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REPORT ON ACTIVITIES AND PROGRAMS OF WORK OF UNIDO

(d) DEVELOPMENT OF EXPORT-ORIENTED INDUSTRIES

Progress report on steps taken by developing countries to
develop and establish export-oriented industries

Report by the Executive Director

20. The Government of Ecuador identifies as industries with export potential "those which utilize a high proportion of national raw materials, have introduced in their processes technologies of relative importance and have achieved a capital density per occupied person which has enabled them to attain a reasonable productivity. In addition the granting of preferences within the framework of LAFTA or other regional organisms or countries is considered necessary for competing in an advantageous way in the foreign markets". Food industries based on refined or crude sugar, packaged fish, banana and cocoa derivatives and milk products; beer, timber industries and some chemical industries are listed in this connexion.

21. The Government of New Zealand states that industry in the agricultural sector earns the bulk of New Zealand's export income at the present time. Other industries considered to have an export potential include processed foodstuffs, forest products (pulp and paper), and a variety of equipment, particularly machinery which has been developed in New Zealand and which is suitable for productive purposes in the smaller markets.

22. The Government of Argentina emphasizes another aspect of the problem. It declares that the attainment of export industries depends to a great extent on the opening of markets of the developed countries, and particularly the granting of a system of general preferences in favour of manufactures and semi-manufactures coming from the developing countries, to which group Argentina itself belongs.

23. The identification of potential comparative advantages is not immediately obvious, but requires close study, taking into account the changing requirements of industrial development.

B. Export-oriented industries and import substitution

24. Another question of great importance to the development of export-oriented industries in developing countries is the possibility of combining them with import substitution. Governments have become increasingly aware that they are unlikely to achieve their development objectives adequately if they continue to rely on the traditional approaches to industrialization which have so far been oriented almost exclusively towards the domestic market and import substitution.

25. The Government of Kenya considers that opportunities of export-oriented industries would be enhanced by combining them with import-substitution industries. In the view of the Government of Kenya, there need not be any contradiction between these two orientations since import-substitution can form the base for industries which would later expand to produce for exports. It suggests the following measures to make such a combination effective: import controls, tariff protection and refunds of customs duties for raw materials.
26. The Government of Ecuador states that it not only considers such a combination important, but it also promotes it, since the result of such policies is an increase in savings and in foreign exchange earnings. It believes that in the selection of industries to be geared to import substitution only those activities can be contemplated which make them operate in conditions of economy and efficiency. For this reason the Government of Ecuador gives special incentives to enterprises which gradually are supplied with domestic raw materials, since that implies a reduction of the external dependence of imported inputs.
27. The Government of New Zealand takes the view that in principle an export industry needs a sound home market and, accordingly, it is generally held desirable to combine export-oriented and import-substitution industries.
28. The Government of Rwanda is of the opinion that by improving the position of enterprises with regard to the margin of profitability, many enterprises producing substitutes for imports would be established if they were to be combined with export contracts. Since all the countries of the East African sub-region are in the same position, this would become possible only on the basis of long-term agreements within the framework of the Economic Community.
29. Most of the replies received on this question emphasized import substitution as an initial stage in industrialization strategy. Thus, for instance, the Government of Malta divides industry into two categories: import substitution industries, a few of which, in addition to supplying the local market, are exporting goods or have export possibilities dependent on their ability to produce goods of export quality at competitive prices; and industries specifically designed to produce goods for export. In some cases, these goods produced for export are also import substitution goods but, because of the limited home market, sales are mainly sought abroad. The Government of Jamaica states that efforts are being made

to increase or conserve foreign exchange earnings through the operation of industries engaged in import substitution. To encourage this development various concessions, similar in nature to those available to export manufacturers, are granted to companies which produce for the domestic market, with the principal exception of duty-free entry of raw materials. The Government of Nepal also replies in the affirmative to the question of export-oriented industries being enhanced by combining them with opportunities for import substitution. It believes that a start of import-substitution industries within the country will train workers who later on will be able to process the indigenous raw materials more efficiently and that this will create better conditions for export-oriented industries. The Government of Venezuela emphasizes that import-substitution policies are a factor of primary importance in the setting up of new industries in Venezuela. The Government of Argentina recommends import substitution of capital goods for which the internal market is insufficient, resulting in lack of stimulus for their production. It considers that the promotion of export-oriented industries would create an incentive to set up those industries which are based on the substitution of respective imports, on the one hand, and on the external utilization of excess capacity, on the other. The Government of Panama takes a somewhat different view. It states that "the policy of import-substitution does not necessarily tend to give the development of industries an impulse oriented towards export, especially in the specific case of Panama whose industrial sector consists of products of general consumption. On the other hand, as far as exports of manufactures are concerned, the Government of Panama considers it convenient to establish those industries whose nature, origin and form determine relative advantages as regards competitiveness in terms of prices and quality".

30. Other Governments emphasize the export-promotion side. Thus, for instance, the Government of Israel attaches great importance to the development of all branches capable of contributing to an improvement in the balance of payments whether by import substitution or by an increase in exports. However, due to the relatively small size of the home market, greater emphasis is placed on the export-oriented industries as only these are capable of developing to the size necessary to achieve economies of scale. According to the Government of the Republic of China, import substitution has been the driving force behind the industrial development in this country. A number of export industries, such as

cement, textiles, fertilizers and PVC plastics, were started as import substitution industries. It is considered that at present export promotion is a decisive factor in the further industrial development of China (Taiwan). Therefore, one of the criteria established by the Government of the Republic of China for the development of an industry, is whether an import-substitution industry can be rapidly transformed into an export industry.

C. Obstacles to the promotion of export-oriented industries

31. The developing countries face many difficulties in the promotion of export-oriented industries which affect in major part their industrialization and economic development. The access of their manufactured exports (even on the assumption that they are competitive in terms of prices and quality) to the world market is seriously hampered by the existence of tariff and non-tariff barriers and restrictive trade practices. This has been confirmed by the replies to the questionnaire of the Governments of many developing countries. Thus, the Government of Argentina considers that "the lack of external incentives is the main obstacle to the promotion of industries with export potential".

32. It has, however, often been emphasized that the main obstacles to the successful development of exports of manufactures and semi-manufactures lie on the production side; namely, in the level, structure and orientation of their industrial development, and in the scarcity of natural resources, capital and know-how required for the initial development of export-oriented industries. Another important factor is the trade and balance-of-payments gap.

33. The small local market is another major obstacle to industrial development in most developing countries. As the United Nations document on Processes and Problems of Industrialization in Under-developed Countries puts it, "it offers no attraction to industrial capital. If a local factory is, in fact, established the limited market is likely to restrict the size of the plant. The implication of this in terms of techniques of production and unit costs obviously vary from industry to industry".^{5/} The developing countries find themselves in a vicious

^{5/} Processes and Problems of Industrialization in Under-developed Countries, United Nations, New York 1955 (Sales No.: 55.II.B.1), p. 14.

circle with regard to the promotion of their export industries. "If an industry requiring a certain technologically acceptable minimum scale is established in response to existing inadequate domestic demand, it will necessarily have a high level of costs in comparison with similar industries in more developed countries; these costs are generally offset only to a limited degree by lower wages or by natural advantages which the developing countries may have. Such industries are thus barred from competition in the export markets even in the absence of restrictions such as tariff barriers, quotas, national monopolies, etc. This exclusion from the international markets in turn restricts the development of manufacturing industries to the small markets and perpetuates the high level of costs."^{6/}

34. In the replies to the questionnaire the Governments of the developing countries draw attention to the following obstacles to the development of industries with export potential.

1. Inadequate resources:

(a) Lack of capital for investment (Congo (Brazzaville), Dahomey, Panama, Philippines). The Government of Dahomey refers to the scarcity of investment capital which increases its dependence on foreign sources of financing. The Government of the Philippines points out a lack of financial resources for meeting long and short-term needs. The Government of Panama adds that "although there seems to be some improvement of the situation at present, in the immediate past the amount of internal resources channeled towards the financing of industries has been relatively low".

(b) Lack of skilled manpower: (Chad, Congo (Brazzaville), Dahomey, the Philippines). The Government of the Philippines points out the shortage of adequately trained personnel to meet the increasing requirements of the industry. The Government of Dahomey notes the lack of entrepreneurs and highly skilled personnel and the low efficiency of local manpower. The Government of Chad reports "lack of skilled personnel which constitutes a handicap to the introduction of industries requiring specialized manpower", the Government of the Republic of the Congo a "lack of possibilities of technical training of young people and improvement of skills of workers and technicians".

^{6/} Proceedings of the United Nations Conference on Trade and Development, Volume IV, Sales No.: 64.II.B.14, p. 53.

(c) Scarcity of natural resources (Chad, Dahomey, Malawi, Malta, New Zealand, Panama). The Government of Malta points to the limitations arising out of a lack of local raw materials and the shortage of water which rules out industries where large quantities of water are required. The Government of Dahomey underlines the scarcity of electrical power and its high price. The Government of Malawi notes that it is severely handicapped by the absence of mineral deposits in workable quantities and acceptable quality. The one exception, bauxite, will be developed as soon as adequate power and transport facilities have been provided. The Government of Chad notes that it does not possess mining resources. The Government of Panama refers to the scarcity of geographically well-situated regions with facilities of electric power, water and manpower which would make economically feasible the development of the mentioned industries.

2. Inadequate infra-structure and high transport costs (Chad, Israel, Jamaica, Kenya, Malta, New Zealand).

The Government of Chad refers to "the geographical situation, far away from the sea, and exceptional insufficiency of transport and communication infra-structure which makes communications with abroad difficult". The Government of Israel draws attention to the great distance from export markets and sources of raw material supply. The Government of Panama complains of "insufficient access to facilities, and transportation and communication means, which would permit a favourable participation in the international commercial exchange".

High transport costs of exports of manufactures are also quoted as one of the important reasons for high non-competitive prices of manufactures for exports. Thus, for instance, the Government of Ecuador points out that deficiencies in internal transport, irregularity of deliveries and the difficulty of co-ordinating production with export requirements, have a decisive influence on costs by increasing f.o.b. prices. The Government of Jamaica refers to high freight rates and infrequent shipping schedules. The Government of Malta notes inadequate shipping facilities for exporting Maltese goods, especially to the United Kingdom and Western Europe.

3. Limited internal market and non-competitiveness in terms of costs (Dahomey, Israel, Kenya, Malawi, New Zealand, Venezuela).

The Government of Israel speaks of "lack of an intensive home market on which to base economies of scale". The Government of Malawi declares that "the size of the domestic market in Malawi is insufficient to enable local manufacturers to enjoy economies of scale to the extent that they can reduce costs to a level which would enable them to compete with developed countries in export markets". The aspect of competitiveness in terms of costs as a result of market limitations is also stressed by the Government of Dahomey. It notes that its small economic area does not favour the installation of powerful industries which would be capable of meeting foreign competition successfully. With the exception of industries processing agricultural products other existing industries in Dahomey are influenced in scale by the size of the Dahomey market and their development depends on the setting up of large and protected economic zones. The Government of Venezuela also refers to high production costs and low productivity. On this score, the Government of Morocco recommends that measures should be taken to increase productivity in order to lower production costs in most of the sectors of industry and explains that productivity is a function of two factors: (a) optimum utilization of resources, i.e., the problem of scientific organization of plants; and (b) adaptation to technical progress which touches upon the problem of mass production, i.e., on the opening up of new markets.

4. Foreign competition and tariff and non-tariff barriers and restrictive trade practices (Dahomey, Ecuador, Kenya, Malawi, Philippines, Zambia).

With regard to the difficulties of obtaining access to the market of the developing countries, the Government of Zambia cites the following:

- (a) Unwillingness of developing nations to create supranational markets;
- (b) Influence of manufacturers from the industrialized countries on markets of the developing nations;
- (c) Association of developing nations with the developed nations either directly with trading groups such as the European Economic Community or indirectly through trading agreements, aid schemes, etc.

Concerning the difficulty of obtaining access to the markets of the industrialized countries, the Government of Zambia notes the causes as follows:

- (a) High tariff barriers;
- (b) Difficulty of obtaining imported manufactured goods for acceptance by the various national standards institutes and other organizations dealing with the setting of specifications, standards, etc.
- (c) Inability of the industrialized countries to control the international rings and cartels which control international markets. (International Wrought Non-Ferrous Metals Council, International Conference of Non-Ferrous Manufactures, etc.)

The Government of Ecuador refers to quantitative restrictions by developed countries designed to protect their balance of payments or their domestic industries. The Government of Kenya points to overseas competition and dumping of goods. The Government of Ecuador singles out other obstacles to the development of exports of manufactures from developing countries: excessive requirements with regard to classification and packaging of goods, sanitary inspection, trade marks documentation and customs formalities in the importing country.

