



UNIDO PROJECT

to enhance the industrial integration of
EurAsEC countries



**EXPRESS ANALYSIS OF INDUSTRIAL COOPERATION AND
THE WAYS OF ITS DEVELOPMENT WITHIN
EURASIAN ECONOMIC COMMUNITY MEMBER STATES
(EURASEC)
2011**

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Prepared with assistance of offices of “UNIDO project to enhance the industrial integration of EurAsEC countries and linkages with UNIDO global networks” in the Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Kyrgyz Republic and Republic of Tajikistan.

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Contacts:

Tel.: +7 (499) 943-00-21
Fax: +7 (499) 943-00-18
E-mail: info@unido.ru
Web: www.unido.ru
Address: 21B Kuusinena str., 125252,
Moscow, Russian Federation.



EXPRESS ANALYSIS OF INDUSTRIAL COOPERATION AND THE WAYS OF ITS
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The purpose of this express-analysis is to obtain information from a representative number of industrial enterprises (large, medium and small) on current status, problems and prospects of industrial cooperation within EurAsEC member states.

Furthermore, the aims of the express-analysis are to obtain information for the purpose of development and implementation of comprehensive modernization programmes for industrial enterprises and to promote industrial cooperation with foreign partners within the *Project to enhance the industrial integration of EurAsEC countries and linkages with UNIDO global networks*.

The survey was conducted among 402 industrial enterprises of all forms of proprietary through distribution of questionnaires and subsequent data processing by office coordinators of the *UNIDO Project to enhance the industrial integration of EurAsEC countries and linkages with UNIDO global networks*.

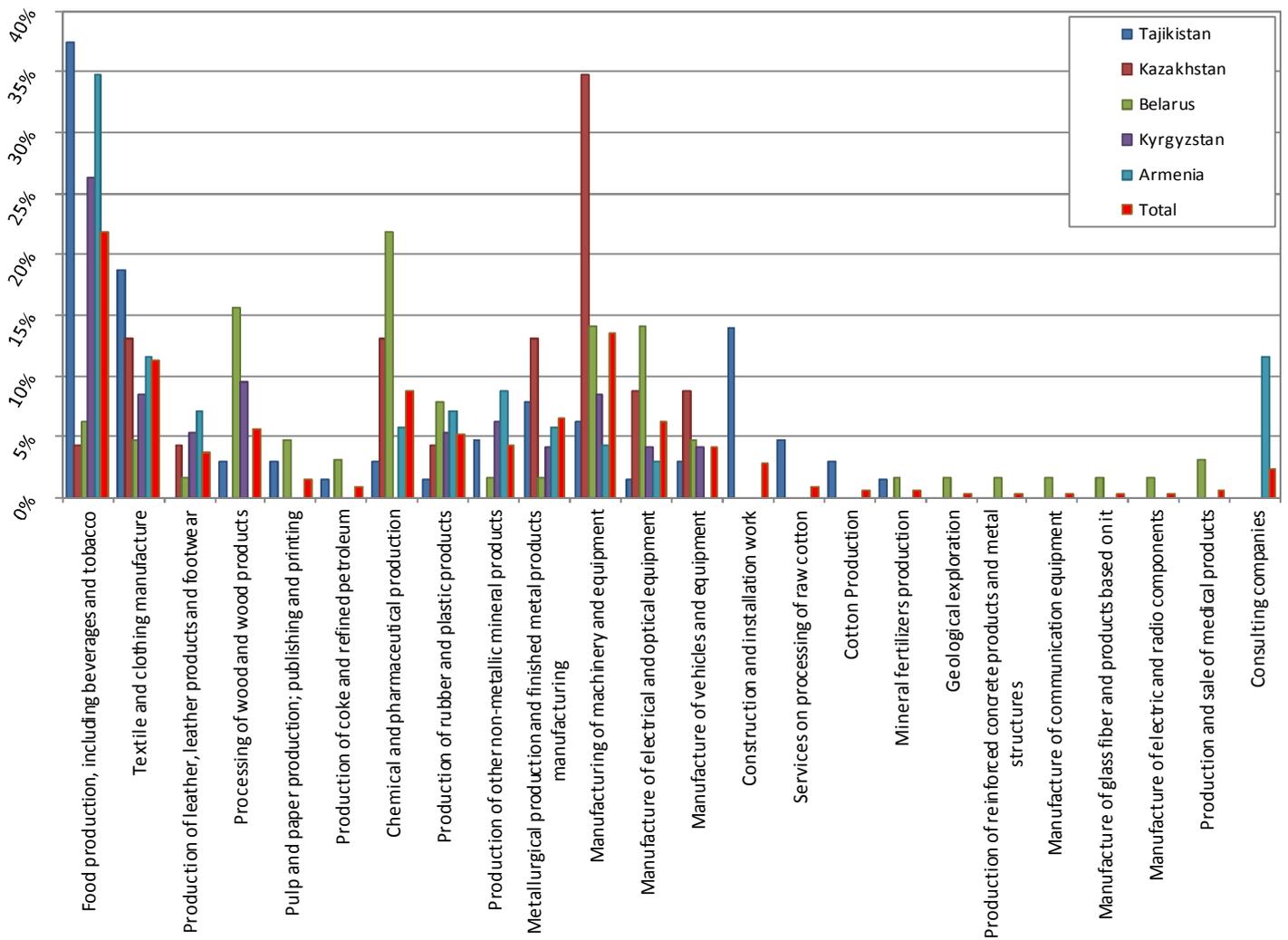
About 94% of respondents are mostly engaged in production activity; while the share of organizations providing services is 19% (some organizations provide services along with industrial activity).

