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THE UNIDO SYSTEM OF CONSULTATIONS AS A MEANS FOR INTERNATIONAL CO-OPERATION

prepared by
the secretariat of UNIDO

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Introduction

1. The General Assembly decided in 1975 that a System of Consultations should be established "in order to facilitate the achievement of the goals set forth in the field of industrialization, including the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries". It was decided by the Industrial Development Board of UNIDO that

"The System of Consultations shall seek action-oriented measures towards increasing the share of developing countries in world industrial production and creating new industrial facilities in developing countries contributing to the establishment of a New International Economic Order. To that end, the problems associated with the industrialization of developing countries shall be considered on a continuing basis from a policy, economic, financial, social and technical point of view."

2. From the 21 Consultations held so far, and from the principles and objectives adopted by UNIDO's Permanent Committee, the first stage in the consultation process is to ensure that all parties have a clear understanding of the sector under examination and of its "changing patterns" so that they will be in a position to identify the "problems associated with the industrialization of developing countries" in the sector concerned. The second stage is to determine "the ways and means through which a substantial and effective contribution can be made to the industrialization of developing countries", leading to the formulation of solutions to the problems addressed in the process of consultations; in this connection, due account shall be taken "of the experience in industrial development of countries with different social and economic systems", "of the positive aspects of current practices in international industrial co-operation", and of "all interests involved and the imperative need of developing countries for the acceleration of their industrialization". The third stage is to elaborate recommendations for action at national, regional, interregional and world-wide levels.

* This paper is based largely on System of Consultations, an analysis (1976-1981), ID/B/284, UNIDO, Vienna.
3. Taking into account these stages of the consultation process, the System of Consultations has provided for a permanent dialogue on the sector under consideration, covering: the exchange of information on the main economic and technological trends; the identification of the main actors and their strategies; the specific constraints encountered by developing countries; and the opportunities for reaching broad agreements on solutions to overcome those constraints.

4. The ultimate benefit that could be derived from this dialogue by both developed and developing countries depends on the systematic translation of the opportunities revealed by the consultation process into industrial projects ready for implementation. To that end, the consultation process must be followed by a negotiation phase, within or outside the System of Consultations, so that consultations will result in concrete proposals for inclusion in the development programmes of participating countries.

5. It is a fact that such negotiations have already been successfully initiated as a result of person-to-person contacts made during consultations. It is also a fact that in some sectors the objectives pursued by the parties concerned have already been sufficiently clarified and the potential mutual benefits assessed, thereby providing a framework within which negotiations may be initiated. In these circumstances and in order to stimulate such negotiations in a systematic manner, the UNIDO secretariat is ready to provide a forum permitting negotiations among interested parties at their request, at the same time as or after consultations.

The different situations revealed in the nine sectors

6. Analyses of the Consultations on nine sectors show that there are four different situations, as identified below, which are encountered by the developing countries as characterized by their present share in total world output in the sector and by the nature of the obstacles which must be overcome.

7. The first situation concerns the sectors in which developing countries have a relatively substantial industrial base and the problems consist of how to enlarge that base. This is the case of the food processing industry, the vegetable oils and fats industry and the leather and leather products industry.
8. The second situation is one in which the developing countries have a significant industrial base but where the implementation of projects is delayed owing to increased plant costs and a lack of financing, thereby causing a gap between planned output and actual production. This is the case of the iron and steel and, to some extent, of the fertilizer industries.

9. The third situation is one in which developing countries have, as yet, either a very narrow industrial base or, as is the case for most of them, no base at all. This is true of the capital goods industry and the agricultural machinery industry.

10. The fourth situation is similar to the third situation except that plans to enter into industry are blocked by opposing interests and hampered by other obstacles. This is the case of the petrochemical and pharmaceutical industries.

First situation

11. In three industries concerned, namely the food processing, vegetable oils and fats and leather and leather products industries, the developing countries have a larger share of world industrial production than the general average of 10.3 per cent. However, each industry encounters different problems, and the international co-operation required in each industry is different.