5. Pricing policies (Congo (Brazzaville), Dahomey, Ecuador, Israel).

Pricing policies are also a matter of concern for most of the developing countries which replied to the questionnaire.

"The adoption by the competing countries of differential prices for the exports of their products in relation to the domestic markets with the aim of obtaining advantages in international commercial transactions and of securing markets for their products", is another external obstacle quoted in the reply of the Government of Ecuador.

The Government of Dahomey refers to the deterioration of the terms of trade which deprives industry of important resources by rendering industrialization more difficult due to increasing costs. The Government of the Congo (Brazzaville) complains about the lack of co-ordinated price policies for the majority of tropical export products; steadily falling and inadequately remunerative prices versus a steady increase in the prices of capital goods and of products of prime necessity supplied by the developed countries.

The Government of Israel draws attention to inflation as a factor increasing the costs of production and making export competition more difficult.

6. Lack of experience in marketing (Ecuador, Venezuela).

This obstacle is also referred to in the replies of some developing countries. They point out that deficiencies in marketing and export promotion techniques as well as a lack of information and market data are important causes of the weak export performance of industries in developing countries. The Government of Ecuador in particular emphasizes that real obstacles for exports from developing countries arise from the lack of experience of domestic manufacturers with regard to tastes and preferences of the foreign consumer, the most appropriate forms of distribution, the administrative regulations of the importing country and the requirements of classification, packaging, sanitation, trade marks, documentation and customs formalities. The Government of Venezuela refers to the lack of knowledge of foreign markets and the lack of operative experience in the field of exports on the part of enterprises with export potential.

7. Inadequate government financial and other credit policies (Ecuador, Panama).

The Government of Panama in its reply notes "the small effective participation of the Government in the task of accelerating industrial development" and points out more specifically the lack of financial resources. Such resources should be available for financing:

(a) Industrial feasibility studies to determine the potentialities for development of various industries;

(b) Technological research and vocational training in connexion with industrial development;

(c) Studies regarding the administrative organization which is required for the execution and co-ordination of the tasks implied in the participation of the public sector in the promotion of industrial development.

8. Legislation

The Government of Panama mentions problems relating to legislation:

(a) Lack of legislation on fiscal incentives to industrialization which would make it possible to establish a genuine industrial policy;

(b) The non-existence of legislation which would contribute to the carrying out of reforms and innovations in the administrative structure of the Government so that it could assume its proper part in the promotion of industrial development.

The scarcity of credit and high interest rates which are obstacles to the channeling of resources into export manufacturing activities are pointed out in the reply of the Government of Ecuador.

9. Inadequate financial aid of developed countries

The question of high interest rates and rigorous terms of loans in relation to the limited financial possibilities of developing countries is raised by the Governments of the Republic of the Congo and of Ecuador.

D. Under-utilized industrial capacity

35. The questionnaire replies reveal that in many developing countries there is considerable under-utilized productive capacity. In a narrower sense - from the point of view of existing productive capacity in a given branch of industry - a number of industrially under-developed countries replied that they have no under-developed capacity in the metal-working industry (Chad, Congo (Brazzaville), Malawi, Panama, the Philippines), while others complain of a permanent under-utilization of capacity in the metal-working industry (Argentina, China (Taiwan), Ecuador, Jamaica, Kenya, Malta, New Zealand, Rwanda, Turkey, Venezuela). In the case of Malta, the estimated rate of under-utilization of capacity is 50 per cent, in Ecuador and China (Taiwan) - 40 per cent.

36. All countries reporting on under-utilization of capacity in the metal-transforming industry state that they are trying to overcome this situation by increasing exports. The Government of Malta states that particular efforts are being made through bilateral trade agreements to secure an increased share of the export markets for domestic producers. The Government of Venezuela declares that the basic metal industry has a good margin of capacity for export which is being utilized to an ever increasing degree. The situation is different in the Venezuelan metal-working industry, and there is hardly any margin of capacity available for exports which could be internationally competitive. The Government of Kenya reports that the country has not fully utilized its capacity in the metal-transforming industry which could be used for export production. Although

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

Kenya does not have large deposits of ore, experience has shown that there are sufficient quantities of scrap metal to sustain a small industry. Kenya has, however, begun in a small way to process various metal goods and is now exporting small quantities of metal products. The Government of Panama observes that the lack of statistical data on this aspect of private enterprise makes it very difficult to evaluate with accuracy the level of utilization of productive capacity in industry. The main causes of the phenomenon of under-utilized capacity - the Government of Turkey says - lie in the lack of knowledge about foreign markets, lack of appropriate sales organization and the poor quality of production.

2. Policies of Promotion of Export-Oriented Industries and their Integration in Development Programmes

A. Incorporation of export-oriented industries in development plans

37. All developing countries with one or two exceptions replied affirmatively to the question concerning the inclusion of export-oriented industries into their development plans and policies. Ecuador, Israel, Malta and Turkey stated that they have given priority to the development of export-oriented industries both in their short-term and long-term planning. The Government of Ecuador states that the General Plan of Economic and Social Development aims at transforming the manufacturing industry in a highly dynamic sector that would determine the general development of the economy of the country. Consequently, the plan provides for the setting up of industries which would build up foreign currency reserves through economical import substitution and by increasing exports. The plan provides for an increase in exports of manufactures by 1973 of over 300 per cent above the figure for 1963. During this period the main export industries should process agricultural and livestock products and timber products in which Ecuador has considerable comparative advantages. The Government of Israel gives first priority to development programmes and, in particular, to the encouragement of industries in the most promising export branches. The industrial development plan for 1965-1970 and other industrial development programmes which have been proposed more recently emphasize the extreme importance of the export-oriented branches. Referring to the aims of the export industries' promotion policies, the Government of Israel points out that these are intended to bring about a reduction of the current deficit of the balance of trade which impedes the development of the economy and hampers

Israel's ability to compete in foreign markets. The Government of Malta emphasizes that the promotion of export industries has been a cardinal feature of its first development plan costing £29.25 million and of the second five-year development plan, with a government investment programme of £38.4 million, which started in April 1964. In view of the small size of the local market, new industries must of necessity be export-oriented and dependent on supplies of imported raw or semi-processed materials.

38. The Government of Venezuela replied that its development plans especially included the promotion of those industries which can diversify their production with the aim of changing Venezuela's position from that of an exporter of raw materials to that of an exporter of manufactured products. The Government of Turkey indicates that export industries have been strongly emphasized both in the current five-year development plan covering the 1963-1967 period and in the 15-year objectives contained in the first five-year development plan. To achieve these objectives, investments in export-oriented industries will be given priority. These policies of promotion for the diversification of exports are in line with the general policies for industrialization of Turkey. The Government of Argentina refers to a series of legislative acts providing for incentives for the establishment of export-oriented industries, among which were three decrees, one circular on the régime of financial support with the aim of facilitating exports of non-traditional products of the country and a circular on the credit system of financing the production of non-traditional export commodities.

39. In countries where there are no government plans for economic or industrial development and where industrial production is almost entirely in the hands of the private sector, the promotion of export-oriented industries is carried out indirectly. The Government of New Zealand states that it endeavours to create the most conducive atmosphere for the promotion of such industries. To this end, a variety of measures, including fiscal and monetary, are employed.

40. Some countries, like Malawi and Zambia, lay emphasis on the development of import-substitution industries especially in their short-term plans. Obviously, this emphasis is due to the early stage of industrialization of these countries. Other countries, like Rwanda and Panama, provide for the development of export industries within the framework of the regional integration groupings to which they

belong. In particular, the Government of Panama in its reply points out the necessity of an effective utilization of land situated on both sides of the Panama Canal Zone so that export industries which would be established there could take advantage to the maximum of the savings in time and costs which the Canal offers.

B. Priority treatment for export industries

41. Various measures have been taken or are being contemplated by the Governments of the developing countries to accord priority treatment to export industries. In their replies to the questionnaire the Governments of the developing countries refer to a series of specific measures to promote exports of manufactures and export-oriented industries.

(a) Allocation of domestic and foreign exchange resources, supplies of raw materials, spare parts, power, transport, and skilled manpower to industries with export potential. The Government of Nepal indicates that domestic and foreign exchange facilities have been provided for imports of industrial machinery and a certain proportion for raw materials, spare parts, power, transport and skilled manpower. This has been done through various specialized agencies that have been established for the promotion and development of the industries within the country. The Government of Turkey notes that the raw material and spare parts requirements of industrialists whose product is exported are placed on the Import Liberation Lists, thus making it possible to import these items without regard to quota restrictions. The Government of the Philippines proposes the following specific measures on a selective basis for the promotion of preferred industries:

- (i) authority to deduct organizational and pre-operating expenses in five to ten years;
- (ii) accelerated depreciation of fixed assets for a specified period to reduce taxable income;
- (iii) carry over of net operating losses for tax purposes;
- (iv) a five-year declining tax exemption for imported raw materials;
- (v) provision of adequate research facilities and technical assistance in so far as new products and new processes are concerned, including efforts at quality production and product standardization; and
- (vi) refinancing of distressed industries on a selective basis.

As regards allocation of foreign exchange derived from exports of manufactures the Government of Israel declares that it has no particular measures other than the mere provision of the foreign exchange necessary for the carrying on of export transactions. The Government of the Republic of the Congo on its part, declares that the companies concerned take advantage of their establishment in the country which secures them the necessary foreign exchange for the carrying out of their investment programmes both in relation to capital equipment and the necessary raw materials for normal operation.

(b) Fiscal incentives and other subsidies to export-oriented industries are provided by many Governments. These incentives can be sub-divided into:

- (i) remission of taxes on income earned from exports;
- (ii) exemption from sales taxes or reimbursement of taxes paid locally;
- (iii) exemption - or reduction of export duties;
- (iv) customs drawbacks;
- (v) duty-free entry of machinery and equipment.

The Government of Malta grants exemptions from income tax for a period up to ten years, as aids under the Aids-to-Industry Emergency Ordinance of 1959. Industrialists who export their product receive refunds of applicable taxes, special tax allowances for investments, and the right to spread the payment of import duties over several instalments. The Government of Malta allows an exemption from customs duty on articles imported exclusively for the construction, alteration or extension of (but not for repairs to) industrial buildings, and on plant and machinery. The Government of Jamaica reports that raw materials are either permitted to be imported free of duty based on an inbond operation, or special scales of drawback are established for recovery of duty paid on imported raw materials. Foreign exchange is freely available for imports of raw materials and spare parts; the latter may be imported free of duty during the tax relief period if a company is approved under the export industry encouragement law.

The Government of the Philippines grants tax exemption for capital goods and spare parts imports necessary in the manufacture of basic products.

(c) Financial assistance and credit insurance. The replies of Governments show that most grant such assistance in one form or another. The Government of the Philippines states that the Government's Nacida Bank extends financial assistance to cottage industries. The National Investment and Development Corporation (NIDC)

of the Philippine National Bank (PNB), and the Development Bank of the Philippines (DBP) also render financial assistance to export industries. The Government of Israel provides low-cost credits to export industries. In addition, development loans and other financial assistance are provided within the provisions of the law for the encouragement of capital investment and in the general development budget. In Turkey the Central Bank allows export-oriented industries to make use of special discount facilities to provide them with easier credit. In Nepal, the Government established in 1959 a Development Bank (NIDC) - an autonomous body which looks after the over-all development activities of industry by providing it with medium and long-term financial assistance. In addition, the Government has made the necessary arrangements to provide financial guarantees to foreign loan institutions and for deferred payments regarding commitments of Nepalese industrialists. The Government also intends to give consideration in the future to other methods of credit and insurance.

In Jamaica, a Development Financial Corporation has been established to render financial assistance to industries. In the Congo (Brazzaville), export industries are accorded certain privileges in their dealings with the National Development Bank. In addition, they enjoy a broad range of fiscal and tariff exemptions.

(d) Special services for export-oriented industries are provided by some Governments. Thus, the Government of Malta organizes exhibitions of Malta's goods at international fairs and publishes booklets on Maltese exports and exporters. Additional methods of circulating information on Malta's economy and export potential are under consideration.

The Government of the Philippines participates in industrial fairs held in foreign countries in order to promote and diversify exports. The Government of Nepal has organized an Industrial Promotion and Productivity Centre; one of its objectives is to act as an agency for attracting industrial investment to Nepal by means of active promotion and publicity. Similarly, the Government of Nepal is taking a keen interest in developing industry by participating in regional international exhibitions; by organizing and sponsoring global trade missions; by participating in trade fairs, and by publicizing its industrial achievements.