The Questionnaire consisted of 10 questions:

1. Operation field of a company.

Note the most evident indicators of respondents' distribution by branches in the countries (Table 1 of Annex):

Most of respondents are engaged in food production, including drinks and tobacco, manufacturing of machinery and equipment, chemical and pharmaceutical production, textile and clothing manufacture.



2. Which groups of countries the cooperation was established with or is eligible to establish in future?

According to the Table 2 more than 93% of respondents favored the establishment of cooperation with enterprises and organizations of EurAsEC countries, more than 60% - with the representatives of CIS countries. More than 8% of respondents favored the cooperation with the representatives of other countries including China, India, Israel, USA, Canada and EU countries.

3. Desired or established forms of cooperation/partnership.

Desired or established forms of cooperation are presented in Table 3. The highest rates of desired (established) forms of cooperation among the countries are marked green.

The most solicited forms of cooperation in EurAsEC region are trade (50%), information exchange (40%), production cooperation (38%), marketing (37%) and equipment purchase (35%).

Desired or established forms of cooperation/partnership in EurAsEC



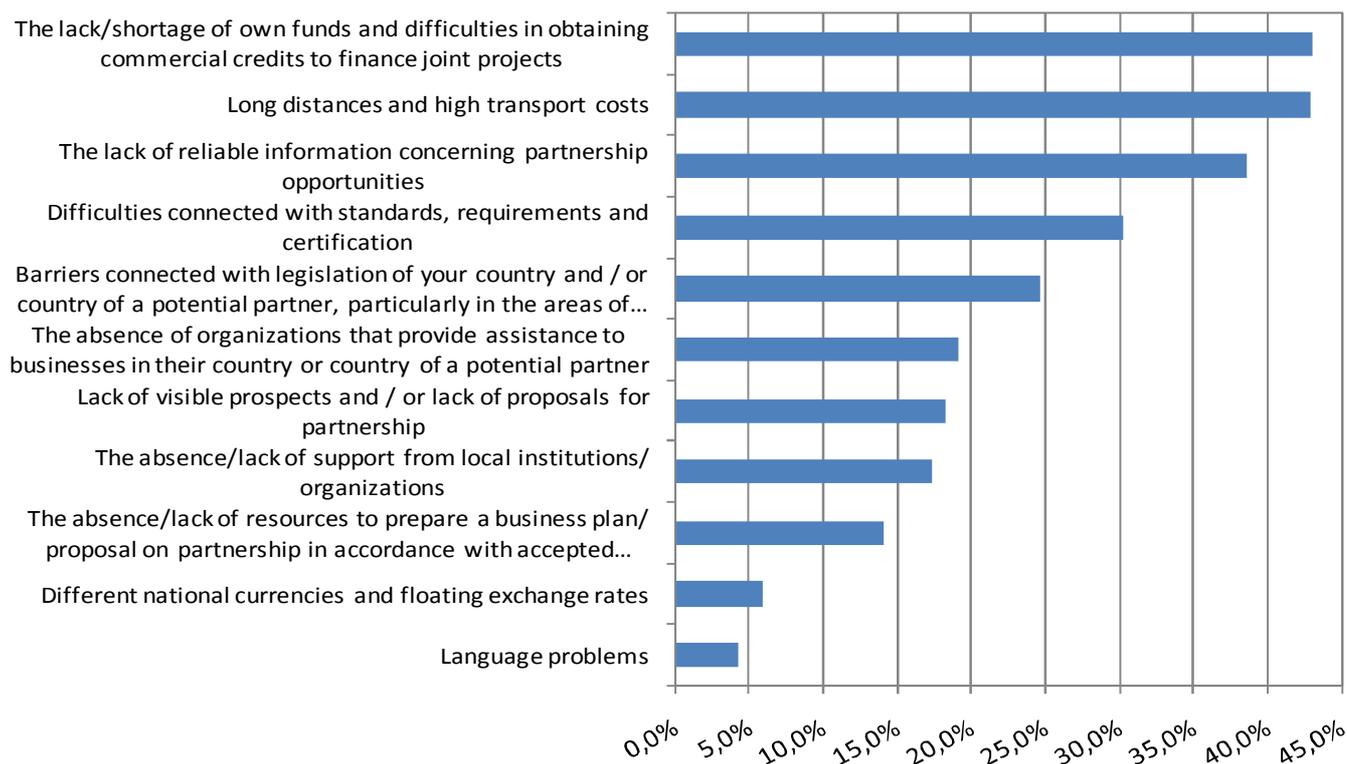
The conducted analysis shows the necessity of UNIDO offices establishment in these countries to promote industrial integration of EurAsEC, as well as to establish partnership relations with foreign partners since UNIDO has extensive experience in international cooperation, experience exchange, provision of technology tools and methodologies of comprehensive programs implementation to modernize industrial enterprises. In particular one of the most important areas of UNIDO activity encompasses establishment of mutually beneficial cooperation, provision of information assistance, assistance in dealing with issues of intangible nature, cooperation with organizations that provide support services for industrial enterprises.

