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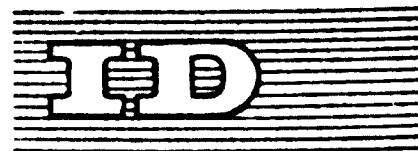
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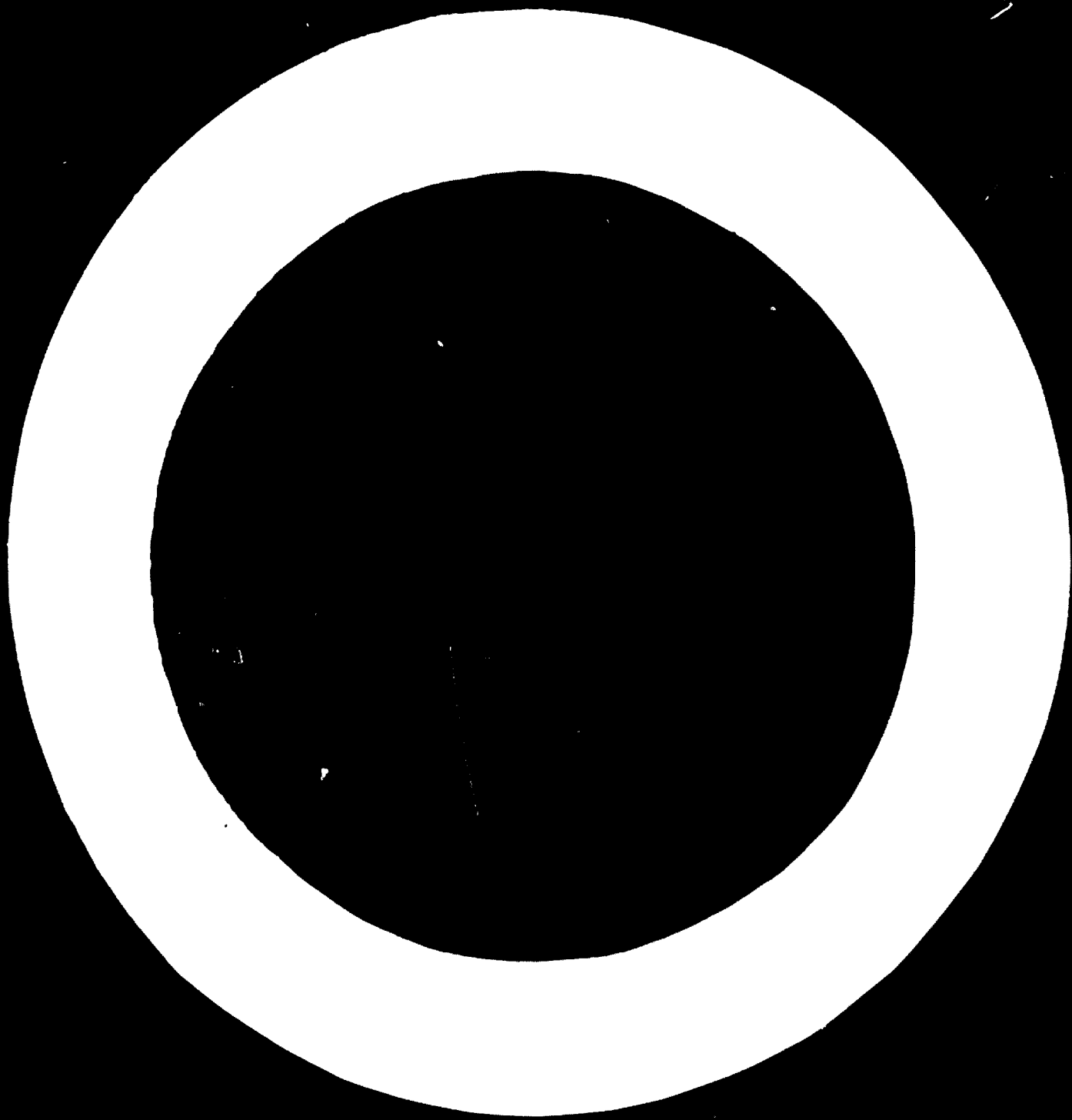
INDUSTRIAL LOCATION AND REGIONAL DEVELOPMENT:

THE GENERAL PROBLEM ^{1/}

Issue paper on agenda item I

^{1/} The document is presented as submitted, without re-editing

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It has been held historically that the separate factors of location - factor endowments, transportation, scale and agglomeration economies - are the controlling forces in the location of industry and that to ignore them is to choose uneconomic sites for production. Others argue instead that a given location pattern often developed by accident or by fiat of colonial administrators, and that a developing country can ignore immediate economies or diseconomies in order to achieve the location pattern it desires. However, this may divert scarce capital from investment in the nation's burgeoning industrial base which, quite aside from its historical origin, is a concrete reality.

