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 1961/66.

3. The Committee has considered the scope and timing for the study of the Indian Plan and any other plans which may have been supplied by contracting parties. The Committee has agreed that the Indian Plan should be studied first and that the study of any other plans submitted by contracting parties should follow in the light of that experience. The secretariat should put in hand an analysis of the Indian Plan, and later, of other plans available. 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.

(B) Scope and Contents of Study

4. As regards the scope of the examination, the Committee felt that it 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.

5. All development plans must of course take due account of the limitations placed on the rate of growth by the available investment resources. The lack of adequate foreign exchange constitutes 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. In studying the Indian Plan and any other plans, a convenient starting point would seem to be a comparison of the expected export earnings with 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 trade possibilities in foreign markets, on which the Committee may wish to invite comments from the Indian delegation and discuss the possibility of improvement in India's productive capacity and export markets.

6. 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. The Committee may wish to pick out the export products which, 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 Indian authorities consider can best be developed with competitive advantage and examine in relation to them the magnitude of, and accessibility to, foreign markets. This would 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 be exports with expansion potentialities.
7. Obstacles to the expansion of export earnings of less-developed countries are the main 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 tariffs and import restrictions in other countries which affect India's exports, and it appears that the fixing of the export targets for certain products has been influenced by assessments of the absorption capacity in other countries and conditions of competition. The Committee may wish to examine the contribution which commercial measures of any kind, for instance the reduction in obstacles to the various Indian exports, will make to the expansion of India's export earnings.

8. Any such improved prospects would facilitate the efforts of the Indian authorities to develop economic and efficient industries where, on the basis of natural resources and factors of production, cost advantages are highest. 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.