4. The main difficulties/obstacles in establishment and/or implementation of industrial cooperation with foreign partners.

In Table 4 the difficulties and obstacles, which EurAsEC enterprises face while establishing and/or implementing industrial cooperation with foreign partners, are marked in red.

The diagram reveals four main common difficulties/problems of EurAsEC countries:

- 1) The lack/shortage of own funds and difficulties in obtaining commercial credits to finance joint projects (43%).
- 2) Long distances and high transport costs (43%).
- 3) The lack of reliable information concerning partnership opportunities (39%).
- 4) Difficulties connected with standards, requirements and certification (30%).



The above mentioned difficulties and problems are also confirmed with other identified indicators connected with both negative and positive aspects of cooperation.

Problem 1 - The lack of reliable information concerning partnership opportunities - due to low rates (i.e. identified needs):

- in provided services adequacy (Question 5) such as Access to reliable information concerning partnership opportunities with foreign partners, Organization of the events to promote subcontracting, Access to new technologies;
- in the access to information which assists an enterprise to increase competitiveness and develop mutually beneficial industrial cooperation and collaboration with countries (Question 7) such as information about Markets and commodities, Potential partners, Technologies and equipment, etc;

Problem 2 - The lack/shortage of own funds and difficulties in obtaining commercial credits to finance joint projects - due to low rates (i.e. the identified needs):

