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RATIONALIZATION AND HARMONIZATION OF ISSUES FOR INDUSTRIAL
CO-OPERATION WITHIN THE PTA COUNTRIES

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RATIONALIZATION AND HARMONIZATION OF ISSUES FOR INDUSTRIAL
COOPERATION WITHIN THE PTA COUNTRIES

OVERVIEW

1. The creation of the PTA brings together countries with different historical experiences, different levels of development, industrial policies and strategies, as well as relatively different measures and incentives for promoting industrial development. Similarly, member States of the PTA have already, in some ways, instituted policies, measures and conditions for dealing with such matters as patents, R & D and indigenization of industrial plants and many other factors of production. For these and other reasons, the rationalization and harmonization of issues related to industrial development is to be seen as a continuous and permanent exercise.

Objectives for Rationalization and Harmonization within PTA

2. The general objectives and priority areas for cooperation in the field of industry are elaborated in the Treaty for the Establishment of the Preferential Trade Area for Eastern and Southern African States. ^{1/} Among the major objectives that might be cited for rationalization and harmonization of measures and institutions, include the following:

- (a) to ensure greater and more effective collective self-reliance;
- (b) to expand trade in industrial products and effect structural transformation of industry for the purpose of fostering the overall social and economic development of the member States;
- (c) to ensure effective mutual reinforcement of measures taken at different national levels;
- (d) to facilitate joint actions;
- (e) to encourage greater distribution of gains from cooperation among member States;
- (f) to facilitate the evolution and development of common or at least non-contradictory policy measures in the field of industry.

Fundamental principles

3. In order to facilitate the achievement of the objectives for rationalization, it will be necessary to follow some fundamental principles in multinational co-operation, as indicated below:

- (a) full equality and respect for the sovereignty and national interests of each member State;

^{1/} See Protocol on cooperation in the field of industrial development: Articles 2 and 3.

- (b) specific measures aimed at raising the levels of industrial development of the less advanced members of the subregion;
- (c) coordination of the efforts of several countries to tackle common problems of industrial development;
- (d) combination of the complementary, diversified and specialized patterns of industrial development of each member country, depending on its natural resource endowment, geographical and other factors;
- (e) multilateral coordination of industrial plans and cooperation in the field of industrial forecasting and planning; and
- (f) structural transformation of industry, leading to expanded trade in industrial products, designed to increase efficiency and secure a more economic use of resources in the short-, medium- and long-term.

4. Based on these principles, the member countries may proceed to formulate and agree on a general conceptual approach for industrial cooperation and integration. In this respect, it should be recognized that the development of industrial cooperation should be a process regulated in a conscious and planned manner by the Governments concerned, so as to achieve continuous linkages and harmony among the countries, particularly in the core branches of industry, to broaden the national markets, and to facilitate the flow of goods and services among the member States. The final goal of such cooperation should be seen as the creation of favourable conditions for a more effective use of natural and human resources of the member States; the formation of modern structures for self-sustainable industrial development of each of the national economies on basis of collective self-reliance.

Areas of possible Rationalization

5. In the Treaty for the PTA, the specific areas referred to for harmonization is in the field of full use of established industries to promote efficiency, as stipulated in Article 3(b) of the Protocol on industrial cooperation.

6. Other areas referred to in the Protocol relate to quality control and standards of products of multinational enterprises, as stipulated in Article 4(2b) (iii) as well as Article 5(2e). The Protocol also underlines the need for the development of indigenous entrepreneurship, training and consultancy services in Article 6. Other related areas, stipulated in Article 7, concern research and development and technology, where the member States are called upon to evolve a common approach regarding the transfer and adaptation of industrial technology and regulation in matters of industrial property.

7. In Article 8, the need for harmonization of investment laws and incentives is highlighted by being treated in a separate article. Article 9 provides for the exchange of information on legislation and regulation concerning investment from third countries and related incentives, as well as exchange of information regarding legislation on patents, trade marks and designs.