In Turkey the Turkish Standards Institute and the Centre for Export Development Research provide various assistance services to export-oriented industries, including the organization of seminars, symposia, exhibitions and

trade fairs. In Israel the Government provides industry with assistance services in the following fields: international trade fairs (by the Israel Company for Fairs and Exhibitions), market research, participation in industry advertising budgets for publicity material, brochures, catalogues, etc., and trade missions to and from Israel. An interesting feature of the government assistance services to export-oriented industries in Israel is its aid to industry in the establishment of joint marketing organizations serving entire branches of industry and in the setting up of export companies specializing in a particular foreign market.

The Congo (Brazzaville) sends representatives and participates in fairs and exhibitions where manufactured products of the country are put on display. It also assists industry through trade missions which help to market Congo products abroad.

The Government of Jamaica has organized industrial products exhibitions and trade fairs not only in Jamaica but also overseas. The Economic Section of the Jamaican Industrial Development Corporation provides industry with information on all matters related to exporting, including market possibilities and policies of the countries to which the products may be exported.

(e) International technical and financial assistance. Technical and financial assistance by foreign governments and international agencies to the developing countries in the field of promotion of export-oriented industries is extremely important, if these countries are to accelerate the rate of their industrialization and economic growth. Most of the Governments of the developing countries point out in their replies to the questionnaire that they receive such assistance either from some developed countries on a bilateral basis or from the international institutions including the United Nations specialized agencies. Technical aid is given in the following forms:

- (i) technicians;
- (ii) experts and consultants on the establishment and development of export-oriented or import-substitution industries;
- (iii) training.

Thus, for instance, the Government of Malta states that it has received substantial sums as a result of the financial agreement with the Government of the United Kingdom for the financing of industries in Malta and additional funds are being made available for the financing of the second five-year plan. As regards technical assistance provided by international agencies, aid is received from the

United Nations agencies, such as ILO and UNCTAD. Similarly, the Republic of China (Taiwan) reports receiving assistance under the United Nations expanded programme of technical assistance, the United Nations regular programme of technical assistance, Special Fund projects executed by FAO, ILO, etc. Such United Nations technical assistance is also provided to the Philippines, Jamaica, Singapore, and others. Loan assistance is also provided by IDA and the IBRD.

As regards technical and financial assistance rendered by developed countries on a bilateral basis, the Government of Malawi declares that such assistance has been received mainly from Canada for a proposed pulpwood project. Initial technical assistance services were made available by the Government of Canada, with follow-up by the Chase-Manhattan Investment Corporation in partnership with the United States Agency for International Development. Indirectly, the Government of the United Kingdom has provided major assistance through its grants-in-aid for current exports and by helping to raise funds for the development of industrial services, e.g., in the Khula Falls Hydroelectric Scheme and the Blantyre Sewage Scheme. The Federal Republic of Germany has helped in the construction of internal roads. French services have been carried out by the Compagnie Française d'Entreprises with a view to improving rail communications. The Government of the Philippines refers to the bilateral technical assistance programmes under which it receives technical scholarship training for individuals representing different fields of industry. Technical surveys of industry by foreign countries are made available to Philippine private industrial and government firms. Fellowships granted to the Philippines in various fields of study have also contributed to the acceleration of economic progress. Returned participants have assisted in various development programmes by disseminating the knowledge they have acquired. In its reply, the Government of Dahomey emphasizes mainly the more general aspects of foreign aid as follows:

- (i) the creation of a large economic and monetary zone facilitating trade exchange (Zone franc);
- (ii) assistance in maintaining the prices of certain primary products;
- (iii) granting of credits and special insurance;
- (iv) foreign capital and technical assistance at all levels.

Some of the countries report receipt of United States Export Import Bank loans, United States AID loans, loans under the Colombo Plan Programme of the British Government, and Japanese Government loans.

C. Efficiency and costs of production

42. In developing countries productivity is generally still low and production costs are higher than those required by the conditions existing on the international markets. This is pointed out in the replies of many countries to the questionnaire. They list a whole series of measures taken with the aim of raising the efficiency of the economy, reducing costs and prices and improving quality, so as to be able to find an outlet for their exports of manufactures on the world market. This is particularly emphasized in the reply of the Government of Venezuela which stated that the fact that industrialization in Venezuela is recent and is being carried out with abundant financial means leads, as a consequence, to the installation of modern and efficient equipment and to the reconstruction of obsolete plants at a rapid pace through substitution by more adequate equipment. Although productivity is still low and production costs are too high to be internationally competitive, efforts are being made so that Venezuelan industry may rapidly attain a level of productivity which would permit it to compete on the export markets.

43. The various measures to increase productive efficiency and to reduce costs of products of the export-oriented industries cited in the replies can be classified under the following headings:

- (a) loans for modernization of machinery and equipment;
- (b) technical assistance;
- (c) courses on industrial management and improvement of entrepreneurial and technical skills and other educational measures such as fellowship grants, seminars on production design and quality control, on standardization of products, etc.

44. In this respect, the measures taken to increase productive efficiency in Israel may be of interest:

- (a) encouraging replacement of worn and outdated equipment in the export-oriented industries by the provision of suitable loans;
- (b) technical advice and assistance provided by the Israel Institute of Productivity for the Institute of Packaging and Design;
- (c) the establishment of institutes and branches specializing in particular products and capable of providing highly specialized technical assistance;
- (d) the work of the Israel Standards Institute which maintains a continuous check on the standards of finished products.

D. Training facilities

45. The provision of training facilities designed to serve export-oriented industries with a view to improving skills of workers and technical and managerial personnel is given due attention by the Governments of the developing countries. Almost all of them point out in their replies that they have taken measures to expand the network of vocational schools and technical and polytechnics institutes in order to increase the availability of technical skills. Adult vocational training programmes are also offered after working hours and on-the-job training programmes are conducted in factories. To improve the skills of technical and managerial personnel, various courses are offered at universities, special productivity centres and management associations. Also many students and technicians are sent abroad for training in new technology and business management. However, it should be kept in mind that these measures are designed not only to serve export-oriented industry but industries as a whole. Thus, for instance, the Government of the Republic of China refers to the following training facilities which cover various fields of activities ranging from top management of big industries to apprenticeship:

(a) China Productivity and Trade Centre

Training in business management, industrial engineering, technology, trade marketing.

(b) Metal Industries Development Centre

Training of workshop techniques and management in the field of metalworking industry.

(c) Management Development Centre

Programmes for the training of supervisors, conducted by the Management Development Centre, a government training centre, in co-operation with ILO.

(d) Centre for Public and Business Administration Education of National Chengchi University

In-service training at top level in management, personnel and financial management.

(e) Maritime Development Centre

Training of maritime personnel, etc.

46. The Government of the Philippines lists the following government agencies which provide facilities for improving skills of workers and other technical personnel of industrial firms.

(a) The National Science Development Board (NSDB) provides training and research facilities to employees of both private industrial firms and government enterprises;

(b) The Philippine Coconut Administration (PHILCOA) operates a pilot plant for the manufacture of coconut products;

(c) The National Cottage Industries Development Authority (NACIDA) offers training courses in the production of cottage industry products.

47. The Government of Israel states that training courses and seminars are organized in numerous fields for the purpose of improving skills of workers and technical and managerial personnel. These include courses in: administration, mechanics, stock control, use of new equipment, efficient use of services, etc.

48. The Government of Turkey refers in particular to the two semester postgraduate courses and the short-term courses for high level managers and key personnel conducted by the Institute of Management of the Faculty of Economics of the University of Istanbul. In addition, there are courses conducted by the National Productivity Centre of the Turkish Management Association.

49. The Government of Malawi notes that apart from the general educational aspect of training, which is provided through the schools and the University of Malawi the Polytechnic offers courses in business administration and in specific technologies.

50. The Government of Chad mentions, among others, that a convention has been recently signed between the European Economic Community (EEC) and the Republic of Chad under which the EEC would contribute funds from the European Development Fund to finance the project of "Professional Training of Factory Workers of the Société Textile du Tchad at Fort Archambault".

51. The Government of Morocco states that the task of improving skills is centralized in a specialized department and is given particular prominence by the Government in the Two-Year Plan 1965-1967. In addition, the private industrial sector has at its disposal means of technical formation and improvement of skills particularly in the engineering and textile sectors of industry.

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52. In Ecuador the Centro de Desarrollo (CENDES) in co-operation with the United States Agency for International Development has established a system of consultation on all levels of work in the field of industry. Recently an organization entitled "Servicio Ecuatoriano de Capacitacion Profesional" (SECAP) has been created, with the task of reducing production costs through increasing productivity per man. The General Plan of Economic and Social Development of Ecuador in its Programme of Industrial Resources provides for the setting up of services to increase the skills of technical, management and working staff.

53. In Panama the Centro de Desarrollo Industrial, jointly with the Instituto Panameño de Desarrollo, carries out a programme of training and management formation for high and medium levels of management, foremen and supervisors. However, this programme is not destined exclusively for export-oriented industries. The programme of formation of human resources includes courses of industrial engineering, sales, motivation, supervision, etc. On the other hand, the Institute of Formation and Utilization of Human Resources (IFARHU) has obtained from the "Camer International" two schools of vocational training which will be opened in the second semester of next year in Panama and Colón.

54. Besides these governmental institutions, there are in Panama also private sector institutions such as the Panamanian Association of Executives of Enterprises and the Central American Institute of Management of Enterprises which have permanent programmes of training of business executives on the high and medium level.

55. The Government of Venezuela gives details on its technical training programmes. The Instituto Venezolano de Productividad (IMPRO), whose efforts are directed towards organizing courses and seminars, is extending its activities in all branches of industry. On the other hand, the Instituto Venezolano de Cooperación Educativa (INCE) is entrusted with the task of professional training of workers, contributing to the fight against analphabetism and in the campaign for agricultural and rural development. INCE has improved the quality of manpower in Venezuela whose efficiency is rapidly increasing. Besides, the universities are training an ever-increasing number of professionals, especially engineers (Universidad de Oriente and Instituto Politécnico Nacional).

E. Contemplated measures of promotion of export industries

56. A number of Governments of developing countries are considering taking steps in the near future to stimulate the promotion of the metal-transforming and other export-oriented industries.

57. The Government of Venezuela is planning to adopt a régime of drawback of import duties and import licenses for raw materials destined for the manufacture of export products.

The Government of Israel envisages the following steps:

(a) the centralization of marketing and production control for certain industries, particularly cotton textiles and automotive spare parts;

(b) the encouragement of integration agreements with foreign manufacturers whereby Israeli firms would contract to supply components and semi-finished products to factories abroad.

58. The Government of the Philippines, at the first session of the Asian Industrial Development Council which was held in Bangkok, Thailand, offered to enter into a joint-venture enterprise arrangement with any of the member countries in the ECAFE region, to put up a metal-transforming plant in the Philippines as well as other industrial projects which could be mutually beneficial to two or more countries.

59. The Government of Jamaica is considering offering some fiscal incentives to the metal-transforming and other export-oriented industries in the form of longer period income tax concessions. As a first step in promotion of the metal-transforming industry, encouragement is being given to assembly operations. It is hoped that as soon as the size of the market expands, increasing numbers of component parts will be manufactured locally.

60. In Malta, over sixty projects for establishing new industries have been approved to date by the Malta Aids to Industries Board and the majority of these are already operating either in government-built factories or in factories built to their own requirements.

61. In Turkey efforts are being made to assist the metal-transforming industries in solving their financing problems and in assuring them a dependable supply of raw materials. The Government of Singapore has established a Centre for training workers for metal-working industries. In Zambia, negotiations are currently taking place for the setting up of copper fabricating plant.

62. The Government of Kenya states that the Export Promotion Council, which has come into being, is primarily concerned with stimulating all exports, including metal industries. At present, several metal products such as steel windows and doors, galvanized sheets, hammer mills and wire products are already being exported to the neighbouring countries.

63. The Government of Panama is now working out a programme of industrial development which includes the promotion of export-oriented industries. The study of the following aspects is envisaged:

(a) Study of the metropolitan area which would include the identification of raw materials circulating through the Canal and which could be economically processed in Panama in order to satisfy the export markets.

(b) Possibilities of a substantial expansion of exports to Costa Rica and Nicaragua under the provisions of the bilateral treaty in force. Identification of products opening up greater potentialities for development.

(c) Examination of available natural resources in the country, mainly of agricultural and livestock origin, with the aim of determining which could be processed and exported economically.

F. Economic co-operation and regional integration

64. The enlargement of the present dimensions of the national markets through the gradual elimination of inter-regional trade barriers, and through inter-regional industrial co-operation constitutes one of the fundamental conditions for the accelerated process of economic development in the developing countries. Many developing countries are taking steps to expand economic co-operation and regional integration with neighbouring countries in the field of export-oriented and import substituting industries.