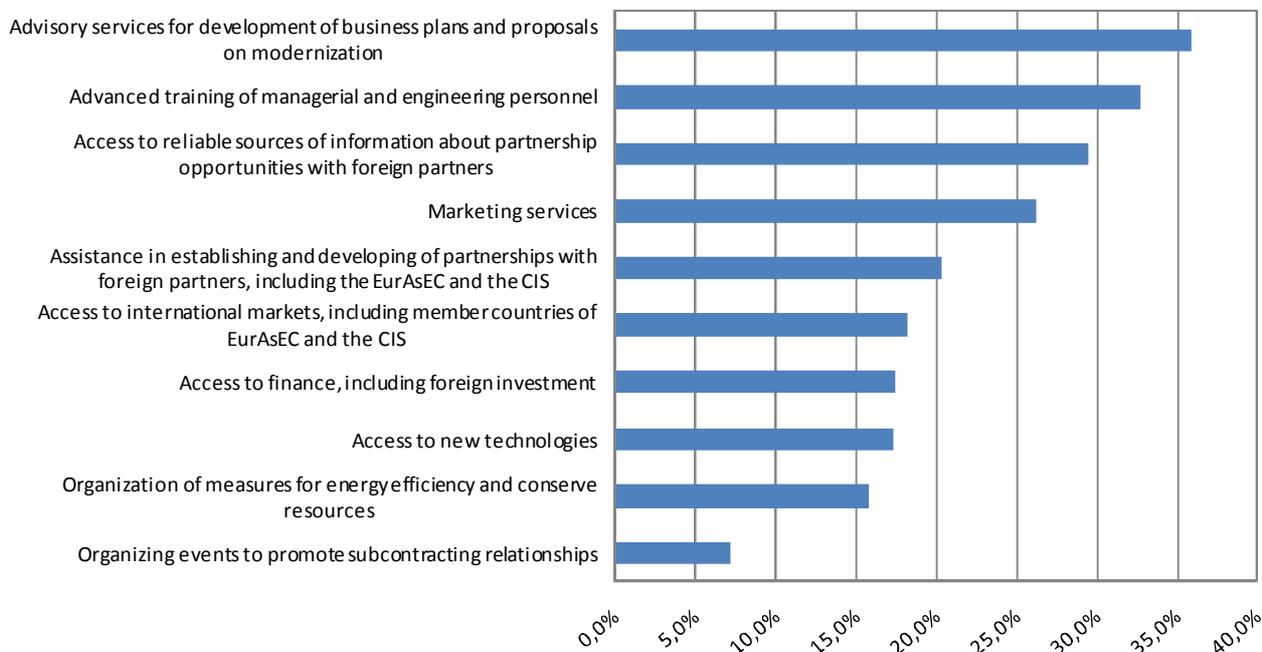
- in provided services adequacy (Question 5) such as Access to financial resources including foreign investment, Access to reliable information concerning partnership opportunities with foreign partners, Access to international markets including EurAsEC and CIS countries, etc;
- in the access to information concerning the access to information which assists an enterprise to increase competitiveness and develop mutually beneficial industrial cooperation and collaboration with countries (Question 7), such as information about Investment opportunities concerning modernization programs, Potential partners, Subcontracting opportunities of large enterprises, etc;

Problem 4 - Difficulties connected with standards, requirements and certification - due to low rates (i.e. the identified needs): concerning the improvements of the mechanism of partnership establishment within EurAsEC (Question 8) in terms of Creation of a unified database for communication between producers and consumers, etc.

5. Are the companies in your country provided with sufficient services in the following areas?

Provision of sufficient services in various fields for companies in the concerned EurAsEC countries is shown in Table 5, where red color indicates the lowest rates of services available (less than 30%), that means those services which the majority of respondents considered insufficient.

Levels of provision of services in EurAsEC



The service on organization of events to promote subcontracting relationships looks as the most critical as its provision is not significant in all EurAsEC countries (7%). Low rates are observed for the following services - access to international markets, including member countries of EurAsEC and CIS (18%), access to financial resources, including foreign investments (17%), the organization of events for energy efficiency and resource saving (16%) access to new technologies. Based on the data presented in Table 5 and diagram it is clear that a demand for services with low provision is sufficiently large, and their absence substantially inhibits the development of cooperation between the EurAsEC countries.