8. Given the objectives, the fundamental principles and the areas of possible rationalization and harmonization, consideration should, therefore, be given to the following three complementary basic techniques as procedural approaches:

- A. Rationalization and harmonization of issues at the stage of formulation and promotion of national industrial policies, priorities, strategies, plans and programmes;
- B. Establishment of adequate organizational mechanisms for implementing the above; handling the rationalization and harmonization issues on a continuous basis at national level and within the PTA structure.
- C. Techniques for initiating action in the short-term and laying the ground work for A and B above.

9. The rest of this paper will be devoted to attempts to elaborate on each of the techniques mentioned.

A. IDENTIFICATION OF PRIORITIES THROUGH CONSULTATIONS ON FORMULATION OF STRATEGIES, PLANS AND PROGRAMMES

I. Determining the Criteria for Choice of Priorities

10. One of the first objectives of the Committee on Industrial Co-operation is gradually to formulate specific priorities and a programme based on these priorities and the most urgent tasks in which harmonization is to be pursued in the long-medium- and short-term. This is necessary, in order to ensure that harmonization starts in those areas which are easier to rationalize and those that are urgent, leaving the more difficult areas for later action. One of the tasks of the Committee is, therefore, to determine and agree on long-, medium- and short-term priority areas for rationalization and harmonization.

11. In trying to determine such priorities, it is necessary to formulate an acceptable criteria for the choice of priority areas for rationalization and also to determine the related objectives in the long-, medium- and short-term. In this context, it may be useful to consider basing the choice of priority areas for rationalization on, inter alia, the following factors:

- (i) rationalization that would affect production capacities, including also assessment of the different incentive regimes with a view to their harmonization;
- (ii) rationalization in relation to the future investment;
- (iii) rationalization with regard to investments which are being initiated;
- (iv) rationalization based on specific priority products of core subsectors;
- (v) rationalization based on expected flow of trade in manufactures;

- (vi) rationalization that affect other major objectives and/or Protocols of the Treaty;
- (vii) areas of greatest discrepancies in size, level, type of and duration of incentives and subsidies;
- (viii) rationalization based on incentives and subsidies granted to:
(a) foreign investors, (b) indigenous investors; and
- (ix) rationalization in the field of industrial plans, policies and strategies.

12. No doubt the above criteria are incomplete and additional elements will have to be systematically determined and included through methodical techniques.

13. Bearing in mind the fundamental principles listed above, the initial category of the basic methods for gradual rationalization and harmonization of co-operation issues might comprise the following techniques:

- (a) conducting multilateral and bilateral mutual consultations in the sphere of basic industrial problems;
- (b) multilateral and bilateral co-operation in the field of industrial planning at country level, including co-operation in industrial forecasting, the co-ordination of medium-term and long-term plans in the key branches of national industry, joint planning by interested countries of individual types of production, and the sharing of experiences in the field of management of industrial economy;
- (c) planning the development of industrial co-operation on the basis of specialization and complementarity in the field of production, technology, concerted efforts by the parties concerned with the aim of jointly prospecting for and exploiting usable raw material, building of industrial enterprises, and conducting joint R & D projects;
- (d) expanding reciprocal trade turnover, coupled with upgrading its national effectiveness, upgrading its organizational structure based on indigenous agents of production and distribution;
- (e) promoting direct contacts between ministries, business organizations and corporations, public utilities, Chambers of Commerce and Industry, R & D and construction organizations and major consultancy firms of member countries;
- (f) strengthening existing multinational specialized organizations and establishing new ones: in such field as project preparation, manpower training, procurement of material and equipment, production and distribution and marketing, and indigenization of economies, investment finance, etc.;

- (g) formulating legal aspects of industrial co-operation, strengthening its multinational legal foundations with particular attention to the financial responsibility of the parties involved in reciprocal commitments.