The food processing industry

12. The development of this industry has to be regarded as part of the agro-food chain extending from agriculture to distribution. However, whatever might be the nature of the components of this chain, national integration of agricultural, industrial and distribution activities calls for a strategy to ensure the co-ordination of these activities and an equitable distribution of profits throughout the chain. The problems to be solved are just as much social as economic and technological.

13. Integration of the food processing industries also takes place at the international level where transnational corporations (TNCs) often have a dominant position, not only in industry and distribution, but also higher up the chain in agriculture. Integration at the international level presents
both advantages and disadvantages. To avoid the latter, the First Consultation (November 1981) agreed that a national strategy for the integrated development of the food processing industries must be devised in the light of the particular food system chosen, and that specific forms of international co-operation should be fitted within the framework of that strategy. To that effect, UNIDO was requested to examine the role which additional partners such as co-operatives and small and medium-scale enterprises of developed countries could play, and to prepare general guidelines for a comprehensive approach to the acquisition of training, technology, financing, marketing etc.

14. None of the participants at the First Consultation had any doubt about the priority need of the developing countries to develop the food processing industries. However, this development depends on, firstly, the programming of the agro-food system at the national level and, secondly, specific new forms of international co-operation.

Conclusion (first situation)

15. The above-mentioned three sectors (food processing, vegetable oils and fats, leather and leather products) already play a relatively important role in the economies of the developing countries. The necessity to develop further the food processing industries has been the subject of consensus; this implies the formulation of a national strategy integrating the complex agriculture-industry-distribution system and a corresponding strategy of industrial co-operation with new partners, such as co-operatives and small and medium-scale enterprises in developed countries. In the case of the leather and leather products industry, the problems of developing countries are not of the same nature and depend more on future international co-operation. Current market trends indicate that concerted action between developing and developed countries would permit the former to obtain access to export markets and the latter to secure an adequate supply of raw materials. However, in the vegetable oils and fats industry, an improved international trade structure in favour of tropical oil-seed production is uncertain, due to the conflict of interests. Future development depends more on the expansion of domestic markets.
Second situation

16. The developing countries have a base, but due to delays in project implementation, expansion is below target. This is the case with the iron and steel industry and the fertilizer industry.

The iron and steel industry

17. Over the past decade, fundamental changes have taken place in the world structure of this industry. The First Consultation (February 1977) emphasized the desirability of rapid growth of the iron and steel industry in developing countries, and a target of 30 per cent of world production by the year 2000 was set on the assumption of world economic expansion and enhanced international co-operation. Attention was focused on financing problems and on the risks of world shortages of iron ore and coking coal.

18. The Second Consultation (January 1979) reassessed the situation in the light of the prolonged iron and steel crisis. It set 1990 as its horizon and recommended the preparation of scenarios for 1990, with a view to taking account of the new and complex factors affecting the evolution of the world iron and steel industry, namely, new technological routes; scaling-down of plant sizes, which permits production by countries with small markets; the investment plans of many developing countries; the ongoing restructuring; and the world recession affecting the sector.

19. The scenarios for 1990, which were based on the 125 iron and steel investment projects identified by UNIDO, have resulted in the following major findings:

- In the most favourable case, implementation of all developing country projects would merely lead to an 18 per cent share of world production in 1990, corresponding to a substantial shortfall in the target figure of 30 per cent of world production by the year 2000.

- Again in the most favourable case, the trade balance of iron and steel products in 1990 would be negative for the developing countries as a whole.

