Committee III - Expansion of Trade

CHANNELLING OF INDUSTRIAL EXPANSION BY LESS-DEVELOPED COUNTRIES INTO DIRECTIONS OF EFFICIENT PRODUCTION

1. The Work Programme for the Committee, as set out in its first report, requires that a "study be made of the possibility of channelling of expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers" (Part II(2) of COM.III/1, see BISD, Eighth Supplement, page 132). In paragraph 13 of its second report (see ibid page 140) "the Committee noted that some less-developed countries have the investment and the technological resources for the processing of raw materials and are able to produce efficiently some manufactured goods. The Committee recommended that contracting parties, particularly industrialized countries, should urgently consider lowering barriers to the development of the export of such goods and should in their economic policies take into account the urgent need of less-developed countries to increase their export earnings and should as far as possible avoid hindrances to the import of such goods from such countries." In accordance with paragraph 15 of the second report (see ibid page 141) the Committee invited its members to list and furnish information in regard to manufactured products which should in their opinion be dealt with on a basis of priority.

2. The Committee also requested the secretariat to prepare pilot studies on jute manufactures and oilseeds crushing and processing and in doing so to avail itself to the fullest possible extent of the work of other international organizations, including the regional economic commissions of the United Nations. In carrying out this assignment, the secretariat has completed the pilot study on jute manufactures (COM.III/18); the Committee also has before it the pilot study on cotton products (COM.III/8 and Add.1) which was prepared by the secretariat for the September-October meeting in connexion with this section of the Work Programme. There has so far been no response to the invitation to specify additional manufactured products which should be discussed in the Committee on a priority basis.

3. In order to facilitate the work of the Committee and to minimize the duplication of effort, the work of other inter-governmental organizations in the field of channelling of industrial expansion is briefly described. The choice of illustration is, however, difficult in an area of activity so rich and varied and inseparably linked with development efforts in general. In addition to the development assistance available, for example under the British Commonwealth Colombo Plan, the United States International Cooperation Administration and other
bilateral aid and assistance programmes, the United Nations and its specialized agencies render development assistance in more than 130 different countries and territories, under which almost every problem of channelling industrial expansion in less-developed countries has at some time been studied. Specific projects may range from advice given in connexion with long-range development programming to on-the-spot technical guidance on the manufacture of particular items.

4. In the area of particular concern to the Committee, that of channelling industrial expansion in less-developed countries into directions of efficient production, the United Nations, in co-operation with its specialized agencies and the four regional commissions, has held meetings and sponsored seminars on the formulation and economic appraisal of development projects. For example, a training programme which brings together some fifteen Latin American economists for a period of about nine months is held annually at ECWA headquarters. Similarly, training institutes have been held in the ECAFE region and at a meeting of experts which was convened late in 1959 in Addis Ababa by the recently established United Nations Regional Commission for Africa, at which techniques of development planning in Africa were discussed, it was suggested that a seminar in the formulation and economic appraisal of African development projects be held in the near future. The Economic and Social Council of the United Nations, to which all the regional commissions report and which closely co-operates with the specialized agencies, in a resolution adopted at its twenty-seventh session held during April of 1959 in Mexico City, stressed the desirability of encouraging the organization of seminars, consultations and training centres designed to further the purposes of the United Nations industrialization programme and to facilitate the practical implementation of the results of research and studies already carried out under the programme and to be carried out in the future. The Council further recommended to the regional commissions and the specialized agencies that they assign high priority in the elaboration of their programmes of work to the assistance needed by countries seeking to diversify their exports. The report of the Advisory Committee on the Work Programme on Industrialization which reviewed the work of the United Nations Secretariat in this field, recommended that more emphasis than in the past be given to the work relating to general development policies and techniques of programming rather than to particular industry studies. During this session it was also suggested that the Department of Economic and Social Affairs of the United Nations Secretariat carry out a world-wide survey of current national and international economic development and industrialization projects.

5. Guidance of industrial expansion into lines of efficient production is inter alia provided by the IBRD which, in addition to carefully investigating the feasibility of specific loan projects many of which are for the development of basic facilities, has at the request of several countries made comprehensive surveys of their economies. The Bank also organized a number of study courses in Washington, D.C., which treat inter alia questions of industrialization in relation to economic development. The Working Party on Economic Planning and Development in Asia and the Far East which met in Bangkok, Thailand, during September 1958 addressed itself within the broader context of overall economic development planning to government policy and action for promoting industrialization and for dealing with factors limiting industrial expansion to
selection criteria in establishing new or expanding existing industries having regard to requirements of economic balance and international division of labour, and to choice of techniques and scale of industrial production. In the ECAFE Region participating governments have requested the Secretariat of the Regional Commission to explore the opportunities for countries in the region to share their domestic markets with one another and to agree on specialization between them.

6. The desire of the United Nations Economic Commission for Latin America to promote efficient methods of production has been one of the reasons for its advocacy of the economic integration programme in Latin America. In more specific programmes the secretariat of ECLAC was requested at the meeting held in Panama in May 1959 to convene a panel of experts on basic industries, especially the iron, steel and petro-chemical industries, and to make a study of the programmes being carried out in Latin America in order to avoid duplication of industries having small domestic markets and requiring heavy investment, and to suggest possibilities for specializing production. It was also recommended that the secretariat, in co-operation with other international organizations, study the metal transforming industries from a technical and economic point of view, and the problems arising from establishing or expanding them in Latin America.

7. Although development projects which have been drawn up by United Nations bodies do not unreservedly advocate the principle of international specialization since other development objectives such as providing employment, diversifying the economy, etc., have to be taken into account, they do stress that in principle it is desirable for each country to produce the kinds of goods for which it is best suited, that is, those achieving maximum output and efficiency at minimum cost. It is especially recognized that a country's progress in economic development may be seriously retarded if it pursues policies which prevent it from earning sufficient foreign exchange to meet the growing import demand for additional capital equipment and raw materials which usually accompanies industrialization. The availability or access to foreign exchange reserves is given particular prominence because the possibility to import determines both the overall magnitude and the composition of resources available for development.

8. The Committee may wish to consider whether, in the determination and estimation of export prospects for particular industries of less-developed countries, it could supplement the activities of other inter-governmental organizations to channel industrial expansion into lines of efficient production. If the view is taken that this question should be pursued, it would appear to be necessary if a meaningful study is to be made for the Committee to be furnished with information about plans which may exist for the expansion of such industries in less-developed countries and with an indication of the trade effects to be expected from the elimination of barriers to trade.