II. Consultations on Basic Issues of Rationalization and Harmonization

14. Rationalization and harmonization of issues calls for regular consultations among member countries on fundamental issues of industrial co-operation, so as to promote the creation of more favourable conditions for gradual working out and implementation of a rational and harmonious strategy for the further improvement of co-operation for industrial development. To achieve this end, it might be necessary for the PTA member States to agree on the following:

1. that they shall hold mutual consultations on all fundamental questions of industrial and technological policy, notably the problems of highest importance to mutual interests, comprising the main objectives and activities in the industrial and technological fields being undertaken in each of the participating countries; the stages of the implementation of these activities; and also problems whose solution, in view of the interested countries, are beyond the capabilities of individual PTA member States;
2. that they shall carry out mutual consultations on fundamental issues of industrial and technological policy on a multilateral basis within the PTA framework and, on a bilateral basis between the interested countries in accordance with the procedures agreed upon between them; and that the level at which mutual consultations are carried out shall be decided by the countries depending on the nature and content of the issue. 1/

III. Co-operation in Planning and Policies

15. Co-operation in planning activities, especially the co-ordination of plans and policies, could provide the main initial method for actual organization of rationalization and harmonization of co-operation issues. To achieve this purpose, co-operation in planning and policies will have to be carried out systematically and continuously in order to be able, opportunely, to point out problems and ways for their solution. Such co-ordination in planning and policies should aim at least at the following:

1/ It has been observed in the LAFTA countries that though many industrialists have given strong verbal support to regional integration, they tend to send lower-level officials and technicians to LAFTA negotiations, people who are uninterested as to the long-range objectives of their companies. They could not argue, therefore, for a particular future pattern of production or trade, and they are often afraid of giving away an opportunity in a future product line. Consequently, the negotiations go on interminally over minute points. See Jack N. Behrman, The Role of International Companies in Latin American Integration, Lexington Books, pp. 113-114.

- working out forecasts in the key fields of industry;
- co-ordination of long-term plans and policies for the key industrial branches and lines of production;
- the further improvement of the co-ordination of medium-term industrial plans (usually 5 year plans)
- the joint planning of interested countries of individual industrial branches and lines of production;
- the exchange among PTA member Countries of experience on improving the system of planning and national industrial management.

16. Other essential factors that should receive attention for effectiveness of co-operation in planning and policies, should include the comprehensive solution of co-ordinated problems, embracing issues of capital investment, the specialization and co-operation in production, reinvestment, investment codes and incentives, as well as the co-ordination on that basis of reciprocal deliveries of goods and services and their basic terms.

1. Co-operation in industrial forecasting

17. The subject of co-operation in forecasting can only be determined by the interested countries. For the purpose of this paper, it is hereby suggested that the Centre for promotion of industrial development, (referred to in article 5 of the PTA Protocol on industrial co-operation) should, in collaboration with national industrial planning agencies, spearhead the work related to co-operation in forecasting. The work can start with the definition of the range of the subjects to be embraced by the joint forecasting on the basis of proposals made by the interested countries, organizing the practical elaboration of joint forecasts, and following this up with promotion of the utilization by countries of the results of these forecasts in accordance with the interests of the countries in specific fields. Taking into account the identified core industries in the member States, the following fields are suggested for forecasting coverage:

- (a) the raw materials for food, textiles and building materials industries;
- (b) the raw materials for the ferrous and non-ferrous metals industries, the chemical, pulp and paper, including geological surveying;
- (c) petro-chemicals and associated basic lines of production (for example plastics, synthetic rubber, etc.)
- (d) engineering goods related to equipment and machines particularly required for agriculture and transport and communications; spare parts and components
- (e) the energy industry.

18. The exchange of information in forecasting should also embrace, in particular, the following questions:

- growth rate dynamics;

- changes in the structure of production in key branches and groups of product lines;
- foreign trade trends and prices;
- basic trends in the development of education, training and improvement of technical and managerial skills.

2. Co-ordination of long-term plans for key industrial branches

19. The long-term co-ordination of plans by the PTA member countries should embrace specific issues in which all or several countries are interested; ^{1/} it could be carried out on a multilateral or bilateral basis, in accordance with arrangements made by the countries concerned.

20. During multilateral and bilateral consultations, the representatives of the planning bodies could undertake the co-ordination of long-term plans of the interested PTA member States, with the participation in that work of agencies of production and distribution and other relevant organizations. The multinational instruments within the PTA structure could be responsible for overseeing the work.