- Any reduction in the projected iron and steel production capacities in developing countries would correspondingly reduce job creation in the capital goods industries of the developed countries, whereas if new capacities were to correspond in full to the developing countries' plans, there would be a greater positive effect on employment. In fact, jobs created in developed countries as a result of their exports of capital goods would outnumber by 4:1 jobs lost due to developing countries' exports of iron and steel products to pay for plant and equipment.
The fertilizer industry

20. The fertilizer industry is treated in some detail because its characteristics can be used to illustrate important action taken within the UNIDO System of Consultations to foster co-operation among the developing countries. The fertilizer industry is of strategic importance for developing countries because increased use of fertilizers should account for half of the increase in food production in developing countries in the next 20 years. A world shortage and a very sharp increase in fertilizer prices in 1973-1974 encouraged many developing countries to enter this industry in the 1970s.

21. It was in this context that the First Consultation (January 1977) agreed that developing countries should aim at becoming self-sufficient in fertilizer production as soon as possible; however, only modest progress has been made towards reaching this objective. A determinant negative factor in this connection has been the very sharp increase in the cost of plant and equipment. In order to overcome this, the First Consultation asked UNIDO to examine: firstly, ways and means to reduce the high costs of fertilizer plants; secondly, the possibility of separating the financing of plant and equipment from the financing of related infrastructure; thirdly, the contractual procedures intended to ensure the successful construction and operation of fertilizer plants including the suggested multilateral insurance scheme, intended to ensure the protection of the interests of all parties concerned by providing, in particular, adequate compensation for consequential losses.

22. Two UNIDO model forms of contract for the construction of a fertilizer plant were discussed in depth at the Second and Third Consultation so as to balance the relationships between the parties to the contract. A final text of the turn-key and cost-reimbursable contracts was agreed by an international group of experts in 1981 and published at the end of that year; guidelines for the use of the contracts have been completed and published in 1982.

23. Broad agreement was reached at the Second Consultation (November 1978) on guidelines demarcating responsibility for establishing the infrastructure required for fertilizer plant and fertilizer distribution. This will remove some of the burden of high investment costs, which have to be borne by the project and hence ultimately reflected in the price of fertilizers. Broad agreement was also reached on guidelines recommending low-cost financing for such investment.
24. The Second Consultation discussed an insurance programme which would provide adequate compensation for the financial losses incurred by purchasers of a fertilizer plant that was either late in completion or performed below capacity as a result of design and equipment defects. It was found that, so far, governments of countries that supply such plants were not prepared to provide such insurance cover. UNIDO therefore approached the commercial insurance industry, which recommended that the scheme should cover all industrial plants. The resulting insurance scheme, proposed to the Third Consultation (September 1980) is still under active consideration.

25. The Fourth Consultation will have to focus on co-operation among developing countries and on the promotion of mini-fertilizer plants, as well as on the high cost of plants. In this connection a "draft directory of technological capabilities in developing countries related to the fertilizer industry" has been compiled. Indeed, the Fourth Consultation (New Delhi, 23-27 January 1984) will consider a programme to strengthen co-operation among developing countries in the fertilizer industry in which the main objective is to heighten the developing countries' awareness of each other's potential in fields of mutual interest, and establish a firm basis for increasing their self-reliance through a strengthened co-operation in the fertilizer industry. The Bureau of the Third Consultation recommended as priorities for phase I of the programme of co-operation the following three sub-programmes: training, exchange of experiences and identification of technological capabilities.

26. A survey on training needs and training capabilities in developing countries was carried out in 1981. The response received indicated that 20 out of 45 countries were in need of training, whilst four out of six countries confirmed their capabilities to train. From the latter, Indonesia was selected as host for the first in-plant group training for technical and supervisory staff of fertilizer industries from developing countries. Arrangements are being completed to begin training about 10 to 15 trainees early in 1985.

27. An interregional meeting to exchange experiences in the construction and operation of fertilizer plants in developing countries was convened in December 1981, to define the scope and content of this programme. Upon
its recommendation, two regional meetings of Asia and the Middle East and Latin American and the Caribbean respectively were held in April 1983.

28. A number of suggestions to enhance the usefulness of this programme for operating companies and project teams were made. Its main objectives are to help increase the efficiency and operating rate of existing fertilizer capacity, to avoid unnecessary overspending in new plants or expansion/modernization of existing plants, and to promote the possibility of future contacts for mutual assistance.