This controversy is sometimes identified with the argument on the adaptability of classical and neo-classical location theory to the conditions prevailing in developing countries today. Some argue that, with the appropriate modifications, location theory can be made to serve development planning purposes, others believe that traditional economic guidelines have practically no relevance to current conditions.

One principal reason why these controversies are often confusing and confused is the uncertainty over the meaning of basic terms, and the use of the same terminology to mean quite different things. The very core of the problem - regional development - depends critically on the meaning attached to the term "region" and on the specification of the objectives of "development", if the problem itself is to be identified correctly - which of course is the essential prerequisite for productive discussion and attempts at workable solutions. By "region" one may mean a piece of land administratively defined as region, or a geographic entity with certain characteristics, or a group of people who happen to live in a certain geographic area and have a common problem or advantage. In turn, the definition of region as a geographic entity with certain economic characteristics may be broken down into "homogeneous" region (the parts of which have similar characteristics) and "polarized" region (the parts of which are interdependent). And the definition of "homogeneous" region includes the classification into "depressed" region (which experienced growth in the past but has stagnated in recent times), "less developed" region (which had always slower growth than the rest of the country), and "frontier" region (with an unexplored potential in natural resources).

The appropriate definition of region is linked to the nature of the objectives pursued, just like the specification of the objectives partly depends on the nature of the regional problem. It is important to define and specify as

clearly as possible the conceptual context of the regional development problem, and the nature of the objectives desired.

Discussion of the means will naturally follow the definition of the problem and of the objectives. The means can be of a short-term or of a long-term nature, on a national scale or on a regional scale, purely economic or also social and political. In particular, economic solutions can be broken down into solutions which centre on development of the services sector of the "less developed" region, on development of basic infrastructure, on stimulation of agricultural productivity, and on the channelling of industry to the "less developed" region. The crucial question is that of the appropriate mix of means for the achievement of the specified objectives, and particularly, of the role that industrial location can play in relation to the other available policy alternatives.

The trade-off between investment in "less developed" regions and investment in the more advanced parts of the country is perhaps at the centre of policy concern in this area. Some economists and planners argue that the region where development occurs first will continue to grow faster leaving the other farther and farther behind, in the absence of government intervention. Others believe that at a certain stage of development the situation will begin to reverse itself and the "less developed" regions will naturally attract more and more investment. Insofar as this controversy is couched solely in terms of national economic growth, to the disregard of other very real objectives of planning - such as national integration, social welfare goals, defense - it is a partial one. However, the basic question of identifying the stage at which (in the light of the specific developmental objectives and economic characteristics of each developing country) continuing emphasis on the more advanced regions will begin to be harmful to the nation as a whole rather than only to the "less developed" regions remains as the centre of the problem. One side of this question - but only one side - is the issue of urbanization economies versus diseconomies of large cities.

There are, of course, a large number of other very important general issues in the industrial location and regional development field. The above, however, appear to be at the same time of great relevance and likely to form the basis for productive discussion. The discussion under this item can therefore centre on the following issues:

(1) The meaning to be attached to the term "region", the identification of the several objectives of regional development and of their implications, the specification of the appropriate time dimension for each objective;

(2) The role of industrial location in pursuing regional development objectives - how far can policies directed to influence the location of industry be used to further regional development objectives, in the light of the existence of competing and complementary policy alternatives, in agriculture, services, labour, infrastructure;

(3) The relationship between the geographic distribution of industry and the objectives of the nation as a whole. At what stage, if any, does it become possible to follow industrial decentralization policies without severely impairing national economic growth; when can one consider urbanization to have reached its desirable limits, in social as well as in strictly economic terms; what kind of a trade-off exists between optimally economic location of industry and the achievement of greater political integration between the various regions of the country.