65. The Government of Morocco has initiated a programme involving the main products of the metal-transforming industries. In this framework it envisages the elaboration of a co-ordinated programme of manufacturing on a subregional basis with the other Maghreb countries. This programme will be discussed by the permanent commission of the Maghreb.

66. The Government of Kenya reports that so far no significant developments have taken place towards regional economic integration outside the existing East African

Common Market area (Kenya, Uganda and Tanzania) whose members are likely to sign a treaty in the near future solidifying the existing Common Market structure.

67. The Government of Malawi indicates that it agrees on principle with the proposal for economic co-operation in eastern Africa and a representative of the Malawi Government attended the interim meeting of the Council of Ministers of East Africa which was held in 1966. Zambia is also a member of the economic community of East Africa. However, economic co-operation within this proposed unit is still at the preparatory stage. The Government of the Republic of the Congo states that it adheres to the Central African Convention on Investments, signed by the Chiefs of State of Gabon, the Cameroons, Chad, Central African Republic and the Congo (Brazzaville). This convention, in force since 1 January 1966, defines the advantages which the Governments signatory to the convention accord to industrial enterprises. According to the Government of the Republic of the Congo, the Central African Convention on Investment determines the following:

- (a) industries operating in all of the countries of the Customs and Economic Union of Central Africa
- (b) industries exporting to one or more States of the Union
- (c) industries exporting outside the States of the Union.

68. The Government of Chad states that it joined the Customs and Economic Union of Central Africa and it has thereby opened the regional market to its national industries. This has been achieved through the following measures:

- (a) elimination of import quotas applicable to products and commodities manufactured by the member States of the Union which are transferred from one member State to another for consumption
- (b) subordination of all these commodities to the régime of "unique tax"
- (c) exemption from all duties and entrance and exit fees with the exception of the application of safeguarding clauses.

69. Thus, according to the reply of the Government of Chad, the creation of the Customs and Economic Union of Central Africa as a regional economic unit should stimulate trade and encourage industrial co-operation between the member countries. The Government of Dahomey is attempting to co-ordinate its tariff, fiscal and industrial policies with those of the neighbouring countries, particularly with those of Togo, Upper Volta and Niger, through mutual consultation and agreements

on co-operation. Moreover, the Union of the States of the Entente as well as the Customs Union of West Africa represent a solid basis for the installation of common industries. The Government of Rwanda is a member of the African and Malagashian Economic Community. Malta is a member of the British Commonwealth and therefore within the Commonwealth preferential system for Maltese goods imported into the United Kingdom. However, the question of whether or not it would be advantageous for Malta to apply for associate membership in the European Economic Community is at present under consideration. Ways are being explored of strengthening Malta's economic relations with its neighbours and more especially with those in North Africa.

70. The reply of the Government of Turkey notes that the regional co-operation among Turkey, Iran and Pakistan in the field of joint industrial projects is being vigorously pursued. The combined market of these three countries can make it possible to establish industries which the market of one of three countries could not sustain. According to the reply of the Government of the Republic of China talks have been conducted with South Korea to look into the possibility of setting up certain import-substituting industries as joint ventures in the field of petrochemicals, steel, paper and pulp, etc. The basic idea is that since both countries are contemplating manufacture of the same products for import substitution, it would be naturally advantageous to avoid duplication of efforts by dividing these projects between the two countries and producing for two markets rather than one.

71. The Government of the Philippines refers to the Asian Industrial Development Council (AIDC) which was established in pursuance of resolution 68 (XXII) adopted by the United Nations Economic Commission for Asia and the Far East (ECAFE) at its 347th meeting held in 1966 in New Delhi, as an indication of its interest in regional industrial development.

72. The Government of Argentina refers to the industrial complementarity agreements it has signed: (a) electronic lamps - with Brazil, Mexico and Uruguay; (b) accountancy machines - with Brazil, Chile and Uruguay; and (c) automobiles - with Chile.

73. The Government of Venezuela is planning a more active participation in the Latin American Free Trade Association (LAFTA) and agreement has been reached on integration with Colombia and Chile.

74. Ecuador as stated in its reply, is a member country of the Latin American Free Trade Association (LAFTA) and participates actively in the programmes of regional economic integration. Prior to its joining LAFTA, the replies continued, Ecuador was granted the qualification of a country with a relatively lower development and this has permitted some advantages within the framework of the area, derived from the application of article 32 of the Montevideo Treaty. In June 1966 a Working Group of the Permanent Executive Committee of LAFTA recommended to the Association a series of concrete measures for promoting the industrial development of the economically less developed countries. One of these measures refers to the location in Ecuador of export industries destined for the enlarged market of the area. Besides, with the assistance of the Inter-American Development Bank the foundations have been laid for a policy which will permit the joint development of the bordering Colombian-Ecuadorian border zone.

75. The Government of Panama has carried out a series of studies with a view to identifying the advantages and disadvantages of a possible integration with some existing common markets - LAFTA, the Caribbean and Central American Common Market. It has decided that the most convenient alternative at the moment is integration with the Central American Common Market through a process of progressive and regular adjustments which would take some years. To this end the incorporation of Panama into some political institutions of the Central American Common Market such as ODECA and its subsidiary organs has been decided by the Government of Panama. Besides, it has entrusted this regional grouping with initiating a study as a basis for opening official talks on future adhesion.

76. In the Caribbean region, Jamaica currently works with the rest of the Commonwealth Caribbean on shipping problems of mutual interest. Other forms of co-operation are under consideration.

3. Suggestions and Recommendations on UNIDO Assistance in the Promotion of Export-Oriented Industries

77. In reply to the question as to the role UNIDO could play in the implementation of their programme of promotion of export-oriented and import-substituting industries, the Governments of the developing countries stated that the technical assistance which could be supplied by UNIDO to these countries could take the following forms:

(a) Sending individual experts and missions of experts (Congo, Dahomey, Ecuador, Jamaica, Kenya, Panama, Zambia). Thus, the Government of Panama suggests the sending of a mission of experts to specifically define the type of industrial opportunities which could be established in Panama with a view to exporting the products of the Central American Common Market on competitive terms; another mission of experts could be sent with the aim of laying the structural foundations for the establishment of a Department of Export Promotion. The work of the latter could be supplemented by a mission of experts to be sent to Panama with a view to work out an adequate legislation for the promotion of exports. The Government of Kenya recommends sending individual experts or groups of experts to work out a plan for industrial development.

(b) Providing training courses and scholarships for personnel from the developing countries (Congo, Ecuador, Jamaica, Kenya, Panama, Turkey, Zambia). The Government of Jamaica considers that the establishment of training courses and the offer of scholarships would benefit persons from the developing countries through exposure to industrial problems and discussions with experts in the developed markets. The Government of Turkey emphasizes the necessity of providing short-term fellowships to management personnel.

(c) Lectures and seminars (Kenya, Panama). The Government of Panama proposes the holding of a series of lectures and seminars for top and medium levels of management to discuss problems of international trade, legislation of the Central American Common Market, on social, industrial and commercial questions, distribution of manufactured products, marketing techniques, reduction of costs, sources of credit, organization of the Central American Common Market, industrial opportunities in the Common Market, etc.

(d) Pilot plants (Jamaica, Kenya, Venezuela, Zambia), feasibility studies (Ecuador, Jamaica, Kenya, Turkey).

(e) Selected market information and studies or surveys of markets for specific products (Malawi, Morocco, Rwanda, Venezuela). The Government of Jamaica suggests that UNIDO could act as a clearing house for information on products for which developing countries will seek export markets and for disseminating this information to importers and trade organizations in developed

countries. The Governments of Jamaica and Venezuela suggest the setting up of an International Information Centre on exports under the auspices of UNIDO. The Government of Morocco suggests that UNIDO could be helpful in supplying it with appropriate documentation and information on foreign markets. The Government of Venezuela would appreciate having more up-to-date information for its types of products.

(f) Small-scale industries and industrial estates. The Governments of Dahomey and Malawi would appreciate UNIDO's assistance in planning and financing industrial estates, while the Government of Morocco recommends studies and technical assistance in the field of subcontracting small-scale industries; elaboration and evaluation of industrial projects (on a national and regional level and management of enterprises).

(g) Advice in the sphere of modern technology, industrial policies, investment, etc. (Republic of China, Malawi, Singapore). The Government of the Republic of China recommends the compiling of a number of studies on the various export promotion measures adopted in different countries. The Government of Malawi suggests that UNIDO should take steps to advise on modern technological developments in specific industries especially where they have the effect of reducing the minimum capital investment required and the capital-output ratio. Besides, it would appreciate information regarding the experience of other countries with comparable economic and sociological structures in the development of specific industries. It also requests information on other comparable countries designed to stimulate industrial development (e.g., tariff promotion, fiscal incentives, etc.). The Government of Singapore would appreciate assistance in obtaining more reasonable freight rates.

The Government of Rwanda considers that "UNIDO could play an irreplaceable role in contributing to the establishment and development of export-oriented industries as well as industries for import substitution. It believes that market studies, economic and technical studies are an indispensable preliminary condition for any effort of industrial development. Being open to the whole world, centralizing very diverse information and experience, UNIDO has to play the part of a natural promoter".

II. REPLIES OF THE DEVELOPED COUNTRIES

78. The Governments of six countries replied to the questions addressed to developed countries: Australia, Belgium, Bulgaria, Italy, Japan, New Zealand, Sweden and the United Kingdom. In reply to question 1, relating to bilateral and multilateral financial and technical assistance programmes to industries with an export potential, most of the Governments concerned said that they do not isolate aid to export-oriented industries from their aid to industries in developing countries in general. They consider this aid as direct or indirect assistance to export-oriented industries to the degree that over-all industry aid of itself has a bearing on the export potentialities of the recipient countries.

79. Thus, for instance, the Government of the United Kingdom considers that the task of quantifying the considerable amount of aid to developing countries as between export-oriented and regular industry is not practicable for two reasons: first, because it is extremely difficult to isolate the "export-promoting" element in the aid given to any particular industry; and second, because much financial and technical aid is of indirect assistance to exports, e.g., aid to transport systems, hydroelectric schemes and education.

80. The Government of Japan, on its part, states that in formulating her financial and technical co-operation programmes both on an official and private basis, Japan makes no distinction between export-oriented and import-substituting industries. Emphasis is placed, however, on primary and processing industries, inasmuch as Japan intends to promote such industries as will fit the special conditions of each country, making full use of existing capacity and resources.

1. Technical and Financial Assistance

81. The Government of Belgium in its reply voices the opinion that aid to export-oriented and import-substituting industries will turn out to be really efficient only in those countries which have attained a certain level of development which is reflected in an increase in agricultural or industrial production as well as in trade between countries of the same region or on a similar level of development.

82. In the view of the Government of Belgium, industrialization should not be conceived too exclusively as a function of exports but it should have a solid basis

in the domestic market. An industrialization oriented rather to domestic consumption would permit an increase in living standards and the setting up of the necessary infra-structure.

83. The Government of Australia reports a number of specific instances of assistance. The Government of Australia has provided trucks and earth-moving equipment valued at \$A298,000 for the preparation of factory sites in Burma. A current major project will provide India with wool valued at \$2,730,000 for the development of a wool-manufacturing export industry. A substantial part of Australia's large contributions to multilateral bodies (United Nations agencies, the IDA, the Asian Development Bank, etc.) are of course directed to developing industries with export potential, in so far as the agencies concerned provide assistance to relevant projects.

84. Moreover, the Australian Government recognizes the importance which the Governments of developing countries place on the training of officials in export promotion. As a consequence, through the Colombo Plan, the Special Commonwealth African Assistance Plan (SCAAP), and the Australian South Pacific Technical Assistance Programme (ASPTAP), the Australian Government has already conducted formal training courses in trade promotion for some forty officials from South-East Asia, southern Africa and Western Samoa. Further courses are planned for 1967. Following a request from the GATT International Trade Centre, a course for senior officials from South American countries was also held in 1966.

85. The Australian Department of Trade and Industry has provided a wide range of services to visiting trade missions from developing countries. These have included the provision of detailed information on the nature of the Australian markets for the products in which particular missions were interested, the provision of departmental officers as escort officers, arrangements of press interviews, business appointments, receptions, transport, etc.