21. To be of practical use, the co-ordination of long-term industrial plans by the countries will have to be tied up with the preparation and formulation of national long-term plans (10-20 years). The countries concerned will need to decide on the range of the long-term problems to be co-ordinated, and to define the order and dates for their formulation, as well as the ways and means for their solution. The interested countries, should afterwards be prepared to endorse the framework formulated on the long-term plans co-ordination by signing some agreement on the basis of their concensus of opinion on the need for a solution of the long-range problems.

3. Coordination of medium-term plans:

22. Since the medium-term plans are usually more concrete than the long-term plans, the former might be considered to form one of the main approach for the systematic development of rationalization and harmonization of issues related to industrial activities and institutions.

23. Consultations on coordination of the medium-term plans (5-10 years) should normally precede but be closely linked with the work on formulation of national plans. The formulation of these draft national plans could then take into account the agreements reached in the course of consultations on plan coordination, and the conditions and means for the fulfilment of agreements arising from the coordination of plans should be provided. Coordination might be carried out on a bilateral and multilateral basis.

^{1/} Usually, governments are reluctant to accept international undertakings of a general nature, either because they wish to retain their freedom of decision, or because they are unable to identify the precise long-term extent and significance of such undertakings.

24. The following issues may be considered for coordination within the medium-term plans:

- (a) the development of specialization and complementarity of industrial production for the purpose of organizing a national scale of production, taking into account the need for harmonious transition;
- (b) the coordination of capital investment, investment codes and incentives for reinvestment into particular projects which are of mutual interest and entail cooperation, with a view to achieving maximum effectiveness in the creation of productive capacities, and the expansion and development of the raw material and energy base for core industries;
- (c) volume and dates of reciprocal deliveries of goods and services, taking due cognisance of the economic conditions for such deliveries.

25. In the course of executing the coordinated plans, it should be up to the member countries to inform each other of the main aspects and general trends of their medium-term plans, and also to consult each other on conceptions mapped out for foreign industrial involvement in matters of mutual interest.

26. After the formulated framework for coordination of medium-term plans has been completed, intergovernmental agreements may have to be signed between authorized industrial organizations on mutually agreed issues, in accordance with their nature.

4. Joint planning of individual branches of industry:

27. Joint planning, within the PTA framework, could include preparations for production, production itself, distribution and marketing. It may also relate to any one particular aspect enumerated above without involving the other aspects. Such joint planning could be very useful in promoting the accelerated development of the given core lines of production.

28. If the interested countries so wish, joint planning might be undertaken for the economically justified period of time agreed on, and might also differ for the individual branches or product lines chosen.

29. It is also important that joint planning should not interfere with the autonomy of internal planning; and that ownership and managerial responsibility for productive capacities be clearly defined. 1/ The main content of the activities concerned with joint planning could include the following:

1/ The use of joint production arrangements has shown that transnational corporations of developed countries have often taken advantage of institutionalized mechanisms more rapidly than indigenous companies or corporations, thus perpetuating elements of dependence, at least as regards decision making.

- (a) drafting of coordinated programmes for the preparation of production, as well as specialization, complementarity and co-production, sub-contracting, etc.,
- (b) planning of marketing and distribution of the product and coordination of all the terms for reciprocal deliveries;

30. Joint planning could be on multilateral or bilateral basis. Agreements on joint planning should be legalized by participating countries. In the first stages, joint planning should cover only a limited number of branches or product lines, and gradually expanded as countries gain experience.

IV. Rationalization in Industrial Technology

31. Rationalization and harmonization activities relating to industrial technology and engineering could be handled also through systematic mutual consultations on the basic questions, such as:

- (a) jointly working out specific individual problems in industrial technological and engineering design, including R & D;
- (b) coordinating and/or cooperating in technological research and engineering design;
- (c) exchanging technological information, inventions and adaptations;
- (d) expanding cooperation in the training of research and design personnel and in other fields.

