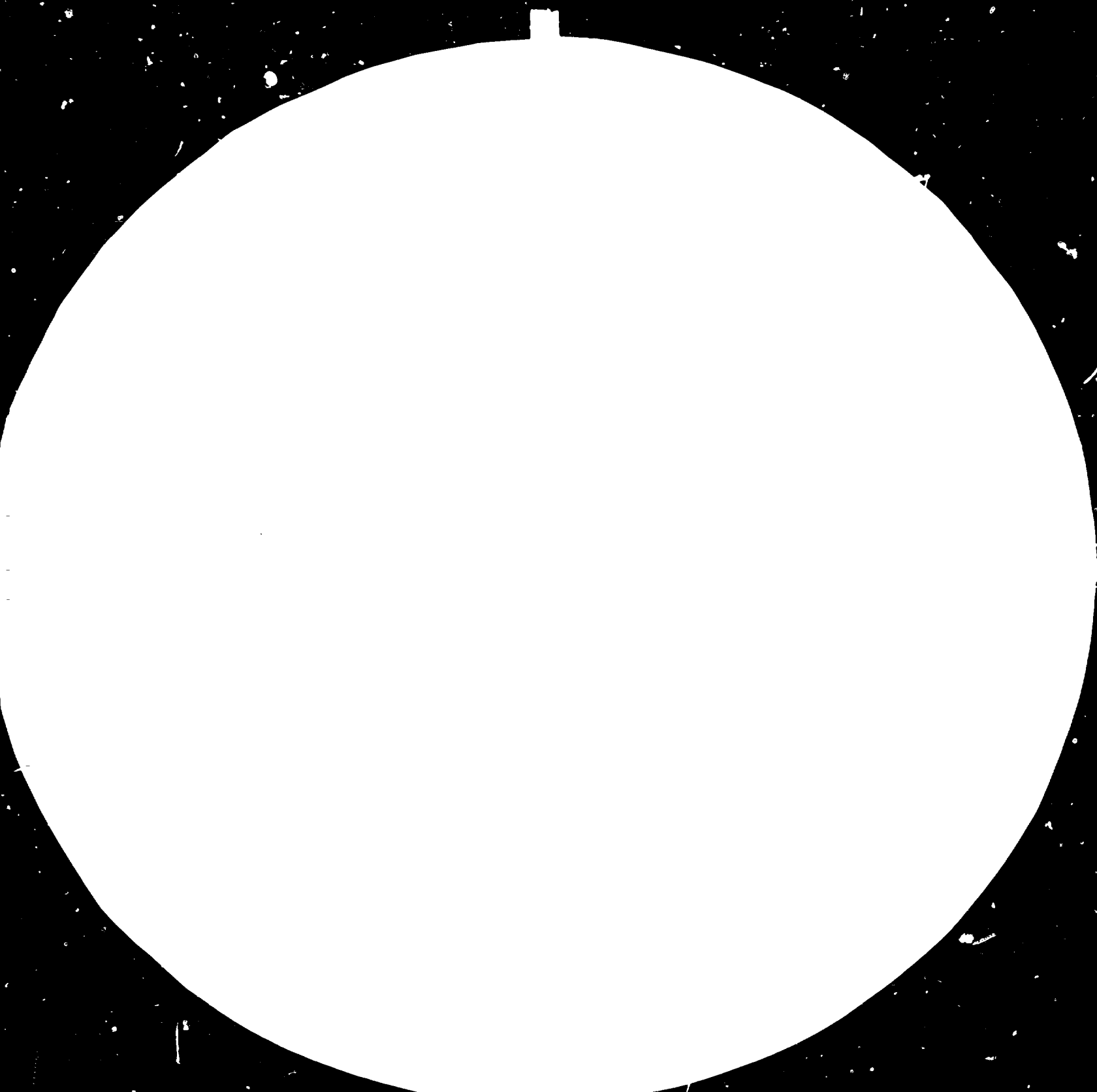
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"The Tenth Round Table of Developing Countries
Industrial Development and Co-operation among
Developing Countries from Small-Scale Industry
to the Transnational Corporations"

Zagreb, Yugoslavia, 15-17 September 1982

Concepts and Institutions of Mutual Industrial *
Co-operation among Developing Countries and the New
International Economic Order

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** IDC: Institute for Developing Countries.