86. The Government of Belgium gives details on its programmes of technical assistance to developing countries in the sphere of industrialization and export promotion. It grants scholarships for study and specialization to engineers and technical engineers from developing countries. Besides, the Belgian Office of Foreign Trade has organized export promotion courses whose programme and duration vary according to the level of education, knowledge and know-how acquired by the

INTRODUCTION

1. This report contains an analysis of the replies received from Governments and specialized agencies to a questionnaire on the promotion of export-oriented industries, as requested by Economic and Social Council resolution 1178 (XLI).^{1/}
2. The expansion of exports, particularly of manufactured goods, has in recent years been given prominence in the development programmes of developing countries. Governments have become increasingly aware that the strengthening of the export potential of existing industries and the establishment of new, primarily export-oriented industries, is crucial for their economic growth, both of widening the basis for the process of industrialization, and from the viewpoint of removing the foreign exchange bottle-neck which retards this economic growth.
3. It is now generally agreed that exports of manufactured goods must play a vital part in the process of industrialization in developing countries for a number of well-known reasons. First, developing countries must increase their import capacity in order to enable them to purchase the necessary capital goods which are crucial to their continued economic development. Most of the developing countries are at the present time largely dependent for their export earnings on a limited number of primary raw materials. Such dependence makes the economies of these countries highly vulnerable to market fluctuations for these types of goods and their consequent effects upon their exchange earnings and the balance of payments. By developing new and diversified branches of exports in the area of manufactured goods, the export position of the developing countries will be considerably strengthened.
4. Secondly, a more pronounced development of export products is needed to broaden the market base for the industrialization efforts of the developing countries, thus enabling them to take advantage of the opportunities afforded by the application of modern techniques of large-scale production. So far industrialization of the developing countries has been largely based on production of goods for import substitution. Yet the opportunities for further industrialization based on import substitution tend to shrink and meanwhile further expansion of the manufacturing

^{1/} Full texts of the replies are available for reference in the Secretariat files.

candidates. The Office of Co-operation for Development has put many experts and technicians at the disposal of the Governments of the Republic of the Congo, of Rwanda and of Burundi. Belgium has also signed conventions on technical assistance with some countries (Tunisia, Chile, Peru) to which experts have also been sent.

87. Italian bilateral assistance to developing countries is enumerated as follows: delivery to India of a nitrogen fertilizer plant valued at \$12 million, delivery to Greece of a tin-plate plant with auxiliary machinery and various equipment and accessories - \$13.5 million; construction in Tunisia of a pipeline and commissioning of fourteen oil wells by delivery of materials and allocation of appropriate loans (El Borma) - \$8 million; delivery to Iran of electro-technical equipment for the thermo-power station of Esfahan - \$11.5 million; supplying Iran with machinery for nineteen power substations - \$6.5 million; delivery to Greece of a thermo-electric power station of 150,000 kilowatts - \$13 million; delivery to Pakistan of turbo-gas stations installed on railroad cars as well as two other turbo-gas stations - \$6.5 million; delivery to India of electro-technical equipment for the thermo-power station of Parli (Bombay) - \$6.9 million; delivery of ships to Yugoslavia - \$10.9 million; work in Libya for the enlargement of the Tripoli-Bugrah Highway - \$16.5 million. As regards multilateral assistance, Italy works in the framework of the EEC assistance or within the framework of the assistance programmes of the United Nations.

88. As regards Italian assistance through the United Nations, the following have been mentioned: Italy's financial participation in the UNDP programme, which amounted in 1966 to \$2.25 million, will increase in 1967 to \$2.5 million; Italy's participation in the International Professional and Technical Improvement Centre organized by the BIT in Torino in co-operation with the Italian Government. Besides, Italy participates in financial and international institutions such as IBRD, IDA, IFC (either through contributions or subscriptions to capital or through the acquisition of bonds).

89. Italy has recently participated (\$20 million) in the subscription of capital to the Asian Development Bank and \$24 million for bonds of the Inter-American Development Bank. More directly related to the promotion of exports of developing countries is the study of the programmes of agricultural development in Morocco, Algeria and Greece, hydroelectric plant projects in the Congo and the Cameroons,

blueprints of steel plants in Nigeria and Argentina and the industrialization plant of western Andalusia in Spain. The total amount of all these projects and plans is estimated at 1,100 million lire. They have been worked out by Italian consulting firms with the financial contribution of the Italian Government. Moreover, numerous experts render technical assistance services in sectors connected with the development of export industries.

90. With regard to technical co-operation, Japan not only receives trainees from abroad, sends technical personnel and establishes technical training centres, but also dispatches survey teams of highly qualified experts to assist the developing countries in formulating their technical development programmes. In the implementation of these technical co-operation programmes, special regard is had to the importance of the promotion of export-oriented industries of the developing countries.

91. The reply of the Government of Japan gives some details on this count: technical experts have been sent to assist developing countries in various fields, such as improvement of the quality of the lacquer to be exported to Japan in Viet-Nam, training of local personnel for the production of bamboo-ware for souvenir use in Tanzania, silk and silk-raising industries in Thailand and Madagascar, and cotton spinning industry in Pakistan. As to the basic pre-investment surveys, Japan extends aid to Colombia in carrying out exploitation surveys of copper ore in that country.

92. Regarding the credit policies of Japan versus the developing countries, the reply of Japan specifies that most representatives of Japan's official credit is "yen credit". In providing "yen credit", due consideration is given to the development of export industries in the developing countries. Private credits provided by exporters in the form of "export with deferred payment" have proved to be conducive to the raising of the general standard of industries in the developing countries, thereby strengthening the export potentialities of these countries. Textile machinery exported to India and Pakistan, and the equipment of a sugar factory to the Republic of China, are cases in point.

93. Multilateral contributions play a very prominent role in the Swedish aid programme. Sweden's pledge to the United Nations Development Programme for 1967 amounts to \$15.5 million. Sweden is looking forward to an increasing number of

industrial projects which will be coming before the Governing Council of the UNDP in the years ahead.

94. Swedish contributions to multilateral programmes also include a special grant in 1965 of \$100,000 to the United Nations Centre for Industrial Development and a contribution in 1966 of \$500,000 to the special trust fund set up by the Secretary-General for the financing of special industrial services.

95. The Swedish bilateral programme is concentrated in about half a dozen countries in Africa and Asia. The emphasis of Swedish technical assistance is on education, vocational training, and on health services, including family planning. Capital aid is given to finance infra-structural investment - e.g., hydro-power, a fishing harbour, and water supply programmes - and also as credits for specific imports. Thus, two credit agreements with India have included provisions for the financing of imports of equipment essential for Indian manufacturing, electric power, dairy and mining industries. Technical assistance to industries with an export potential has so far largely been confined to a vocational training school at Yekepa, Liberia, operated in conjunction with the LAMCO mining enterprise. In 1966, a feasibility study for a tannery project was undertaken at the request of the Tanzanian Government. This project would add to the country's exports of products from the livestock sector and would also reduce import requirements.

96. The Government of the United Kingdom reports the following technical assistance:

(a) Courses in the United Kingdom for overseas students, both for industrial development and for export promotion;

(b) Financial aid and provision of teachers to universities in developing countries to provide the relevant technical education, e.g., aid to the universities of Botswana, Lesotho and Swaziland, and to the faculties of engineering at the universities of the West Indies and Thailand, and to the Polytechnic of Singapore and Malaysia;

(c) Provision of experts to advise and assist export industries, e.g., sending of experts to textile institutes in East and West Pakistan and to the Cocoa Research Institute in Ghana.

97. The Government of the United Kingdom also reports a number of instances of financial aid:

(a) £20 million since 1960 to Pakistan to aid the jute industry; smaller amounts to the cotton textile industries; and financial assistance for the tea industry;

(b) Aid to the Malawi Development Corporation (which is sponsoring export-oriented industries);

(c) The Commonwealth Development Corporation is aiding the development of an industrial estate in East Malaysia, the Botswana Meat Corporation, a textile and a cigar-leaf project in Zambia, forestry and pulpwood schemes in Swaziland;

(d) Large sums of non-project aid to India, to assist the Indian economy generally. The United Kingdom has also provided £60 million for the Durgapur Iron and Steel Works.

2. Assistance Contemplated for the Future

98. Concerning provisions planned or contemplated by the Governments of the developed countries to assist the developing countries in the promotion of export-oriented industries, the Government of Australia declares that it has no present plans for the inclusion of or specific provisions in bilateral aid for the purpose of direct assistance to industries with an export potential. However, it adds that it will continue to respond, within the limit of its capacity, to requests for assistance directly related to this need. From the broad viewpoint, a great deal of development assistance provided by Australia is contributing substantially, if indirectly, to this need. Projects in the transport field (roads, bridges, etc.) and in public utilities (water supply, electricity, etc.) are quoted as an essential indirect contribution in so far as they provide the infra-structure necessary for the establishment and development of industry. Moreover, much of the training provided by Australia under the Colombo Plan and other schemes, including training in export promotion, help to provide the skills necessary for such industries. Another provision of the Government of Australia in this respect is the scheme of preferential rates of import duties for a range of products of particular export interest to the developing countries which came into operation on 1 July 1966. A range of handmade traditional products of the cottage industry

of developing countries covered by the scheme are now accorded duty-free entry without quantitative restriction to the Australian market.

99. Besides, the Australian Government believes that joint ventures and other forms of co-operation have an important part to play in the industrial expansion of developing countries. Accordingly, Australia participates actively in the Asian Conference on Industrialization, and through its membership of the newly created Asian Industrial Development Council is investigating ways of assisting the establishment and development of a number of key industries in the ECAFE region. Other planned or contemplated measures in this sphere are Australian participation in the International Symposium on Industrial Development in 1967; the encouragement given by the Australian Government to Australian industry in a positive and practical way to the growth of manufacturing industries in developing countries, especially those in Asia; and the scheme to insure certain kinds of capital investment, particularly in developing countries, against non-commercial risks which might hamper the flow of such investment to overseas countries. An important feature of this scheme, it is stressed in the reply of the Government of Australia, is that it is designed to encourage Australian investors to associate with investors in the developing countries in joint ventures rather than to undertake wholly Australian-owned enterprises.

100. The Italian Government subdivides its provisions for assistance to developing countries into two main headings, multilateral and bilateral aid, and technical assistance. On both items, an increase and expansion of activities is envisaged, and a draft law was tabled providing for an improvement of the instruments relating to bilateral assistance. As regards technical assistance, an increase in the volume of funds is envisaged as a result of which Italy will be able to comply with the major requests for assistance in this sector.

101. The Government of Japan declares that it will make every effort to further assistance activities in the promotion of export-oriented and import-substituting industries in the developing countries and will continue to give due consideration to the need of promoting such industries in selecting new projects for "yen credit". The Government of Japan is contemplating providing the developing countries in Africa and South-East Asia with yen credit for the construction of factories for paints made from cashew nuts and the supply of equipment and materials for

processing industry of marine products, rubber plantation, maize cultivation and others. With regard to private investment, a number of Japanese private enterprises are considering investing in mining industries for manganese, copper, kainite, etc., in the developing countries. In the field of technical co-operation, the Government of Japan is planning to send experts to Cambodia and Thailand for the cultivation of maize, which will be imported by Japan as chicken feed.

102. The Government of Sweden also declares that Sweden's bilateral assistance to industrial development is expected to expand further in the future. The Government of Sweden proposes to concentrate on industries which produce tools or supplies for agriculture, or which process the output of agriculture, livestock, fisheries and forestry. In some instances, funds might be contributed through the intermediary of industrial or development banks to industrial enterprises in need of capital for starting operations or for expanding their production.

103. Detailed studies are now being undertaken to establish the basis for a programme of action in this area. It is envisaged to prepare a report on these studies for submission, in due course, to the forthcoming International Symposium on Industrial Development. Besides, the Swedish Government stresses that measures directed towards export trade promotion will also facilitate and assist the development of export-oriented industries in the developing countries. Specific measures for assistance in the export promotion field, whereby multilateral as well as bilateral channels would be used, are at present being contemplated by the Swedish Government on the basis of recommendations contained in a recent report presented by a working party of experts in this field.

3. Suggestions and Recommendations on Assistance by Developed Countries

104. In the reply to the question on suggestions or recommendations as to the assistance the developed countries could render in the promotion of export-oriented and import-substitution industries in developing countries, the Government of Australia refers to the preference schemes and the scheme for insurance of investment in developing countries contained in its answer to question 2.

105. The Government of Belgium recommends that developed countries should assist developing countries in the following spheres:

(a) Establishment of a nomenclature of products apt to be exported and studies of the foreign markets where they could be sold;

(b) Elaboration of a policy of industrial exports: a list of existing measures, of needs and available stocks, the establishment of priorities;

(c) Organization of an institutional régime and the setting up of a central mechanism for the commercialization of export products. Assistance could be requested from UNDP for projects of this kind;

(d) The promotion of sales by means of organization and through participation in trade and industrial fairs in the country itself and abroad;

(e) The elaboration of programmes and projects of bilateral or multilateral assistance with a view to stimulating export-oriented industries (missions of experts, training of skilled workers of technical and managerial personnel, etc.).