Annex 1

RELEVANT UNITED NATIONS DOCUMENTS

		<u>Symbols</u>
I. <u>PRESENTED TO THE INTERREGIONAL SEMINAR</u>		
<u>A. Discussion papers (Agenda item 1)</u>		
1.	<u>E. Alayev:</u> "Evaluation of an Industrial Project from the Point of View of Rational Location of Productive Forces"	ID/WG.9/1 and SUMMARY
2.	<u>W. Alonso:</u> "The Location of Industry in Developing Countries"	ID/WG.9/2 and SUMMARY
3.	<u>H. Nekrasov:</u> "Problems of Distribution of Industry in the USSR (Theory and Practice)"	ID/WG.9/17
4.	<u>T. Vietorisz:</u> "The Planned Interregional Location of Industry: Argument in Favour of a 'Trade-not-Aid' Approach"	ID/WG.9/13 and SUMMARY
5.	" <u>Final Report</u> of the <u>Ad Hoc</u> Advisory Expert Group Meeting on Regional Industrial Planning" (Geneva, May 1967)	ID/WG.9/16
6.	<u>UNIDO</u> "Industrial Location Planning"	ID/Conf.1/12, 1967
<u>B. Background papers</u>		
1.	<u>E. Alayev:</u> Planned Location of Industries and Regional Development in the East African Sub-region	ID/WG.9/B.1
2.	<u>S. Jack:</u> Industrial Location and Regional Development in Africa	ID/WG.9/B.2
3.	<u>U.N. Commission for Africa:</u> Cartographic Methods applied to regional planning	ID/WG.9/B.3
4.	<u>UNIDO:</u> Industrial Location, Regional Development and related subjects: A Partially Annotated Bibliography	CID/1.1966
5.	<u>A. Koloshin:</u> Regional Planning, Policy and Goals of Location of Industrial Enterprises in the Byelorussian S.S.R.	ID/WG.9/B.4
6.	<u>F. Martinkevich:</u>) Features and Factors Governing Location <u>Y. Alexandrovich:</u>) of Enterprises Processing Agricultural <u>A. Pavlova:</u>) Raw Materials	ID/WG.9/B.5
7.	<u>V. Medvedev:</u>) Economic Mathematical Models and Methods <u>W. Kagan:</u>) of Locating Industrial Enterprises	ID/WG.9/B.6

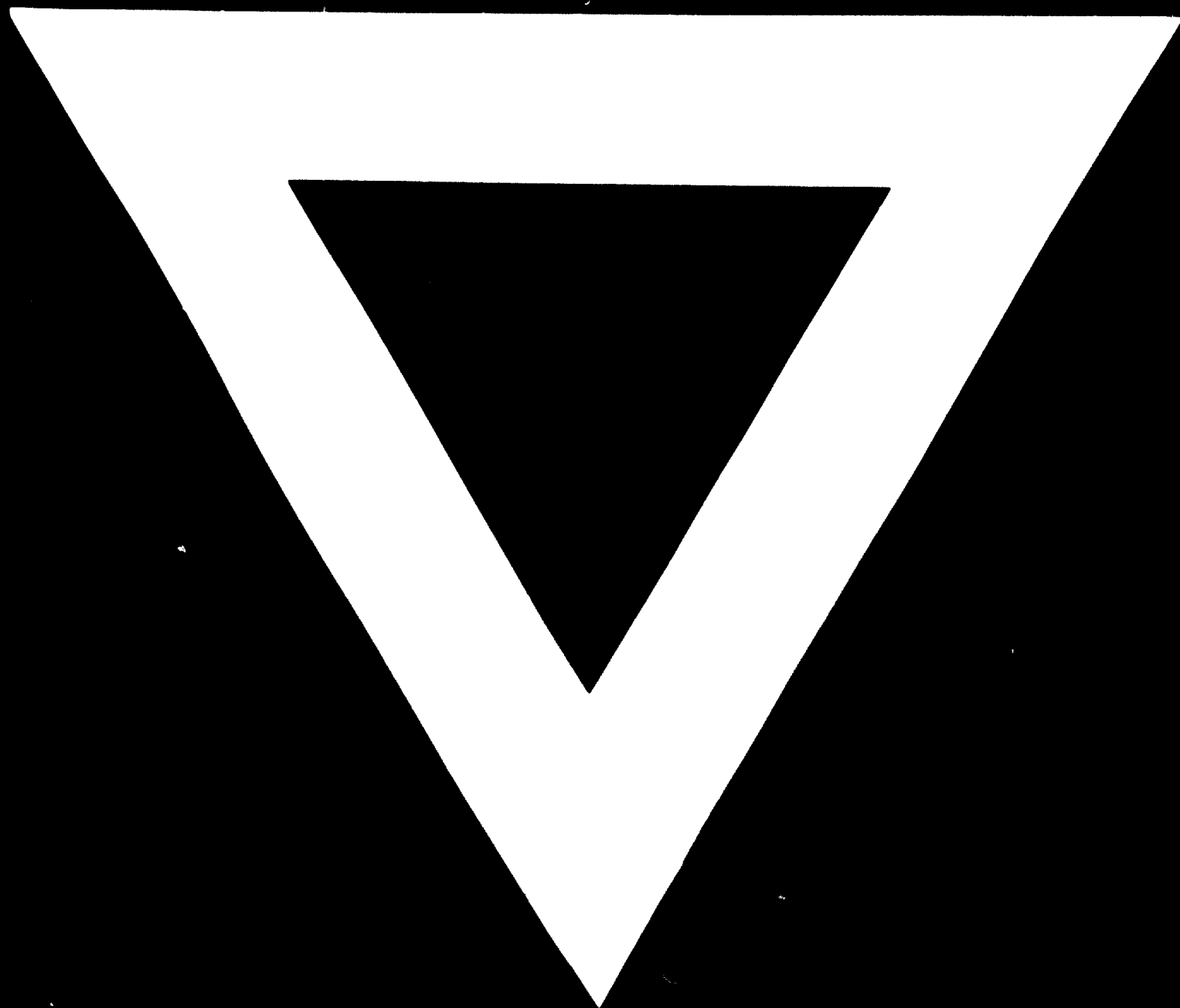
<u>B. Background papers (continued)</u>		<u>Symbols</u>
8.	<u>B. Yemelichev:</u>) Possibilities for Using Electronic <u>I. Klebanov:</u>) Computers and Methods of Mathematical <u>V. Konlik:</u>) Programming for Solving Problems of Production Location	ID/WG.9/B.7
9.	<u>V. Chenichev:</u>) Micro-location of Industrial Enter- <u>A. Aegorn:</u>) prises and Planning of Towns	ID/WG.9/B.3
10.	<u>M. Adonz:</u> Experiments of Development and Industrial Location in Soviet Armenia	ID/WG.9/B.9
11.	<u>G. Gvelesiani:</u> Characteristic Features of Development and Territorial Distribution of Industry in the Georgian S.S.R.	ID/WG.9/B.10
12.	<u>S. Hodjaev:</u> Experiments and peculiarities of Industrial Enterprises Location in Formerly-Backward Regions with Relation to Industry (case of Uzbekskaja S.S.R.)	ID/WG.9/B.11
13.	<u>A. Minz:</u> Natural Resources as a Factor of Territorial- Productive (Regional) Complex Development	ID/WG.9/B.12
14.	<u>M. Vilevski:</u> Technical Progress and Efficiency of Distribution of Productive Forces	ID/WG.9/B.13
15.	<u>J. Feigin:</u>) Basic Principles and Factors of Industrial <u>V. Udovenko:</u>) Location	ID/WG.9/B.14
16.	<u>N. Utenkov:</u> Methods of Development and Distribution of Productive Forces on New Digested Territories	ID/WG.9/B.15
17.	<u>L. Karpov:</u>) Peculiarities of Modern Urbanization and <u>V. Gochman:</u>) Industrialization of Production	ID/WG.9/B.16
18.	<u>Galkina:</u>) Post-war Problems of Regional Development of <u>L. Nochovkina:</u>) West-European Countries <u>M. Sokolov:</u>)	ID/WG.9/B.17