6. Which non-profit organizations provide the above services in your country?

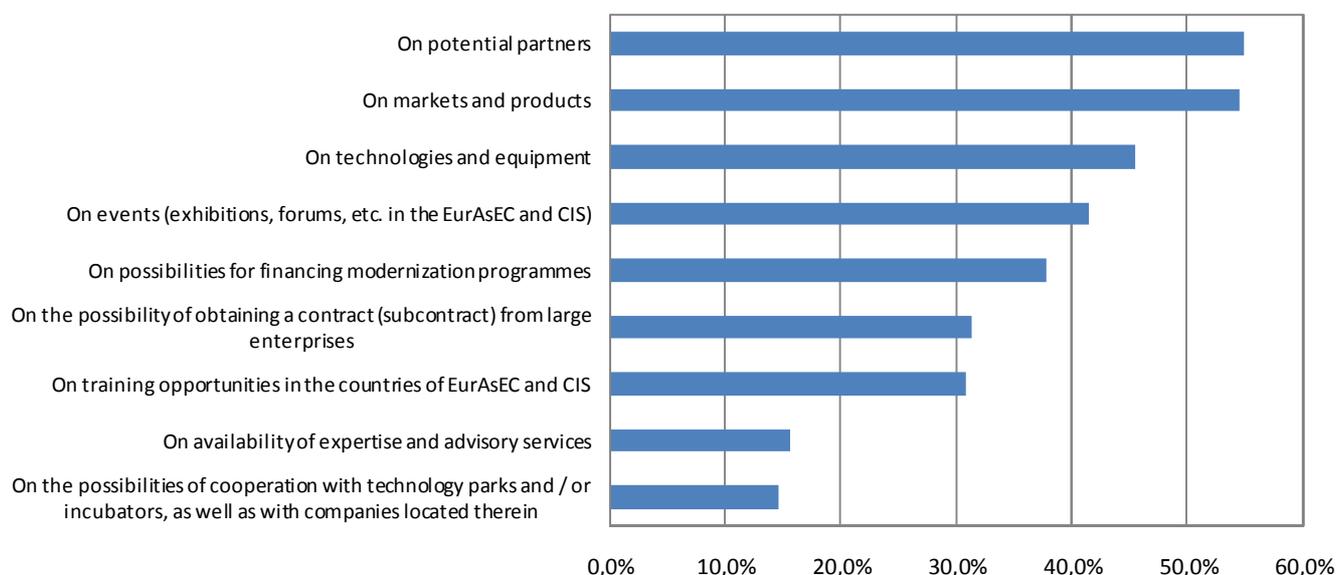
Let's consider non-profit organizations in the EurAsEC countries, which provide services that are listed in Table 5. Proportion of these structures is shown in Table 6.

Predominant role in the provision of such services is occupied by the State agencies (39%). Private consulting companies (36%), while Chambers of Commerce and Industry are slightly behind (35%). The smallest segment is occupied by financial institutions (9%) and international and bilateral organizations (12%).

7. Access to what information would help your company to become more competitive and to develop mutually beneficial industrial cooperation with EurAsEC and CIS countries?

The results of the survey on this subject are presented in Table 7. The highest rates for necessary information for a successful collaboration are highlighted in red (more than 40%), because there is highest demand for it.