106. The Government of Italy considers that the developed countries could contribute substantially to the creation of export-oriented industries in the developing countries by means of:

(a) The establishment of fellowships which would permit technicians in the developing countries to undergo a period of study and of practice in developed countries;

(b) Organization of seminars conducted by economists and industrialists for technicians and economic and financial research workers from the developing countries;

(c) Missions of economists, technicians and market researchers specialized in the various industrial sectors.

107. The Government of Japan emphasizes in its reply that in extending assistance for the promotion of export-oriented and import-substituting industries in developing countries, it is of the utmost importance to establish priorities. For this reason, technical co-operation in the form of surveys and researches to this end could play a very important role. In identifying priority industries, it is essential to ensure the maximum utilization of natural resources as well as the adaptation to the current stage of economic development and natural environment of the countries concerned.

108. While developing countries are short of financial resources and techniques, the lack of well-experienced managerial personnel has also been one of the major

obstacles to the development of their industries. Accordingly, technical co-operation in the field of management will prove to be effective in the development of industries in the developing countries.

4. Suggestions and Recommendations on UNIDO Assistance

109. All Governments addressed made suggestions or recommendations with respect to the role UNIDO could play in the implementation of the programme of promotion of export-oriented and import-substituting industries in developing countries. The Government of Italy suggests, for instance, that UNIDO should take the following steps:

(a) Examination of the problem of promotion of export-oriented and import-substitution industries which assumes various forms in the individual developing countries and developing regions;

(b) More specific determination of the factors and geographic areas in which the sending of experts and the establishment of pilot projects is of particular importance;

(c) Catalyzing action for the flow of experts entrusted with the working out of pilot projects through appropriate contacts with the UNDP;

(d) Meetings of expert groups for the discussion of the problem.

110. The Government of the United Kingdom suggests co-ordination with UNIDO in its bilateral technical aid programmes on the lines which already exist in relation to the other United Nations organizations providing technical assistance. The Swedish Government believes that UNIDO will have a key role for the advancement of export-oriented and import-substituting industries in the developing countries. It notes that in the planning and evaluation of its bilateral assistance programmes, the Swedish Government constantly endeavours to take into full account the parallel United Nations activities and also, whenever possible, to enter into direct co-operation with the various United Nations organs active in the corresponding fields. This general principle will also apply to UNIDO.

111. As regards the multilateral activities within the field of export promotion, it is the understanding of the Swedish Government that, whereas promotion of export-oriented industries in the sense of advancing the establishment and development of industries with an export potential would primarily be a concern of

UNIDO, the promotion of export trade as such falls mainly within the competence of other organizations like UNCTAD and GATT. The activities of these and other international organizations, in the view of the Swedish Government, would thus complement each other and serve similar ends by different means. In view of the close interrelationship between the promotion of export-oriented industries, on the one hand, and the promotion of export trade, on the other, it seems highly desirable to achieve at an early stage a co-ordinated division of labour and smooth working relations between the organizations concerned.

112. According to the United Kingdom, the nature of its own aid programme indicates the type of help which could be most effective. In projects for the establishment of import-substituting industries, it is of primary importance that the industry should be able to function efficiently, in the sense that it would not require undue protection from external competition. Similarly, when considering projects for export-oriented industries, it is suggested that the aim should be a product competitive, in terms of price and quality, in world markets; the establishment of such industries should be preceded by a study of market opportunities.

III. REPLIES BY INTERNATIONAL AGENCIES

113. International organizations and specialized agencies in their financial and technical assistance programmes pay particular attention to industries with an export potential in the developing countries and make appropriate provisions for projects and programmes of assistance to these industries. In their replies to the questionnaire they provide information on the practical steps taken to promote, in addition to import substitution programmes, industries with an export potential in developing countries. The information deals with the following items:

(1) assistance provided by the international organization or agency to developing countries in the field of promotion of export-oriented industries; (2) steps taken to assist the developing countries in increasing productive efficiency and reducing the cost of production in the export-oriented industries and improving quality; (3) steps taken to promote economic co-operation and regional integration of developing countries; (4) measures to be taken in the future to assist the developing countries in the promotion of such industries; (5) suggestions or recommendations as to the assistance the developed countries could render in the promotion of export-oriented and import-substituting industries in developing countries; (6) suggestions or recommendations concerning the measures to be taken by the Governments of the developing countries in promoting export-oriented industries.

1. Assistance in the Promotion of Export-Oriented Industries and in Increasing Productive Efficiency

(Items 1 and 2)

A. Reply by UNCTAD

114. In its reply the United Nations Conference on Trade and Development states that the problem of trade in manufactures and semi-manufactures was given great prominence in the first session of UNCTAD. This subject was examined and discussed in the second Committee of the Conference, established specifically for its consideration. Numerous recommendations were adopted as an outcome of the Conference in this field (see Final Act, E/CONF.46/141, vol. I). The Conference also established the necessary institutional machinery for further action and

sector becomes increasingly handicapped by the limited size of the domestic market of the developing countries. Thus, the latter are deprived of the benefits of economies of scale, as a result of which their industries operate at high costs and often below optimum capacity. The development of export output would enlarge the total market, thus making existing industries more economic and permitting the establishment of new, economically viable industrial branches.

5. Thirdly, it is considered that the establishment of export industries would play a highly dynamic role in the process of economic growth of the developing countries because expansion and diversification of exports would require a more complex economic structure. On the one hand, an expansion of exports of manufactures can contribute to a rise in national income through the utilization of presently unused resources, as well as by creating new links in the inter-industry connexions and by introducing improved technology; and on the other hand, increases in exports contribute to balance-of-payments equilibrium in the process of growth.

6. The diversification and substantial expansion of exports of manufactures and semi-manufactures by developing countries as well as the establishment and development of industries with an export potential, were recognized as being of vital importance in the process of their development by the United Nations Conference on Trade and Development held in Geneva in 1964. The Conference recommended, inter alia, the following measures for consideration and action by the developing countries:^{2/}

(a) Integration of exports of manufactures and semi-manufactures in development plans and policies.

(b) Productive efficiency and cost reduction programmes.

- (i) Modernization of and addition of balancing equipment to existing industries;
- (ii) Ensuring full utilization of the installed capacity;
- (iii) Introduction of progressive and scientific management;
- (iv) Provision of training facilities for imparting to and improving skills of workers and technical and managerial personnel.

^{2/} See annex A.III.3 of the Proceedings of UNCTAD, Volume I, Sales No.: 64.II.B.11, pages 36-37.

inter-governmental consideration of problems in this field. It created, in particular, a permanent Committee on Manufactures concerned with export policies in the field of manufactures and semi-manufactures.

115. In its reply UNCTAD refers to the decision of the fourth session of the Trade and Development Board (document A/6135) to include the two following items in the draft provisional agenda for the second session of the United Nations Conference on Trade and Development to be held in New Delhi, February-March 1968.

"Item III. Expansion and diversification of export of manufactures and semi-manufactures of developing countries

(a) Review of recent developments and long-term trends in trade in manufactures and semi-manufactures in the light of recommendations and other provisions of the Final Act of the first Conference.

(b) Preferential or free entry of exports of manufactures and semi-manufactures of developing countries to the developed countries.

(c) Programme for the liberalization and expansion of trade in manufactures and semi-manufactures of interest to developing countries.

(d) Measures for the promotion, expansion and diversification of exports of manufactures and semi-manufactures from developing countries; co-operation with UNIDO aimed at the establishment and expansion of export-oriented industries in developing countries; other forms of economic, industrial and technical co-operation.

(e) (Arrangements leading to the reshaping of the existing international division of labour.)"

Under item VIII, "General review of the work of UNCTAD", the second session of the Conference is to review "technical assistance activities relating to trade including training of technical and special staff of developing countries".

116. The UNCTAD reply further gives details on the activities of the Committee on Manufactures of UNCTAD in the field of export policies for industrialisation. It deals with the expansion, diversification and promotion to all markets of exports of manufactures and semi-manufactures produced by the developing countries. The following five items list the major issues being examined by the Committee.

(1) The improvement of conditions of access to the developed countries' markets for exports of manufactures and semi-manufactures from the developing countries;

- (2) Additional measures and actions to increase the export of manufactures and semi-manufactures from the developing countries to all markets;
- (3) An exhaustive study of world demand for, and supply of, semi-manufactured and manufactured articles of actual or potential export interest to the developing countries;
- (4) Studies on sectors of industry with a current or potential export interest to the developing countries; and
- (5) Export promotion and technical assistance in the developing countries.

Of particular interest is the request by the Committee on Manufactures to the secretariat of UNCTAD to carry out as part of a continuing programme of work, an exhaustive study of world demand for, and supply of, manufactured and semi-manufactured articles of actual or potential export interest to developing countries, and relevant trends of international trade in such articles.

117. According to the reply of UNCTAD, this study is being carried out by the secretariat with the assistance and co-operation of the regional economic commissions. At present country surveys on the prospects for increasing exports of manufactures from developing countries are under way. Six country surveys have already been completed with the co-operation of ECLA, namely in respect of: Argentina, Brazil, Chile, Colombia, Venezuela and Uruguay. When similar surveys have been undertaken in respect of ECAFE and ECA countries, these should provide sufficient material for the supply side of the proposed world study.

118. A separate study is also being undertaken to determine the prospective demand in the developed countries in relation to the supply potential in the developing countries.

119. The secretariat of UNCTAD also states in its reply that the Committee on Manufactures requested that the secretariat prepare studies on sectors of industry with a current or potential export interest to developing countries with a view to assessing the scope for increased exports from these countries. In view of this, the following studies are being undertaken:

- (a) An UNCTAD/FAO ad hoc inter-sessional working party of the Committee on Manufactures was established by the Board at its fourth session to examine ways and means to increase exports of timber products from the developing countries, particularly to the developed countries;

- (b) Study of the present and future supply and demand for exports of processed iron ore from the developing countries.

120. Co-operation with appropriate international bodies with regard to providing technical assistance to developing countries in the field of export promotion is also referred to in the reply of UNCTAD. It indicates that in respect of measures and actions to expand the exports of manufactures and semi-manufactures from the developing countries to all markets the Committee on Manufactures is required, among other things, to consider the following aspects:

(a) the establishment of trade information/trade promotion centres at national, regional and international levels;

(b) the provision of training facilities for personnel in the techniques of export marketing, advertising and research.

121. The role of UNCTAD in the field of technical assistance activities in trade and related fields was discussed by the Trade and Development Board at its fourth session in September 1966. The Board decided to recommend to the General Assembly that the Secretary-General of UNCTAD should be a member of the Inter-Agency Consultative Board of UNDP. Furthermore, it is recommended that the services available in UNCTAD be utilized in considering requests from the developing countries for technical assistance in the fields of export promotion and invisibles, including shipping, insurance and tourism. In this regard, it invited the Secretary-General of UNCTAD to report to the fifth session of the Board. The General Assembly in resolution 2207 (XXI) endorsed these recommendations of the Board.

B. Reply by IBRD

122. The International Bank for Reconstruction and Development gives a detailed reply on the forms of assistance on specific industrial projects. It specifies that the principal form of assistance provided by the World Bank Group is financial assistance either directly in the form of bank loans or IDA credits or investments by the International Financial Corporation, or indirectly through the medium of loans to, or investments in, development financial companies. However, only a relatively small part of this lending is for projects which are primarily export-oriented. After enumerating the specific industrial projects financed by the Bank in various countries of Latin America and Africa and Asia, the Bank explains that most of the funds which are provided to development finance companies are lent to

smaller enterprises which tend to produce for the domestic market. In addition to these operations in the field of manufacturing industry, the Bank has made a number of loans for the development of mineral resources in which all or a large part of the output is exported. These include the production of iron ore in Mauritania, magnesium ore in Gabon, natural gas in Algeria and potash in Israel.

C. Reply by the ILO

123. The International Labour Organisation emphasized that ILO assistance to export-oriented industries is provided mainly under one or another of two ILO programmes, the Management Development Programme and the Vocational Training Programme. However, certain other ILO programmes contribute indirectly to lower costs and greater efficiency in production in industry in general, including export-oriented industries. This is the case, for example, with the ILO action in the fields of industrial safety and hygiene and of industrial relations in so far as these programmes help industry in developing countries to reduce the cost and the losses arising from accidents, ill health, industrial disputes and bad industrial and labour management relations. The International Labour Organisation notes that industries which export are not, in any important way, distinguishable from those which do not so far as their general operations are concerned. The distinction is only that the export industry has extended its market beyond the range of its own country's boundaries.