29. Concerning the technological capabilities of developing countries in the fertilizer industry, a pilot survey of five developing countries was carried out in 1982, to be followed by a major survey in 1983. The information received from 17 of the 30 countries surveyed coupled to information available in UNIDO enabled the preparation of a draft directory of technological capabilities in developing countries related to the fertilizer industry.

30. The directory is expected to facilitate co-operation among developing countries by heightening their awareness of existing capabilities in the fertilizer or fertilizer-related industries in other developing countries. Currently, most developing countries rely almost solely on developed countries' expertise and equipment, although alternative expertise and some equipment may be available nearby in other developing countries.

31. The very large scope of the co-operation programme recommended by the Third Consultation made imperative its implementation by phases in order to become manageable and affordable.

32. UNIDO made a special effort to initiate and implement phase I of the programme, but it became clear that the secretariat does not have the financial resources to continue this level of effort in the future, notwithstanding the excellent potential of the programme to obtain practical results in the near and long terms. Hence, there is a need to define more affordable alternatives which commit all the parties concerned.
33. The programme's potential is large indeed, considering that for every 1 per cent of increase in the operating rate of fertilizer capacity existing in developing countries, which was about 44 million tons of nutrients in 1983, 0.4 million additional tons could be produced representing at least the output of a world-scale ammonia-urea complex worth US$350 million which would be saved.

34. It may be of interest to note that participants at the Fourth Consultation will consider a number of matters of relevance to co-operation among developing countries in the fertilizer industry, including:

(a) the draft directory of technological capabilities in developing countries related to the fertilizer industry;

(b) the establishment of an information network on the industry, including the need for country and/or regional co-ordinators, to provide inputs to the information network;

(c) the priorities and content of phase II of the programme to strengthen co-operation among developing countries in the fertilizer industry recommended by the Third Consultation, and on means for the financing of phase II of this programme for co-operation in the fertilizer industry among developing countries including contributions in kind.

35. A general feature of UNIDO's System of Consultations has been the growing recognition of the importance of co-operation amongst the developing countries. The Second Consultation on the Petrochemical Industry also recommended a special programme of co-operation to develop downstream industries. The First Consultation on the Food Processing Industry suggested that the more industrialized developing countries could help other developing countries and that training programmes and research and development institutes at the regional level should be strengthened. This will constitute a first step towards meeting the goals of developing countries as expressed in Caracas (Venezuela) in May 1981 at the High-level Conference on Economic Co-operation among Developing Countries. In this connection, it is noteworthy that this Conference recommended that the developing countries should discuss and co-ordinate issues of mutual interest to them prior to their participation in Consultations. The UNIDO secretariat looks forward to this recommendation becoming operational in the near future.
Conclusion (second situation)

36. The developed countries do not object to the expansion of the iron and steel industry and the fertilizer industry in developing countries because, *inter alia*, of the impact on their sales of industrial plants. However, the capability of developing countries to successfully implement such expansion is constrained by the increasingly high cost of plant and equipment. UNIDO has therefore been requested to examine how plant costs and delays in project implementation may be reduced and how in these sectors mini plants can be promoted.

Third situation

37. The developing countries' share of the world production of capital goods, including agricultural machinery, is very small. Production of capital goods is concentrated in a few developing countries; more than 60 developing countries have no production in these sectors.

The capital goods industry

38. The First Consultation (September 1981) recognized the developing countries' need to develop this important sector because it lies at the core of the industrialization process, and the necessity to correct a fundamental disequilibrium between developed and developing countries in this sector. The Consultation helped to clear up two myths. Firstly, it rejected the idea that nothing could be done because of the technological complexity of the sector; secondly, it rejected the illusion of achieving too rapid progress in a short period of time.