V. Rationalization in Trade in Industrial Products

32. In order to develop rational mutual trade, the PTA member countries should undertake to agree on the following:

- (a) raising the capacity and stability of their shared PTA market and expanding reciprocal trade between themselves;
- (b) highlighting the role of long-term purchase agreements;
- (c) further qualitative development of reciprocal trade by the participating countries in raw materials and intermediate goods and equipment;
- (d) creating the necessary conditions to enable the seller rapidly to impart adequate information to the buyer about his export possibilities; this could be achieved through establishment of extensive information network and consultation services designed to assist buyers in the member countries;

- (e) the working out of long-term forecasts of the development of the PTA market; this could be done simultaneously during the working out of long-term production plans;
- (f) determination of prices for reciprocally traded goods, and the comprehensive study of questions regarding the barter system and application of local currencies.

VI. Rationalization of Incentives for Foreign Investors

33. Problems between governments and foreign investors in manufacturing could be particularly acute in a sub-regional trade area such as the PTA. Foreign firms stand to benefit most from the reduction of trade barriers: those with branches in a number of countries can, comparatively easily, expand the marketing of their products throughout the subregion. Furthermore, they are likely to have access to lower cost capital in developed countries. Large foreign capital could, in fact, become the first to build their own multinational complementarity arrangements under the PTA Treaty.

34. The stronger foreign investors could, in addition, go into the purchase of existing indigenous firms, — the type of investment not likely to bring with it the benefits of new capital or technology and which may stifle local enterprise. As there is the possibility that foreign investment might run rampant under sub-regional integration arrangements, common rules governing foreign investment should be made tougher than under individual countries.

35. A common foreign investment code could provide for such rationalized treatment as: (i) specifying economic activities which will be open to foreign investors; (ii) giving special consideration to the least developed countries; (iii) agreeing on type of concessions to be extended to foreign investors, and the period within which they must convert to national or joint enterprises if they wish to have access to the PTA market; and (iv) agree on definitions of a foreign company, a national company and a joint enterprise.

36. Rationalization of incentives can, in fact, provide the clarity and stability in regulations that are so badly needed for the making of investment decisions. If the "rules of the game" are spelt out and are likely to last, they may, despite their severity, provide more incentives for foreign investors than vague regulations of individual weak countries with apparently more favourable "investment climates".

37. It is important to remember that capital investment per se does not always lead to economic development and can, in certain cases, add a further burden to the economy if improperly channelled. Foreign companies can do even further harm as preferred customers of local banks by diverting scarce credit from indigenous investors.

38. Foreign investment "can be at its creative best by bringing in 'missing' factors of production, complementary to those available locally". It may play a stunting role "later on, when the poor country has begun to generate its own entrepreneurs, technicians and savers and could now do even more along these lines if it were not for the institutional inertia that makes for a continued importing of so-called scarce factors of production"^{1/}. Hence the need for rationalization so that foreign firms complement rather than compete with indigenous enterprise. Such rationalization optimizes the combined benefits accruing to the economy; otherwise contributions from both foreign and indigenous investors may vanish when foreigners buy out solvent local business enterprise and go on to cut down themselves on the net flow of capital to the member States.

VII. Rationalization of Incentives for Indigenous Investors

39. The main device used to protect indigenous investors from foreign competition in the member countries has been trade licensing for opening up opportunities to them in commerce. Manufacturers operating in these countries, whether they be foreign, state, mixed or purely private indigenous enterprises, can usually obtain protection from import competition through tariffs and the various types of import controls.

40. For the majority of indigenous investors, however, limitations on competition from the more experienced foreign businessmen and companies operating in the country, are a substitute for the protection from imports. Care must obviously be exercised in determining the extent and duration of this type of protection. For the purpose of rationalization, this type should be accompanied by more positive promotional and support measures to improve the capabilities of the indigenous investors concerned. The series of measures taken with regard to Africanization in some PTA member States are open to criticism primarily on this ground.

41. Studies ought to be undertaken and consultations held to assess the impact of the large variety of government regulations, legal and administrative, which have some bearing on the development of indigenous business capabilities in industry. Many African governments are too regulation-minded (e.g. exercising detailed controls over imports, foreign exchange, licensing, etc.), often ending up with results which are quite the opposite to what is intended. In the interest of stimulating indigenous industrial enterprise, it may be advisable to simplify and keep regulations rational and to a minimum required by major policy considerations. Where regulations are necessary, special measures should also be instituted to prevent them from operating to the disadvantage of nascent indigenous enterprise which should grow to play a key role in multinational industrial co-operation.

