Committee III - Expansion of Trade

CHANNELLING OF EXPANSION OR ESTABLISHMENT OF INDUSTRIES
BY LESS-DEVELOPED COUNTRIES

Proposed Arrangements for Studying Development Plans

(A) Programme and Timing

1. Section II/2 of the basic work programme of Committee III (COM.III/1) calls for a "study of the possibility of channelling expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers". For this purpose the Committee invited contracting parties to furnish supporting information on any plans which they might have adopted for the development of their industries, on export targets for various products and on their estimated overall foreign currency requirements and exchange receipts from exports. The secretariat was requested to prepare, in consultation with less-developed countries, the necessary background information for circulation in due course (COM.III/38, paragraph 5).

2. In response to this, some contracting parties have forwarded their current economic development plans or have indicated that such plans would be supplied shortly. In December 1960, there was circulated to members of the Committee a "Draft Outline of the Third Five-Year Plan", published by the Indian Planning Commission, covering the period 1960/66.

3. It has been agreed that the Committee will meet for a short period in March 1961 to consider in detail its further work programme and the best ways of its implementation. It is proposed that at these meetings attention be given to the scope and timing for the study of the Indian Plan and any other plans which may have been supplied by contracting parties. Once this scope and timing has been approved by the Committee, the secretariat will put in hand a preliminary analysis of the plans available and the preparation of background documentation. As far as the study of the Indian Plan is concerned the Indian delegation has agreed to give the necessary assistance in the collection of the material and other supplementary information required.

4. On the question of timing, it is envisaged that this work could be commenced as soon as meetings could be arranged for the Committee in the light of the general programme of the CONTRACTING PARTIES, due time being allowed for the secretariat to complete the preparatory work.
(B) Scope and Contents of Study

5. As regards the scope of the examination, it is suggested that the Committee should not lose sight of its primary purposes as defined by its terms of reference which relate to the maintenance and expansion of export earnings of the less-developed countries and the importance of this to the development and diversification of their economies. Plans of economic development are of necessity complex and comprehensive. While it is true that no single aspect, such as the expansion of exports, of a development plan could be considered in isolation from other aspects, the Committee may find it profitable to concentrate its attention on matters of direct relevance to the questions of export industries and export earnings. Any discussion of the political, social and institutional aspects of the economy, where inevitable, would have to be strictly limited.

6. All development plans must of course take due account of the limitation placed on the rate of growth by the available investment resources. At any rate in the short run, the lack of adequate foreign exchange will inevitably constitute a limiting factor which can be remedied only by additional inflows of capital and, in time, by expanded exports. Assumptions regarding the rate at which aggregate exports can be expanded are therefore an important determinant in a development plan of a more or less long-term nature. Discussions of a plan by the Committee may, therefore, usefully begin with an exchange of views on the adequacy of the expected export earnings in relation to the foreign exchange resources required during the period of the plan. In the case of India, for example, the Government has estimated the total export earnings during the period of the Third Five-Year Plan to be Rs.34.5 thousand million, while total foreign exchange outlay is estimated at about Rs.66.5 thousand million. The exports are only 12 per cent higher than the total expected to be realized in the preceding five year period. The estimate seems to reflect a number of assumptions regarding India's capabilities in export production and the trade possibilities in foreign markets, on which the Committee may wish to invite comments from the Indian delegation and discuss the possibilities of improvement.

7. The Indian authorities are clearly aware that a higher level of exchange—a greater volume of imports of goods which could have been produced locally but which could be imported at a lower real cost to the economy and a greater volume of exports which India could produce at relatively lower costs—would be beneficial to the overall economic utilization of resources and hence contribute to a higher rate of growth and development. Hence the external sector of the Plan can be taken to reflect India's estimates of the extent to which increased export goods can be produced and marketed. The relevant questions would therefore seem to be:

(i) whether any export products could be economically produced in the country in greater quantities; and

(ii) whether the increased production not required for domestic consumption could be sold abroad at appropriate prices.
8. Any discussion of these questions should not only cover the products whose expanded production and export have already been specifically indicated in the development plan, but also any other products which may, in the course of discussion, be found to be exports with expansion potentialities.

9. With regard to export production the Indian Third Plan, for example, sets targets for a number of traditionally exported products and certain other new products. For some of these, increased outputs are envisaged, but for others, expectation of increased production has been discouraged by the disappointing realization in the preceding plan period.

10. On the basis of the available natural resources, the climatic and other conditions of the country and other factors relevant to a consideration of the efficiency and costs of production, the Committee may wish to pick out the export products which can best be developed with competitive advantage. However, it will be noted, an important consideration remains to be the magnitude of, and accessibility to, foreign markets.

11. Obstacles to the exports of less-developed countries are the concern of the Committee and should, of course, be the principal subject of its attention in the examination of a development plan. In the case of the Indian Plan, the estimates of export earnings seem to reflect certain limiting assumptions regarding the export markets. Account is clearly taken of the customs tariff and import restrictions in other countries which affect India's exports, and it appears that the export targets for certain products have been fixed with due regard to the absorption capacity in other countries and conditions of competition. The Committee may wish to examine, with reference to the different export products mentioned in the Plan and any other products which might, in the course of the discussion, be found to be products which could be economically produced in India, the contribution which a reduction in obstacles to these exports, or action taken by other governments in enabling their economies to absorb these imports, will make to the expansion of India's export earnings.

12. Any such improved prospects might lead the Indian authorities to revise the production and export figures and to give increased emphasis to the development of what, on the basis of the natural resources and factors of production, would be considered to be economical and efficient industries for India. This will lead to a higher level of international trade which will not only be beneficial to the Indian economy, but will also be of value to other countries having an interest in seeing an expansion in the Indian market.

13. For the purpose of this discussion, the factual paper to be prepared by the secretariat will set out the planned production and export targets for the more important export products mentioned in the Plan, for which additional information, as mentioned in paragraph 3 above, will be sought from the Indian authorities.