39. The Consultation approved the UNIDO approach that defined the levels of technological complexity as a means of setting targets for the manufacture of capital goods and permitted the elaboration of programmes of action to move up from one technological level to the next. This approach will facilitate the starting of production by the 60 developing countries which at present have no production in this sector.
40. The establishment of a capital good industry determines a country's industrial pattern for decades ahead; ad hoc decisions should therefore be replaced by a co-ordinated development and by long-term contractual arrangements for international co-operation that are corollary of such long-term programming. The Consultation therefore recommended that UNIDO should assist the developing countries in planning the long-term development of the sector and should make available information on the technical alternatives, their availability, costs and commercial conditions for their acquisition.

41. The First Consultation agreed that there was substantial mutual interest between developed and developing countries in this sector; it recommended that UNIDO should carry out a study to illustrate this mutual interest and, in particular, the overall consequences with regard to the effect on employment in the capital goods industry. The studies undertaken in connection with scenarios on the iron and steel industry indicate that the rapid industrial progress of the developing countries will create a considerable number of new jobs in the developed countries. This prospect is all the more valid when considered within the framework of the overall industrialization target of the Lima Declaration.

42. An increase in the developing countries' share of world output in this sector from 6 to 15 per cent between 1980 and 2000 would imply an appreciable change in the international division of labour. This poses the question of whether the developed countries would prefer to maintain their present share in the world production of capital goods (94 per cent) in a situation in which the developing countries make slow industrial progresses and the world economy remains in recession, or whether developed countries would prefer to have about 85 per cent of world production in a situation where the developing countries would make rapid industrial progress and thereby contribute to a higher level of world economic activity.

Conclusion (third situation)

43. In the capital goods sector, including the agricultural machinery industry, the present level of production in developing countries as a whole is very low and trade amongst them is negligible. There is no
insurmountable obstacle preventing their entry into this sector. However, the most important obstacle is the acquisition of skilled manpower. There is an enormous potential for world production in this sector, since the needs of developing countries are so vast that they will not be able to cover them in the near future. Nevertheless, cooperation is unlikely to develop unless the new rationale which emphasizes the recovery of the world economy and increased employment in the developed countries is more widely recognized than today. Such is the importance of the issues raised during the First Consultation on this sector.

Fourth situation

44. The fourth situation is one in which the developing countries' share of world production is small and expansion is blocked by opposing interests as well as by other obstacles. This is the case with the pharmaceutical industry.

The pharmaceutical industry

45. The developing countries have little or no pharmaceutical industry. Their share in world production is 12 per cent, which consists mainly of formulation and packaging for which the active ingredients and packaging material are largely imported.

46. The world pharmaceutical industry is dominated largely by transnational companies (TNCs) which justify their reluctance to license technologies by their expenditures on research and development of new drugs, thus maintaining their predominant position in this sector.

47. There are three main difficulties for developing countries. The first arises from the reluctance of the TNCs to supply technology, even for drugs to treat or prevent tropical diseases which are specific to developing countries. The second difficulty arises when intermediates for the production of drugs are supplied to developing countries at such high prices that it is impossible to manufacture the active ingredients at competitive prices. This is what economists call the "double squeeze", which is a most effective way of preventing newcomers from producing active ingredients. The third difficulty arises from the restrictive clauses in contracts, including those which forbid developing countries to export to certain markets. Since the domestic markets of many developing
countries are not large enough for plants to be profitable, exports are necessary to achieve economic viability of production and to encourage subregional integration of the pharmaceutical industry in developing countries.

48. The First Consultation (December 1980) discussed these three major difficulties, the solution to which depends on a radical change in policies of those TNCs that control the technology. It was therefore suggested that the difficulties continue to be examined by expert committees on the availability and pricing of drugs and on contractual arrangements. Furthermore, it was suggested that a directory of sources of supply for both bulk drugs and intermediates be prepared, so that developing countries could obtain information on different sources of supply and guidance on negotiations for obtaining the most competitive prices.