Needs for access to information



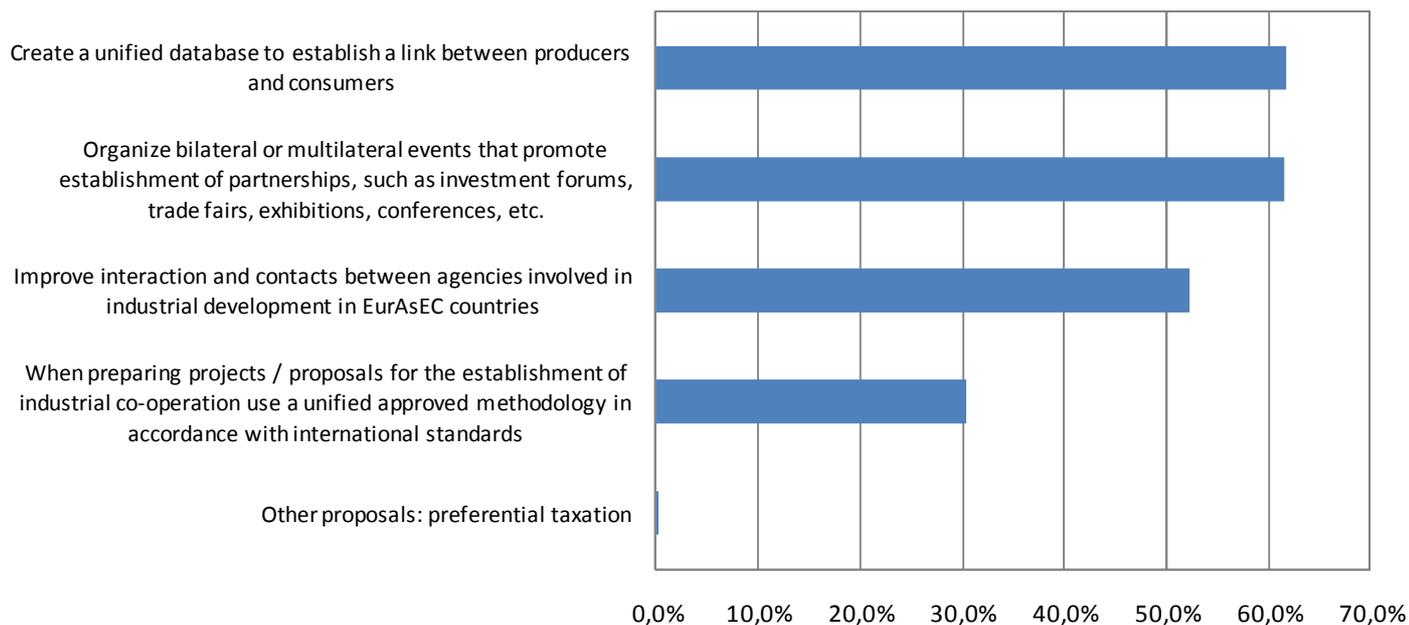
Based on the data presented in table 7 and in the diagram, it can be noted that the most needed is the information on potential partners (55%) and on markets and products (55%), as well as on technologies and equipment (45%) and on events (exhibitions, forums, etc. in the EurAsEC and CIS countries) (42%). These data are provided by the average number of answers where respondents noted access to this information as the most needed to improve the competitiveness of enterprises and development of mutually beneficial industrial cooperation with EurAsEC and CIS countries.

8. How do you think the mechanism for creating partnerships could be improved in EurAsEC?

Ways to improve the mechanism for creating partnerships in EurAsEC are shown in Table 8, where most frequent answers are highlighted with red (more than 40%), because such ways to improve the situation should be used more frequent.

Diagram “Ways to improve the mechanism to create partnerships in EurAsEC” reflects the high demand for their applications in order to improve the mechanism for establishing partnerships in EurAsEC countries - to create a unified database to establish a link between producers and consumers (62%), to organize bilateral or multilateral activities that promote partnerships, such as investment forums, trade fairs, exhibitions, conferences, etc. (62%), to improve communication and contacts between institutions dealing with industrial development in EurAsEC countries (52%). A little lower rate is estimated for the need for such a method as using a unified methodology for the preparation of projects/proposals for the establishment of industrial co-operation (30%).

Ways to improve the mechanism for creating partnerships in EurAsEC



9. Is your company interested in developing and implementing of a comprehensive upgrading programme?

91% of respondents expressed the interest - see Table 9.

10. Do you think it is appropriate to create a single center in your country to promote industrial cooperation / partnership with other countries?

96% of respondents supported the idea of establishing such a center in their country (see table 10).

Conclusion:

Based on the analysis of results of 5 summaries of express-analyses in EurAsEC countries (Belarus, Tajikistan, Kazakhstan, Kyrgyzstan) and in Armenia, the present difficulties in the development of cooperation within the community can be clearly identified (see the analysis of question 4), which are tightly correlated with identified needs of countries (questions 3,5,7 and 8).

The analysis confirms the relevance of UNIDO project for the EurAsEC countries and the need to establish effective mechanisms for the exchange of information between market participants. UNIDO has all the possibilities to promote and assist in removing the obstacles to the development of cooperation of the Community. Rationale for creating a single center to promote industrial cooperation / partnership with other countries in every EurAsEC country is recognized by the respondents almost unanimously.

Annexes

Table 1: Operation field of a company.