C. Country papers

1.	<u>M. Serwadda:</u> Uganda - experience as related to problems of industrial location and regional development	ID/WG.9/ Country 1
2.	<u>A. Faria:</u> Regional disparities and the allocation of investments in Brazil	ID/WG.9/ Country 2
3.	<u>Ministry of Economic Affairs, Ghana:</u> Industrial Location and regional development in Ghana	ID/WG.9/ Country 3

II. <u>PRESENTED TO THE INTERNATIONAL SYMPOSIUM ON INDUSTRIAL DEVELOPMENT (Athens, 29 Nov. - 19 Dec. 1967)</u>	<u>Symbols</u>
1. Issues for Discussion: General Policies - Economic and Social Aspects	ID/CONF.1/A.14
2. Issues for Discussion: Formulation and Implementation of Industrial Programmes	ID/CONF.1/A.16
3. Issues for Discussion: Regional Co-operation	ID/CONF.1/A.24
4. Implementation of Industrial Projects	ID/CONF.1/3
5. The Role of Policy-makers in Project Formulation and Evaluation	ID/CONF.1/4
6. Regional Integration and the Industrialization of Developing Countries	ID/CONF.1/11
7. Policies and Programmes for the Establishment of Industrial Estates	ID/CONF.1/29 and Corr.1
8. Criteria for Location of Industrial Plants: (Changes and Problems)	ID/CONF.1/B.3
9. Problems of Development of Export-oriented Industries in Developing Countries with regard to the Expansion of their Co-operation with Socialist Countries	ID/CONF.1/G.11 and SUMMARY
10. The Use of Input-output Analysis in the Preparation of Economic Development Programmes	ID/CONF.1/G.15 and SUMMARY
11. Yugoslavia's Industrialization and the Development of her Under-developed Regions	ID/CONF.1/G.27 and SUMMARY
12. Co-operation between Countries as a Factor of Economic Development	ID/CONF.1/G.36 and SUMMARY
13. Principles and Models of Industrial Location	ID/CONF.1/G.38 and SUMMARY
14. Economic Regionalism as a Method for Co-ordinating Economic Development in Africa	ID/CONF.1/G.39 and SUMMARY
15. The Location of Industries in the Socialist Republic of Romania	ID/CONF.1/G.47
16. Location of National Industry within a Wider Economic Context	ID/CONF.1/G.63 and SUMMARY





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