Conclusion (fourth situation)

49. Although the difficulties of mastering production technologies are real, they do not constitute the key obstacles to developing countries in initiating production in the pharmaceutical industries; the key difficulties are those arising out of conflicts of interest concerning markets in one case, and sharing technology in the other.

The UNIDO forum for Consultations and negotiations of agreements in the field of industry

50. The reference framework for the general principles to be applied in industrial co-operation is provided by the Programme of Action on the Establishment of a New International Economic Order and by the Lima Declaration and Plan of Action. In addition, the recommendations of the Lima Declaration and Plan of Action on the share of developing countries in world industrial output in the year 2000 and on the establishment of a System of Consultations, reflected the desire of the international community to reach the Lima target through concerted action in the field of industry, due attention being paid to priority sectors.
51. In order to translate the desire into action-oriented policies, a fundamental question in the consultation process has been: what are the forms and content of international cooperation which would supplement the national efforts of developing countries to achieve the Lima general industrialization target for the year 2000?

52. To answer this question, the System of Consultations has sought first and foremost to seek the views of the parties concerned on what might be the share of developing countries in specific sectors of industry. From the discussions held through the consultation process, it has been possible in some sectors to reach consensus recommendations which provide policy-makers with an authoritative indication of what share the developing countries might realistically look forward to in the year 2000. These authoritative indications are called "agreements in principle". Although they commit neither the participants nor their countries, these agreements in principle are of paramount importance. As a result of in-depth discussions and hard bargaining amongst experienced experts, they express a common view of the future development of a given sector and, what is more important, an acceptable point of convergence for the interests involved.

53. On this basis, in many sectors it has been possible to proceed a step further to identify areas and elements of increased industrial cooperation and to work out mutually acceptable arrangements which would facilitate the achievement of the shares previously agreed to in principle. Another step has been taken to translate the positive general intentions related to industrial cooperation into specific instruments designed to balance the different interests involved in international industrial cooperation.

(a) Agreements in principle relative to the share of developing countries

54. In some of the sectors covered so far, Consultations have resulted in consensus agreements in principle which have taken different forms, which were agreed to on certain conditions. Some were expressed in the form of specific targets, while others were expressed in the form of general goals for the industrialization of developing countries. The following are illustrative of some of the agreements in principle:

(1) In the iron and steel industry, the developing countries could reasonably be expected to reach 30 per cent of world output by the year 2000;
(ii) In the fertilizer industry, the developing countries should become self-sufficient in the production of nitrogenous and phosphate fertilizers as soon as possible, and in any case, by the year 2000;

(iii) In the petrochemical industry, preference should be given to the establishment of new production facilities for basic and intermediate petrochemicals in those developing countries with oil and gas reserves;

(iv) In the capital goods industry, developing countries should increase their production in order to correct a fundamental disequilibrium between them and developed countries;

(v) In the leather and leather products industry, given the basic advantages of plentiful availability of raw materials, as well as skilled and semi-skilled labour, growth in this sector should be predominantly in the developing countries.

(b) Elements for increased industrial co-operation

55. After reaching agreements in principle regarding the share which developing countries could achieve in some sectors by the year 2000, participants felt it necessary to move to the next stage, that is, to work out mutually acceptable arrangements which would facilitate the achievement of those goals. In this exercise, all interests involved have to be taken into account and, when necessary, new forms of industrial co-operation have to be devised to meet the specific requirements of developing countries. The following are examples of this ongoing exercise in which all parties are associated:

(i) In the leather and leather products industry, the drafting of ground rules for the rationalization of world production, trade and marketing;

(ii) In the petrochemical industry, the examination of the various forms of long-term arrangements for the development of this industry in developing countries, including international co-operation between countries and companies concerning their policies on the replacement or expansion of capacities for selected petrochemical products, and the up-dating of existing guidelines for joint ventures;

(iii) In the iron and steel industry, the preparation of intermediate scenarios for 1990 based on different possible alternatives and on optimizing the interests of developed and developing countries;