124. Therefore, all of the activities of productivity improvement and management development normally involved in an ILO field project are applicable to export industries. As indicated, ILO experts give special attention to ensuring that export industries or industries with export potential are included in the scope of their training programme operations. The reply then enumerates the activities of the ILO which are specifically of significant interest to this type of industry: (a) productivity improvement, (b) quality control, (c) management accounting, (d) marketing. The ILO programmes, it is stressed in the reply, provide the broad basis for the establishment of proper standards and pricing policies, which taken together, are the key to successful exporting of industrial products. Where appropriate, specific application to the export field is given, and even where this specific application is not currently suitable, the industries benefit from

the training and are equipped with management tools to enable them to take advantage of export possibilities at a later date. Experts engaged particularly in the marketing functions of the training programmes, are constantly looking for industries to which these principles can be applied in the interest of export. In addition, they have been able to assist specific industries in various countries to establish their export contacts and to commence export for the first time.

2. Steps to Promote Economic Co-operation and Regional Integration of Developing Countries

A. Reply by IERD

125. The question of economic co-operation and regional integration between developing countries is undoubtedly one of the major issues of economic development and industrialization of developing countries. Replying to this question, the International Bank for Reconstruction and Development stresses that although there are certainly great problems that are involved in the establishment of free trade areas within the developing world, it is one way of increasing the size of the market which may be served by industries in developing countries and hence of permitting large scale operations at lower costs. It is generally easier for a developing country to expand its sales in markets similar to its own than to do so in developed countries where economic conditions are very different. Although the World Bank Group is not directly concerned with the establishment of free trade areas, it does encourage economic co-operation between its member countries whenever possible. For example, the Bank has recently organized two missions which will prepare economic reports on a group of countries. One mission was to East Africa and it will prepare a report on Kenya, Uganda and Tanzania. The second was a mission to the five republics of Central America, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua. The IERD expects that the reports of these missions will demonstrate more advantages which economic co-operation between the countries concerned could bring. The Bank has also financed or administered a number of projects which involve more than one country, the best known of which is, of course, the Indus Basin Project, and it is always anxious to work with member countries on projects requiring international co-operation.

3. Contemplated Assistance in the Promotion of Export-Oriented and Import-Substituting Industries

A. Reply by the ILO

126. (a) The International Labour Organisation devotes attention and will continue to devote specific attention to all projects submitted for ILO consideration, to the possibility of improving exports from the countries concerned in any of the projects. The primary concern, of course, is to assist in the establishment of new industries, often based on import substitution. Wherever appropriate, however, encouragement is given to the local training management to consider the export field and provide for export production. The ILO states that this is, in fact, a useful discipline in encouraging industrialists to produce a product of quality capable of competing with similar products from other sources or of establishing, in its own right, an export acceptance because of quality and consistency.

(b) The ILO programmes are becoming increasingly associated with the training and development of new industries. In their consultant capacity, the advice of ILO experts is often sought by Governments or entrepreneurs in relation to the ascertaining of the feasibility of setting up a particular industry. Whenever this occurs, ILO experts encourage the inquirers to look at the export as well as the local market and plan to produce not only the central product, but ancillary products related to it, if this is justified by the total market potential available considering both local and export sources and opportunities.

(c) Management training programmes in all areas will include an increasing emphasis, within the marketing section of the training, on export marketing. Within the export marketing programme of training there are included both the specific principles of export marketing, such as the establishment of requirements of the market, the appointment of agents or distributors, the development of market intelligence, and also the techniques of documentation, establishment of tariff classifications, and the requirements of the customer country, methods of payment, freight and insurance problems. Also included in these programmes, of course, is the specific application of promotional and advertising techniques to find markets.

B. Reply by UNCTAD

127. In accordance with various resolutions of the first session of UNCTAD and of the Trade and Development Board (first and fourth sessions), the UNCTAD Secretariat has been examining the measures for creating sufficiently large markets among developing countries as a basis for their industrialization. To this effect it has convened an Expert Group to study the various methods for creating these larger markets, and the report of this group is contained in document (TD/B/68). The UNCTAD Secretariat in turn has gathered the experience available from different parts of the developing world with respect to the achievement of larger market outlets in other developing countries; it has published its findings in a report "Trade Expansion and Economic Integration among Developed Countries" (TD/B/85). Both reports come, among other things, to the conclusion that the achievement of economies of scale and of competitiveness in the developing countries' market is, in many cases, a pre-condition for the developing countries competing successfully for the markets of the developed world. The reduction of trade barriers among developing countries would be an important means for increasing productive efficiency and reducing the costs of products which is essential for these industries to be able to export in the highly competitive markets of the developed world. As is stated in chapter V, paragraph 49 of TD/B/85: "developing countries should not attempt to export to the developed world products for which they still need high protection against other developing countries."

128. Both the Expert Group and the UNCTAD Secretariat have suggested that the developing countries prepare "action programmes" with a view to expanding trade and creating integrated markets among themselves. The fourth session of the Trade and Development Board has endorsed this idea of "action programmes" and has asked the countries to study the suggestions. In resolution 32 (IV) of the Board, the UNCTAD Secretariat has been asked to assist, if need be, developing countries' groups in the preparation of such "action programmes".

4. Suggestions and Recommendations on Assistance by Developed Countries

129. As regards the steps which developed countries might take to encourage industrial exports from developing countries, the IBRD reply emphasizes the

reduction of the obstacles to greater imports of industrial products from developing countries as the most important measure which could be taken by the developed countries. The same is being stressed in the ILO reply which states that the best assistance that developed countries can offer to the developing countries' exporters is to give them access to markets. The ILO considers that it is in the long-term interests of industrialized countries to open their markets to products of the developing countries because it is only by earning overseas exchange by exporting that developed countries can afford to buy the plant and equipment which the developed countries are interested in selling to them. Besides, the ILO reply recommends that developed countries make available experts from their own government departments concerned to assist in setting up an export administration in developing countries.

130. The UNCTAD Secretariat has also made a number of suggestions as to the assistance which developed countries could render in the formation of larger markets of developing countries. These suggestions are presently examined by the international financial institutions (paragraph 2 of resolution 32 (IV) of the Board) and the comments of these organizations will be examined at the fifth session of the Board.

5. Suggestions and Recommendations on Measures to be Taken by
Developing Countries

A. Reply by IBRD

131. As to measures which might be taken by developing countries, according to the IBRD reply, the most important is probably a more intensive search for areas in which they have a competitive cost advantage. The emphasis on import substitution tends to encourage the establishment of industries to produce for the domestic market without sufficient attention being paid to costs of production since the industries can be protected from foreign competition. But if industrial exports from developing countries are to grow, more attention needs to be paid to costs and less to the "savings in foreign exchange" which it is expected will arise from import substitution but which often turns out to be illusory. Developing countries, in the view of IBRD, generally have the advantage of low labour costs but they should try to ensure that this is not offset by low productivity or eroded by wage increases greater than productivity gains. Over-emphasis on the often doubtful



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- (c) Standardization and quality control.
- (d) Financial, monetary, fiscal and other aids and incentives.
- (e) Training and research facilities.
- (f) Technical assistance.

7. The importance of this problem was also stressed in resolution 1178 (XLI) of the Economic and Social Council which invited the attention of the developing countries, particularly their governmental and non-governmental organizations concerned with industrialization, to the importance of according appropriate priority to the development and establishment of export-oriented industries, such as those mentioned in the Secretary-General's report (E/4131), taking into consideration concurrent opportunities for import-substitution which might be achieved, as one of the objectives of the diversification of their industrialization with a view to improving their balance of payments.

8. The resolution urged the developed countries and the appropriate international agencies in their bilateral and multilateral financial and technical assistance programmes to give particular attention to industries with an export potential in the developing countries and to make appropriate provisions for projects and programmes of assistance to these industries.

9. In accordance with this resolution, a questionnaire^{3/} was sent out to the Members of the United Nations, and a number of international agencies were also invited to provide information on the practical steps taken to give attention to, and make provision for, industries with an export potential in developing countries. Requests to that effect were sent to the United Nations Conference on Trade and Development, the International Monetary Fund, the International Bank for Reconstruction and Development, the International Labour Organisation, the Food and Agriculture Organization and the General Agreement on Tariffs and Trade. So far thirty-four replies have been received from the Governments of the following countries:

^{3/} Reproduced in annex I.

Argentina	Ethiopia	Panama
Australia	Israel	Philippines
Belgium	Italy	Rwanda
Bulgaria	Jamaica	Singapore
Cameroon	Japan	Sweden
Chad	Kenya	Turkey
China (Republic of)	Kuwait	United Kingdom
Colombia	Malawi	Venezuela
Congo (Democratic Republic of)	Malta	Yugoslavia
Congo (Brazzaville)	Morocco	Zambia
Dahomey	Nepal	
Ecuador	New Zealand	

10. Replies were also received from the International Monetary Fund, the International Labour Organisation, the International Bank for Reconstruction and Development and the United Nations Conference on Trade and Development.

11. True analysis of the replies received thus far is presented in three sections. Section I deals with the replies of the developing countries; section II deals with those of the developed countries; and section III deals with the replies of the international agencies. In sections I and II the analysis of the replies reviews the following points:

1. Identification of industries with special export potential and analysis of main problems and obstacles to their development.
2. Policies of promotion of export-oriented industries and their integration in development programmes.
3. Suggestions and recommendations on UNIDO assistance in the promotion of export-oriented industries.

12. Section III analyses the information received from international agencies on the practical steps taken to promote, in addition to import-substitution programmes, industries with an export potential in developing countries.

I. REPLIES OF DEVELOPING COUNTRIES

1. Identification of Industries with Special Export Potential and Analysis of Main Problems and Obstacles to their Development

A. Identification of industries with export potential

13. Export industries are not, in any systematic way, distinguished with respect to their general operations from those industries which do not market their products abroad. The distinction is only that the export industry has extended its market beyond the range of its own country's boundaries. In some cases such exports may have been the result of maladjustments in internal markets, that is, they may have represented sales of surpluses that had not been absorbed by local markets, or they may be a spillover from import substitution production.

14. The identification of potential comparative advantages is not immediately obvious but requires close study, taking into account the changing requirements of industrial development. As was emphasized in a recent consultation of experts on United Nations Technical Assistance relating to Exports of Manufactures and Semi-Manufactures from Developing Countries, "It was necessary to put aside existing preconceptions with regard to the type of products in which the developing countries are commonly held to have comparative advantage or disadvantages. Closer examination often shows a picture very differently from the conventional views. This becomes particularly apparent in a dynamic context when account is taken of the changing trends and technological advances both in the developed and the developing countries, and the structural changes that can consequently be expected".^{4/}

15. Most of the replies of the developing countries on this question suggest that the industries considered to have an export potential are those which have a comparative advantage as regards raw materials and labour input. In other words, they identify as export-oriented industries those branches of production where the developing countries can achieve competitiveness in terms of these inputs, thus implicitly assuming that in other respects competitiveness can be attained or that the advantages with respect to raw materials and labour are sufficient to offset any disadvantages.

^{4/} Document ID/B/11, para. 12.

16. Thus, in its reply, the Government of Malta classifies as export-oriented industries those industries which have low wage rates or where the cost of the raw materials represents only a small fraction of the price of the finished article. A similar classification based on the availability of low-cost elements in the cost structure of export commodities is proposed by the Government of Israel. The latter puts forward the following classification of export-oriented industries:

(a) Branches which are based on the existence of low-cost home-produced raw materials;

(b) Branches which employ highly qualified professionals and technicians;

(c) Branches whose products require comparatively short production runs.

17. In the past, the first stage of the development of export industries has usually involved the processing of local primary commodities. In considering the possibility of increasing the degree of processing, it is convenient to distinguish between two types of final products according to the complexity of the production process. The first includes those items which have a quick route from the raw material to the finished item and which require one or two main inputs; among these commodities are manufactured foodstuffs, furniture and many other simple consumer goods. The second category would include the more complex and sophisticated industrial products such as those of the engineering industry which are characterized by a large number of intermediate components which are required for their production.

18. Some countries where the process of industrialization is still in its initial stage (Cameroon, Chad, Dahomey, Kenya, Malawi, Morocco, Zambia, etc.) placed emphasis in their replies on industries based on local natural resources or on food processing industries, that is, on the first type of final products. For instance, the Government of Dahomey classifies export industries into three categories:

(a) Industries processing agricultural and animal products;

(b) Mining industries or industries working on the basis of mining products;

(c) Small-scale manufacturing industries (primarily for import substitution).