Operation field of a company:	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Total
Food production, including beverages and tobacco	38%	4%	6%	26%	35%	21,8%
Textile and clothing manufacture	19%	13%	5%	8%	12%	11,3%
Production of leather, leather products and footwear	0%	4%	2%	5%	7%	3,7%
Processing of wood and wood products	3%	0%	16%	10%	0%	5,6%
Pulp and paper production; publishing and printing	3%	0%	5%	0%	0%	1,5%
Production of coke and refined petroleum	2%	0%	3%	0%	0%	0,9%
Chemical and pharmaceutical production	3%	13%	22%	0%	6%	8,7%
Production of rubber and plastic products	2%	4%	8%	5%	7%	5,2%
Production of other non-metallic mineral products	5%	0%	2%	6%	9%	4,3%
Metallurgical production and finished metal products manufacturing	8%	13%	2%	4%	6%	6,5%
Manufacturing of machinery and equipment	6%	35%	14%	8%	4%	13,6%
Manufacture of electrical and optical equipment	2%	9%	14%	4%	3%	6,3%
Manufacture of vehicles and equipment	3%	9%	5%	4%	0%	4,1%
Construction and installation work	14%	0%	0%	0%	0%	2,8%
Services on processing of raw cotton	5%	0%	0%	0%	0%	0,9%
Cotton Production	3%	0%	0%	0%	0%	0,6%
Mineral fertilizers production	2%	0%	2%	0%	0%	0,6%
Geological exploration	0%	0%	2%	0%	0%	0,3%
Production of reinforced concrete products and metal structures	0%	0%	2%	0%	0%	0,3%
Manufacture of communication equipment	0%	0%	2%	0%	0%	0,3%
Manufacture of glass fiber and products based on it	0%	0%	2%	0%	0%	0,3%
Manufacture of electric and radio components	0%	0%	2%	0%	0%	0,3%
Production and sale of medical products	0%	0%	3%	0%	0%	0,6%
Consulting companies	0%	0%	0%	0%	12%	2,3%

Table 2: Which groups of countries the cooperation was established with or is eligible to establish in future?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Members of Eurasian Economic Community (EurAsEC) - Belarus, Kazakhstan, Kyrgyzstan, Russian Federation and Tajikistan	78%	100%	100%	97%	91%	93,2%
Members of Commonwealth of Independent States (CIS) - Armenia, Azerbaijan, Moldova, Uzbekistan and Ukraine	25%	83%	91%	60%	45%	60,6%
Other countries	0%	0%	17%	5%	19%	8,3%

Table 3: Desired or established forms of cooperation/partnership.

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Joint enterprises (shareholdings)	23%	13%	22%	12%	9%	15,6%
Production cooperation	3%	78%	52%	46%	10%	37,9%
Equipment purchase	58%	48%	48%	15%	4%	34,6%
Contractual production (subcontracting)	8%	44%	22%	21%	9%	20,6%
Trade	30%	17%	77%	48%	78%	49,9%
Marketing	27%	61%	56%	31%	9%	36,6%
Information exchange	19%	65%	69%	30%	16%	39,6%
Credits	25%	26%	31%	20%	10%	22,5%
Technology transfer	22%	26%	52%	22%	20%	28,4%
Joint scientific and technical research	11%	17%	25%	8%	13%	15,0%
Entering the market	0%	0%	0%	0%	17%	3,5%

Table 4: The main difficulties/obstacles in establishment and/or implementation of industrial cooperation with foreign partners.

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
The lack of reliable information concerning partnership opportunities	33%	70%	55%	33%	3%	38,5%
The absence/lack of resources to prepare a business plan/ proposal on partnership in accordance with accepted international practices	22%	17%	19%	6%	6%	14,0%
The absence/lack of support from local institutions/ organizations	6%	30%	20%	20%	10%	17,4%
The absence of organizations that provide assistance to businesses in their country or country of a potential partner	23%	26%	11%	34%	2%	19,1%
The lack/shortage of own funds and difficulties in obtaining commercial credits to finance joint projects	45%	52%	45%	50%	23%	43,0%
Barriers connected with legislation of your country and / or country of a potential partner, particularly in the areas of taxation, customs regulations and duties, etc.	13%	26%	42%	15%	28%	24,6%
Difficulties connected with standards, requirements and certification	6%	48%	55%	18%	25%	30,2%
Lack of visible prospects and / or lack of proposals for partnership	9%	26%	33%	20%	3%	18,2%
Long distances and high transport costs	25%	57%	48%	30%	55%	42,9%
Different national currencies and floating exchange rates	2%	4%	16%	4%	4%	6,0%
Language problems	2%	9%	3%	2%	6%	4,2%