(iv) In the pharmaceutical industry, arrangements to overcome technical and economic problems related to the production of intermediates and bulk drugs in developing countries;

(v) In the food processing industry, the exploration of new forms of international co-operation through the development of a frame of reference providing policy guidelines for a comprehensive approach to the acquisition of technology, financing, marketing etc.
(c) *Instruments to balance the different interests involved in international industrial co-operation*

56. The consultation process has revealed that current industrial collaboration arrangements do not always take into account all interests involved. The secretariats of the United Nations Conference on Trade and Development (UNCTAD) and the World Intellectual Property Organization (WIPO) have attempted to define the rules of the game in the fields of technology transfer and licensing; their activities have resulted in the drafting of the general guidelines to be applied in these two areas. UNIDO has used these general guidelines by adapting them to the different situations prevailing in developing countries and having regard to the relative strengths of the parties concerned as reflected in different forms of international industrial co-operation, such as the purchase of turn-key plants, separate contracts designed to "open" a technology package, and licensing arrangements. The nature and content of arrangements vary considerably in accordance with the needs of specific developing countries and their individual levels of technological and economic development.

57. UNIDO has also used these general guidelines and adapted them to the characteristics of selected sectors of industry, particularly by rendering them more specific and complete.

58. The fertilizer industry has served as a test-case through the preparation of two model contracts which were finalized by an international group of experts. The major benefits to be derived from the are as follows:

(i) The model contracts have been discussed in depth and negotiated by reputable engineering contractors and experienced purchasers - they are the first contracts of this type, since earlier model contracts were unilateral contributions from experts and/or industry;

(ii) The model contracts are balanced between obligations, liabilities and financial compensation according to the needs of the developing countries;

(iii) These contracts can be directly applied to actual negotiations in the fertilizer industry, and with moderate modifications can also be applied to any other processing industry - about half of the more important articles can be used in any industrial contract;

(iv) With the help of these model contracts, purchasers from developing countries can better define their project needs, ensure a more effective implementation thereof, and avoid increased investment cost in new plant and cost overruns due to delays encountered during the contracting and implementation phase of the project.
59. In the petrochemical industry, the Second Consultation recommended that UNIDO revise the first draft of a model form of licensing agreement, taking full account of the comments made at the Consultation, and provide a more integral commentary on the text including, where necessary, alternative texts. This new text is to be distributed to all member States and participants in the Second Consultation after being reviewed by a group of experts.

60. In the leather and leather products industry, the checklist of points to be covered in contractual agreements was approved by the Leather and Leather Products Industry Panel, which included the most well-known experts in this industry. This checklist is to be circulated to members of the industry as well as to other interested parties.

61. In the pharmaceutical industry, the First Consultation requested UNIDO, in co-operation with an ad hoc panel of experts, to prepare a document containing terms, conditions and variations thereof, as well as background notes for contracts related to the manufacture of intermediates and bulk drugs, as well as to the implementation of turn-key projects in developing countries.

62. In the capital goods industry, the preparation of a checklist of specific elements was suggested for inclusion in arrangements for the transfer of technology for capital goods corresponding to various levels of technological complexity.

63. In the agricultural machinery industry, it was suggested that UNIDO undertake the preparation of model contracts to deal with import policies, licensing for local manufacture and joint ventures, taking into account, wherever appropriate, the model contracts under preparation within the framework of the UNIDO System of Consultations.

Conclusion

64. In line with the objectives mentioned in paragraphs 1 and 2 above, Consultations have taken into account, inter alia, the positive aspects of current practices in international industrial collaboration, and have formulated proposals for closer collaboration in the field of industry...
between developed and developing countries and among developing countries themselves, due attention being paid to all interests involved and to the developing countries' imperative need to accelerate their industrialization. Thus, progress has been made from reaching agreements in principle on objectives to developing specific action-oriented measures which recognize, reconcile and balance divergent interests through consensus decisions.