42. In some member States, fo

^{1/} See Albert O. Hirschman, How to Divest in Latin America and Why, Essays in International Finance, No. 76 (Princeton University, 1969), P.6.

42. In some member States, foreign exchange and import licensing used to facilitate the entry of indigenous investors into industry, have at times also operated to favour state and larger enterprises at the expense of smaller private enterprise. It is usually easier for larger enterprises, whether state or foreign, to obtain licenses. Moreover, small indigenous producers often suffer acutely from the shortage of raw materials and equipment.

43. In the field of business taxation, it is important that the situation be progressively rationalized; and it is unlikely that this can be achieved unless the tax structure and tax rates are reviewed for the purpose of determining whether the burdens they impose are reasonable and conducive to multinational co-operation. Burdens which are unreasonable often succeed only in leading many indigenous entrepreneurs to evade the taxation laws in whole or in part.

44. Under foreign investment codes, adopted by most member States, approved projects for expansion or new investment can usually receive exemption or reductions in taxes on imports of equipment and raw materials, on profits and on internal transactions. Application of similar investment codes should be extended to smaller indigenous enterprises, including also exemptions on transactions done within the PTA. ^{1/} As governments provide more assistance to indigenous businessmen, they can legitimately expect, in return, an observance of the law.

45. The question whether subsidies should be accorded as an inducement to invest will certainly also come up during consultations. Apart from direct subsidy, consideration could be given to indirect ones also, e.g. providing industrial advisory, consultancy and training services free of charge. However, all types of subsidies should be scrutinized closely before application, in terms of harmonious co-operation versus creation of vested interests who insist on perpetuation of costly subsidies.

VIII. Other related Areas of Rationalization

1. Rationalization in Standards: to accomplish multinational harmonization and specialization in production and reciprocal trade among the member countries it would be necessary to adopt systematic principles for comprehensive standardization of key types of products, ranging from raw material and intermediate goods to finished products, systems of machines, equipment and instruments as well as components and parts for general engineering purposes slated for production or marketed. When expedient, standardization should extend to activities in the research and design work carried on as part of co-operation within the PTA framework..

^{1/} In practice, however, it is by no means sure that the problem of taxation can be resolved in this way. Most indigenous producers, for example, do not directly import their equipment or raw materials, but obtain them through local merchants. In theory, the latter might be qualified to obtain duty rebates on equipment and raw materials sold to indigenous manufacturers for approved purpose, but procedures for getting such rebates are often complicated by other factors.

2. Rationalization in the Food Industry: through consultations and information exchange, member States could examine whether it would be possible and advisable for interested countries to carry out joint planning of the production of agricultural products and the sale of the output of certain branches of the food industry.
 3. Rationalization in transport: in order to meet more fully and steadily the requirements of their peoples and economy in relation to conveyance of goods and services by all kinds of transport, the PTA member countries will need to hold multilateral and bilateral consultations on the basic trends of transport policy, as well as to rationalize and co-ordinate transport development plans, including some long-range problems.
 4. Rationalization in construction industries: it is imperative to extend rationalization in this field so as to raise the technical level of the building materials industry and to satisfy the requirements of the building industry for essential building materials, etc.: to raise the quality of design work, and reduce construction and design time.
 5. Rationalization of Legal Principles Governing Co-operation: The promotion and improvement of industrial co-operation, based on collective self-reliance, calls for rationalization of the legal principles of co-operation in each PTA member State, in particular through the elaboration and adoption of normative statutes regulating the industrial and technological cooperation of the member States, including their research, financial, consultancy and other organizations, as well as the activities of indigenous and foreign investment companies located within the PTA countries, the creation of mechanisms and procedures for settling disputes arising in the course of cooperation; and through the harmonization of relevant national legal norms.
46. The harmonized legal norms, established through study and consultations, should, in particular, facilitate smooth cooperation in coordinating national plans and policies, including the coordination of industrial investment programmes, joint production, contracting, sub-contracting and specialization; cooperation in exchange of specialists and services; the establishment and operation of multinational corporations and enterprises owned by the PTA member countries; developing contractual relations between interested indigenous agents of production and distribution on a multinational basis; and legal protection of trade marks, inventions and industrial samples.