Table 5: Are the companies in your country provided with sufficient services in the following areas?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Access to reliable sources of information about partnership opportunities with foreign partners	23%	22%	47%	0%	55%	29,4%
Advisory services for development of business plans and proposals on modernization	31%	26%	52%	17%	54%	35,8%
Access to finance, including foreign investment	19%	9%	50%	0%	10%	17,5%
Access to international markets, including member countries of EurAsEC and the CIS	17%	22%	45%	4%	3%	18,2%
Marketing services	19%	39%	48%	12%	13%	26,2%
Access to new technologies	31%	26%	27%	0%	3%	17,3%
Assistance in establishing and developing of partnerships with foreign partners, including the EurAsEC and the CIS	28%	22%	44%	5%	3%	20,3%
Organizing events to promote subcontracting relationships	9%	0%	14%	11%	2%	7,1%
Organization of measures for energy efficiency and conserve resources	9%	13%	52%	5%	0%	15,9%
Advanced training of managerial and engineering personnel	18%	61%	56%	25%	3%	32,7%

Table 6: Which non-profit organizations provide the above services in your country?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Public institutions	28%	57%	95%	6%	7%	38,7%
Private consulting companies	9%	35%	41%	25%	68%	35,6%
Organization on attraction of investment	19%	26%	14%	10%	0%	13,7%
Chambers of Commerce and Industry	27%	35%	78%	17%	19%	35,0%
Branch associations	5%	26%	38%	12%	32%	22,4%
Financial institutions	3%	13%	23%	0%	4%	8,8%
International and bilateral organizations	11%	9%	13%	21%	9%	12,4%
These organizations are not available	0%	17%	6%	0%	2%	5,0%

Table 7: Access to what information would help your company to become more competitive and to develop mutually beneficial industrial cooperation with EurAsEC and CIS countries?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
On markets and products	13%	91%	81%	53%	35%	54,5%
On the possibility of obtaining a contract (subcontract) from large enterprises	17%	48%	44%	37%	12%	31,4%
On technologies and equipment	55%	57%	72%	21%	23%	45,5%
On the possibilities of cooperation with technology parks and / or incubators, as well as with companies located therein	3%	22%	10%	31%	7%	14,5%
On possibilities for financing modernization programmes	42%	52%	64%	15%	16%	37,8%
On potential partners	24%	65%	81%	63%	41%	54,9%
On availability of expertise and advisory services	8%	17%	23%	26%	3%	15,6%
On events (exhibitions, forums, etc. in the EurAsEC and CIS)	17%	48%	55%	20%	68%	41,5%
On training opportunities in the countries of EurAsEC and CIS	31%	35%	28%	50%	10%	30,7%

Table 8: How do you think the mechanism for creating partnerships could be improved in EurAsEC?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Create a unified database to establish a link between producers and consumers	19%	70%	81%	51%	88%	61,7%
When preparing projects / proposals for the establishment of industrial co-operation use a unified approved methodology in accordance with international standards	9%	35%	33%	66%	9%	30,4%
Organize bilateral or multilateral events that promote establishment of partnerships, such as investment forums, trade fairs, exhibitions, conferences, etc.	42%	52%	73%	44%	96%	61,5%
Improve interaction and contacts between agencies involved in industrial development in EurAsEC countries	41%	65%	39%	53%	64%	52,3%
Other proposals: preferential taxation	2%	0%	0%	0%	0%	0,3%

Table 9: Is your company interested in developing and implementing a comprehensive upgrading programme?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Yes	98%	91%	95%	72%	100%	91,2%
No	2%	0%	5%	28%	0%	7,0%

Table 10: Do you think it is appropriate to create a single center in your country to promote industrial cooperation / partnership with other countries?

	Tajikistan	Kazakhstan	Belarus	Kyrgyzstan	Armenia	Average
Yes	100%	100%	94%	91%	97%	96,3%
No	0%	0%	6%	10%	3%	3,7%