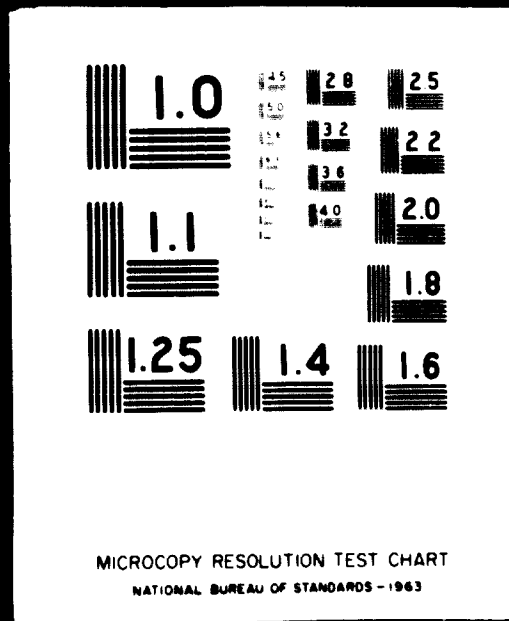
However, Zambia adds to this list metal-working and allied industries supplying the mining industries; Malawi, the Cameroon and Morocco specify timber-processing, fishing, textile, rubber, cement, leather and other industries.

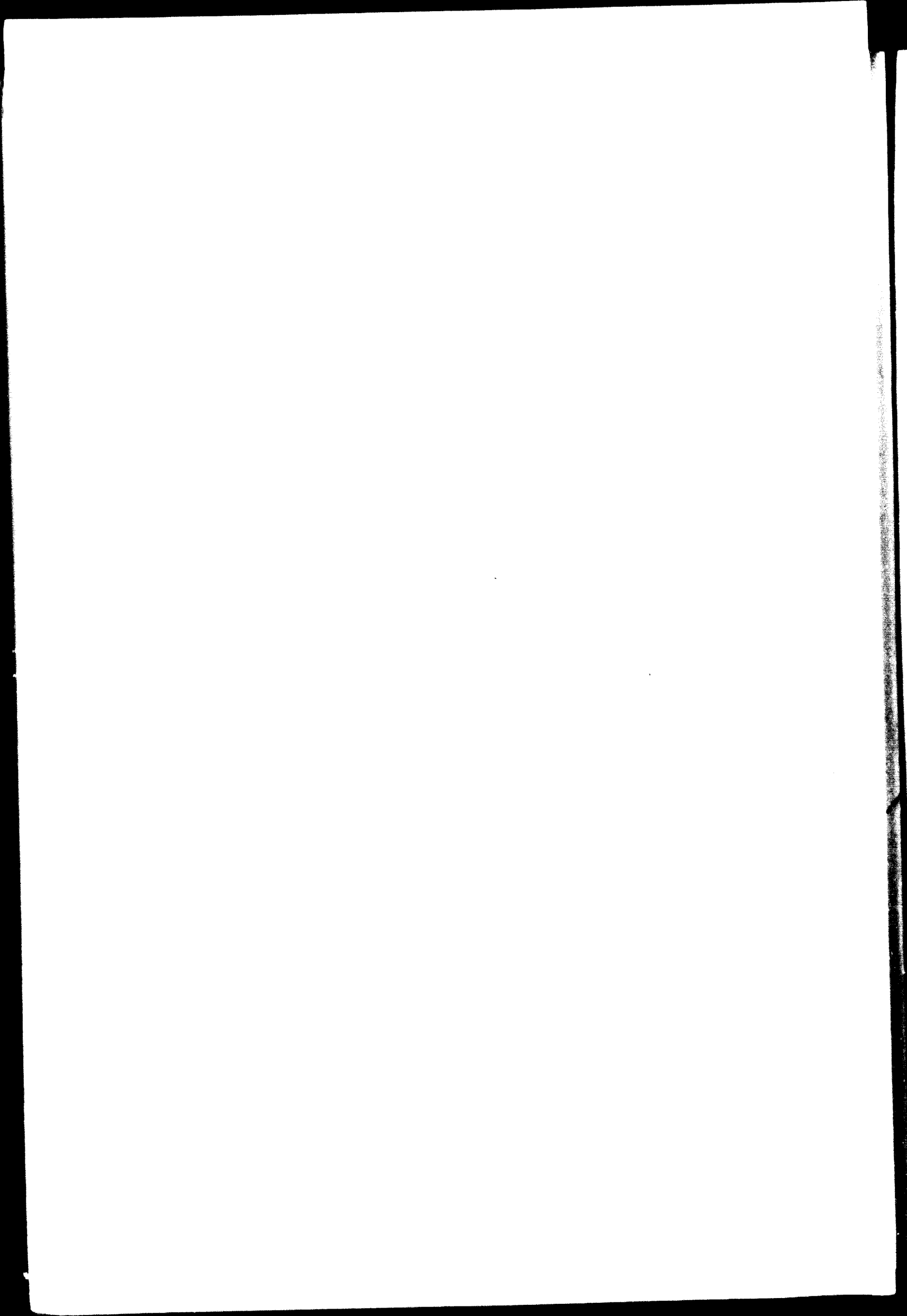
19. The Government of Venezuela singles out as industries with special export potential the petrochemical and iron and steel industries.

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gains from import substitution and the corresponding under-emphasis on the possibilities of expanding production for export, has frequently been observed by the Bank's survey missions and general economic missions, and has accordingly been pointed out to the Government concerned in the reports of those missions. The reply of the IBRD goes on to suggest a possible technique which concerns both developed and developing countries - arranging with a large international firm for the production in the developing country of some components for export. Some international firms have made substantial investments in developing countries in order to overcome tariff barriers. The developing countries frequently desire such firms to make use of domestic materials to the maximum extent possible whereas it may be economically preferable to use a lower proportion of domestic materials, but at the same time to export parts or sub-assemblies to be used by the firm in its general trade. Such an arrangement, in the opinion of IBRD, could in time lead to the production in a developing country of one of the firm's product lines for the world market.

B. Reply by ILO

132. In its reply ILO traces three broad areas of action within which the Governments of developing countries can assist their industries to develop exports; these are (a) direct international negotiations to open up improved markets; (b) the specific encouragement of export industries by various incentives; and (c) the provision of servicing facilities to their industries to enable them to cope with export opportunities.

(a) In their concern with the early establishment of the administrative requirements in their countries, direct international negotiations to open up improved markets may have been overlooked by developing countries, but, since access to many markets throughout the world is determined by day-to-day negotiations at government level, it is clear that the developing countries will require the establishment of a competent team of administrators and negotiators in the trade field.

Having done this, or assuming that such negotiators exist, it is then the function of the government to open widely as many doors as possible to the entry of their products into export markets. This is something which can generally only

be done by government negotiations and therefore is a prerequisite of the successful development of export trade.

(b) The provision of incentives for the development of export industries has been the subject of a great deal of thought and action of a great many countries of the world for many years. A variety of incentives, financial and otherwise, has been developed of which the following would seem to be most appropriate to the developing countries.

- (i) Special action in the tariff and import regulations field to ensure the local market to industries with an export potential.
- (ii) Positive encouragement of export industries can be provided by provision of raw materials at rebate prices where the end product goes into export; the provision of power and transport at lower costs; and by means of tax rebates of various types which are directly related to export success. In the initial stages of a company's export activity, some countries already provide a subsidy on their export exploration and promotion by means of special tax treatments.
- (iii) One of the major deterrents to export is associated with the problems of financing, and particularly the provision of short-term working capital. Governments of developing countries should, therefore, see that either through government or private sources, there are adequate provisions made to allow the exporter to offer the credit that will be demanded by the customer, while at the same time obtaining payment himself without undue delay - by such methods as discount of bills - to cover such export transactions.

(c) If a country is to seek export business seriously, it must be prepared to provide its potential exporters with information on opportunities existing overseas and it must be prepared to provide some sources of continuing market intelligence. Whether this is done by the setting up of overseas agencies of the government (normally trade commissioners) in major export areas, or whether this is done by encouraging or subsidizing similar overseas representation by an association of the export industries is a matter for consideration. However, all successful export countries do have some such government support system of export market intelligence which is invaluable in the provision of day-to-day assistance to the exporters by the "man-on-the-spot".

ANNEX I

Questionnaire on the Promotion of Export-oriented Industries

The Secretary-General of the United Nations presents his compliments to the Minister for Foreign Affairs of and has the honour to refer to resolution 1178 (XLI) of the Economic and Social Council in which the Council invited the attention of the developing countries to the importance of according appropriate priority to the development and establishment of export-oriented industries, such as metal-transforming industries, engineering industries, or other branches of industries with an export potential, taking into consideration concurrent opportunities for import substitution. Such industries could provide the developing countries with new sources of foreign exchange revenue less subject to price fluctuations than their typical exports of primary products.

The resolution also urges the developed countries and the appropriate international agencies, in their bilateral and multilateral financial and technical assistance programmes, to give particular attention to industries with an export potential in the developing countries and to make appropriate provisions for projects and programmes of assistance to these industries.

The resolution requests the Secretary-General to obtain information from Governments and the appropriate international agencies on the practical steps taken to promote, in addition to import substitution programmes, industries with an export potential, and to report to the Industrial Development Board at its first session. A record of the discussion of this matter in the Committee for Industrial Development will be found in documents E/C.5/L.59/Rev.3, E/C.5/SR.63 and E/C.5/SR.66.

In implementation of the above resolution, the Secretary-General has the honour to extend his invitation to Governments to provide information relating to their policies of promotion of export-oriented industries within the framework of the attached questions. Any additional information available in documents or publications would also be appreciated.

For the convenience of Governments, the questions are grouped in two sections, I and II. If a Government considers itself a developing country within the meaning of the resolution, replies should be given to the questions under section I; if a Government considers itself a developed country within the meaning of the resolution, then the questions in section II of the questionnaire should be answered.

In order to enable the Secretary-General to prepare the report required by operative paragraph 3 of the resolution in time for the meeting of the Industrial Development Board, the Secretary-General has the honour to request that replies be submitted to the Centre for Industrial Development at the United Nations in New York not later than 1 December 1966.

12 September 1966

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I

Questions Addressed to Developing Countries
(operative paragraph 1 of the resolution)

1. Is the establishment and development of export-oriented industries included in the development plans and policies of your country?
2. Which specific industries do you consider as having a special export potential in your country?
3. What measures are taken or contemplated by your Government to accord priority treatment to export industries in your country? Specifically, what measures are taken or contemplated:
 - (a) To allocate domestic and foreign exchange resources, supplies of raw materials, spare parts, power, transport and skilled manpower to your industries with an export potential?
 - (b) To provide fiscal incentives and other subsidies to the export-oriented industries?
 - (c) To give financial assistance and credit insurance to firms established in the field of export industries?
 - (d) To organize assistance services for export-oriented industries (information, exhibitions, trade missions, fairs, publicity, etc.)?
4. Do you consider that your country has under-utilized capacity, especially in the metal-transforming industry, which could be used for export production?
5. What in your opinion are the main obstacles to the promotion of industries with an export potential?
6. What technical and financial assistance is provided by foreign Governments and international agencies to your country in the field of promotion of export-oriented industries?
7. What measures are taken to increase productive efficiency and reduce costs of products of the export-oriented industries (e.g., modernization of and addition of balancing equipment to existing industries, product design, quality control, standardization, etc.)?
8. What training facilities designed to serve export-oriented industries does your Government provide for improving skills of workers and technical and managerial personnel?

9. Does your Government consider that the opportunities of export-oriented industries would be enhanced by combining them up with import substitution, and in what ways?
10. What steps are considered likely to be taken by your Government in the near future to stimulate the programme of promotion of the metal-transforming and other export-oriented industries?
11. What steps have been taken towards, and what are the prospects of, economic co-operation and regional integration with neighbouring countries in the field of export-oriented and import-substituting industries?
12. Does your Government have any suggestions or recommendations as to the role the Centre for Industrial Development (United Nations Organization for Industrial Development) could play in the implementation of your programme of promotion of export-oriented and import-substituting industries (sending individual experts and missions of experts, convening expert groups and conferences, provision of training courses and scholarships for personnel from the developing countries, pilot plants, feasibility studies, international training centres, etc.)?

II

Questions Addressed to Developed Countries (operative paragraph 2 of the resolution)

1. What provisions does your Government make in its bilateral and multilateral financial and technical assistance programmes for projects and programmes of assistance to industries with an export potential in developing countries?
2. What provisions does your Government plan or contemplate in the future to assist the developing countries in the promotion of such industries?
3. Does your Government have any suggestions or recommendations as to the assistance the developed countries could render in the promotion of export-oriented and import-substituting industries in developing countries?
4. Does your Government have any suggestions or recommendations as to the role the Centre for Industrial Development (United Nations Organization for Industrial Development) could play in the implementation of your programme of promotion of export-oriented and import-substituting industries (sending individual experts and missions of experts, convening expert groups and conferences, provision of training courses and scholarships for personnel from the developing countries, pilot plants, feasibility studies, international training centres, etc.)?

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