The struggle to establish the new international economic order is taking place amid complex international political and economic relations which are passing through a period of great strain and uncertainty.

The aims of the new international economic order cannot be realized, or at least, can only very slowly be realized, in such a situation. Developed countries tend to hinder progress in talks which would lead to significant structural changes in development and the international division of labour; this particularly applies to talks concerning the industrialization of developing countries (DCs).

The developed countries determinedly insist that the only real solution for DCs lies in industrial development through transnational companies and foreign capital; this is an attempt to prevent change in economic relations and to give development the function of reinforcing dependence on developed countries.

* This paper contains the basic ideas set out in "The Institutional Aspect of Industrial Co-operation among Developing Countries", A. Jaeger, D. Pastizzi-Ferenčić and Dj. Despot, Zagreb, 1980.

It is obvious that the building of new relations will be a long and complicated process and, regardless of the degree of outside help, the main burden of the establishment of economic emancipation and development must be borne by developing countries themselves. Further the outcome of individual stages in the struggle for new relations greatly depends on the negotiating strength and position of the Group of 77, which in turn greatly depends on the individual and collective economic strength of DCs. Thus a more intensive and systematic co-operation among DCs is an important component in the establishment of elements of the new international economic order.

Industrial co-operation at the international level is a relatively new phenomenon, and industrial co-operation among DCs is only in its initial stage. The latter is very complex due to the close link between industrial production and internal and foreign trade, other sectors of production, the infrastructure, financial flows, technology, science and education in each country. Because of this, it is difficult to consider industrial co-operation among DCs in isolation, outside the framework of general political, economic and cultural co-operation.

The general framework of industrial co-operation among DCs was established at the Fifth Conference of Heads of State or Government of Non-Aligned Countries, held in Colombo, and at the meetings of the Group of 77 held in Manila and Mexico City, and put within the framework of political and general economic co-operation.

The adoption of a wide-ranging general programme for industrial co-operation among DCs reflects their determination to move from ad hoc to long-term, organized and consistent co-operation. A great role in this was played by the developing countries' experience that ad hoc industrial co-operation can only bring very limited and temporary results. Also, experience has shown that the basis for industrial co-operation is mainly and most frequently formed through intergovernmental agreements. These agreements bind the governments of individual countries to promote industrial co-operation, to establish the necessary legal, financial and commercial frameworks for the drawing up of individual contracts, to identify the opportunities for co-operation offered in particular branches of industry, and to allow access to products, technology and industrial experience. In addition, these agreements provide for the establishment of institutions which put the agreed methods of co-operation into practice.

Although intergovernmental agreements establish a legal base for numerous forms of international industrial co-operation, they usually contain only broad terms for co-operation at the level of enterprises. However, experience shows that when institutional solutions have not been developed or co-ordinated all problems in the field of industrial co-operation are left to parties to solve from case to case.*

Although such ad hoc solutions can achieve certain results, they are, as a rule, limited in scope and of a

* UNIDO, Doc. ID/B/C.3/68 of 10 April 1978.

short-term nature. Systematic, co-ordinated and lasting (or at least long-term) co-operation can only be achieved by the establishment of programmes and institutions which ensure lasting economic linkage.

Critical examination of the concepts of programmes and institutions for industrial co-operation among DCs and analysis of the results and experience gained so far, has shown that the best results were brought by those solutions which ensured equal co-operation, the openness of programmes and institutions, adequate flexibility and action-oriented co-operation. Solutions which gave preference to economically more powerful countries, which led to excessive closure, which were institutionally too rigid and which were insufficiently action-oriented did not sustain the pressure for dynamic political and economic change.

Considering the great need of developing countries for industrial co-operation, it is necessary that progress be made in the following areas:

- a) the harmonization of developing countries' development plans;
- b) the standardization of regulations concerning foreign investment in the industry of DCs;
- c) financial co-operation in the industrialization process;
- d) co-operation among DCs in the fields of research, technological development and industrial information;
- e) the setting up of consultancy firms in DCs;
- f) the founding of multinational companies of DCs⁴;

⁴The majority of these actions are envisaged in the Final Report from Caracas.