B. ORGANIZATIONAL MECHANISMS FOR IMPLEMENTING THE RATIONALIZATION AND HARMONIZATION OF ISSUES

47. Given the priority issues for rationalization and the approaches suggested for identifying such priorities and coordinating the related policies and programmes, it is necessary to create a reliable mechanism which could provide the Governments with a forum for multilateral discussions and consultations in order to initiate measures to encourage harmonization and to assist the countries in the implementation of the rationalization programmes. In this connexion, the Committee on Industrial Cooperation may consider establishing a sub-committee within the PTA structure to handle rationalization and harmonization issues on a continuous basis in collaboration

with the Centre for Promotion of Industrial Development which could assist in preparation of various studies and documents for discussion.

48. As regards the initial stages of rationalization, this Committee may need to undertake broad studies in designated areas of rationalization at the PTA secretariat level, in order to secure general consensus with regard to the pace and scope in which rationalization is required and how the member States will be assisted through PTA organs to undertake the rationalization.

49. At the same time, each member State shall need to take steps to expand the direct link between their competent bodies (e.g. ministries, department, as well as research, training, consultancy, business and other organizations) and the PTA organs under the direction of the Committee. Such direct links will be particularly important if the parties involved are mutually interested in working out concrete cooperation projects and, therefore, imply:

- an exchange of information about the conditions, experience in and ideas on particular industrial activity, planning and organization of production;
- working out concrete measures to implement the specific decisions reached regarding rationalization, such as: utilization of productive capacities; specialization; investment codes; joint investment or joint utilization of resources; standardization; work under contract or sub-contract; organization of inputs and services; etc.

50. In structuring these organizational mechanisms, account will have to be taken of the different levels of development among the member countries, the differences in their resources and pay attention to what is required and feasible in the long-medium and short-term. Rationalization should not be viewed as an end in itself, but a means of securing effective cooperation in order to increase the benefits of collective self-reliance and to accelerate the pace of industrialization among the PTA member States.

C. RECOMMENDATIONS FOR SHORT-TERM ACTIVITIES

51. Normally, the rationalization of industrial issues in the short-term (1-3 years) would comprise the implementation plans of the questions programmed for rationalization and harmonization in the coordinated medium-term plans. However, in the present initial circumstances, short-term activity need to start off with identification of the priorities and laying the groundwork for their formulation into long- and medium-term objectives.

52. In this connexion, it is proposed that the Committee on Industrial Cooperation set up a team of experts to undertake work in identifying priorities for rationalization, utilizing the benefit of the advice and support of an intergovernmental sub-committee established for the purpose as suggested under B above. The Team might be financed through contributions by the Governments concerned.

53. The terms of reference for the Team should include the preparation of general economic analysis of long-term trends and prospects of the PTA countries and detailed studies of possibilities for rationalization among them in specific branches of industrial activity and other related areas. Special attention should be given to matters stipulated in the Protocol. The main objective of the Team would be to identify the priorities and the possible ways in which rationalization among the PTA countries could make their economies individually and collectively more efficient and more capable of achieving the objectives set out in the Treaty for the establishment of PTA. The Team would seek to achieve this, first by analysing thoroughly, and developing as necessary, certain general techniques of rationalization for adoption in PTA; secondly, by making more detailed studies at sub-sectoral and project level, designed in some cases for implementation within the framework of the general techniques and, in other cases, for the achievement of objectives outside the scope of these general techniques.

54. The general techniques for rationalization strictly in industry will, in many cases, need to be reinforced by rationalization and harmonization in other forms and in other fields, e.g. in the financing of industrial development; in monetary and balance of payments matters; in transport; harmonization of statistics, standards and specifications; in various forms of training; the pooling of research and research results; and a variety of other similar activities.

55. The proposals derived from the findings of the Team should not represent merely a list of possibly useful suggestions from which a choice can be made; but they should rather be designed to represent a coherent, integrated and interrelated strategy for the industrialization of the PTA countries — a strategy whose various parts all contribute to the efficacy of the whole.