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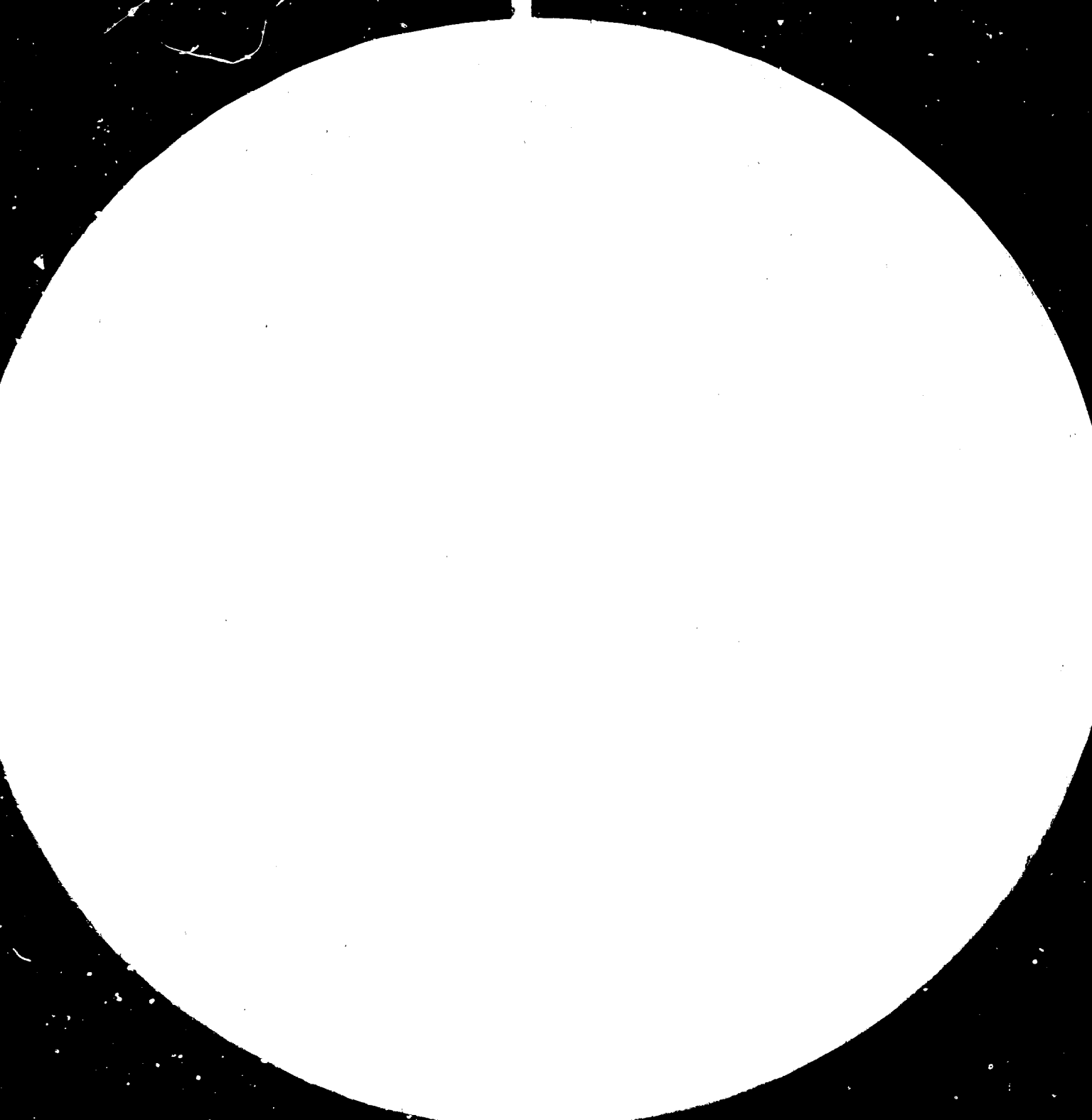
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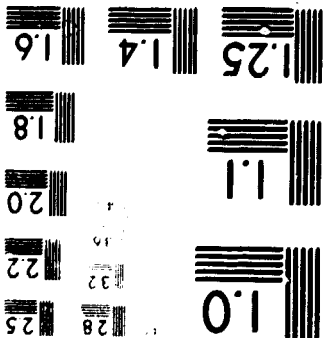
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FORMS AND IMPACTS OF REDEPLOYMENT OF INDUSTRIES
TO DEVELOPING COUNTRIES - THE CASE OF TURKEY *

by

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INTRODUCTION

Economic developments based on inadequate indigenous raw materials in the developed world and scarce financial resources, out-dated technology and limited markets for manufactured exports in the developing countries have once again brought into focus that the interests of the developed countries and those of the developing countries can no longer be seen in isolation from each other, and that there is an urgent need to arrange international fora for a dialogue on a global basis. This was visualized and pursued in the sixties through determined endeavour of the developing countries. Having realized the fact that the existing economic relations do not only create economic inequality between nations, but also perpetuate it, the developing countries have intensified their efforts to re-shape the international economic order to correct inequalities, to re-dress existing injustices, minimize the widening gap between nations and ensure steady economic and social development of the world community as a whole.

Today, more and more people come to believe that there is a close interrelationship between the prosperity of the developed countries and the growth and development of the developing countries and that the prosperity of the international community as a whole depends upon the prosperity of its constituent parts. International cooperation for development based on equity and common interest among all nations should now be the shared goal of all countries.

Viewed from this perspective, the redeployment of industries to (and between) the developing countries would accelerate economic development in these countries and would contribute to a balanced international progress and stability.

GENESIS OF REDEPLOYMENT

Redeployment or in general terms the transfer of some industries from developed to the developing countries has appeared on the agenda of world politics in the late sixties. During the world economic crisis of mid-seventies additional emphasis has been placed on this issue. In fact, the international division of labour has been studied in the early stages of modern economic theory. First, it appeared in the forms of "absolute advantage" (A. Smith) and "comparative advantage" (D. Ricardo), then matured around the concept of Heckscher-Ohlin's "factor endowment" in the neoclassical theory of international trade. The last being a very effective tool for protecting the vested interests of developed countries against the developing ones. Although, in the post-war period, the development efforts of the developing countries

have gained a vital political importance and the functions of international trade have changed profoundly, the main foundations of the theory of international trade have remained the same. The observed changes in industrial cost structure, factor endowment, etc. were all based on economies of scale and technological progress. Furthermore, the technological innovations in the areas of process control, communications, data processing equipment, etc. and, more recently, the introduction of microcomputers have both affected the production methods and revolutionized management practice. Progress in chemistry, petro-chemistry, new resources and materials, the change from coal to oil/gas (and to some extent to nuclear energy) have inevitably changed the rationale of the factor endowment concepts. At the basis of all these metamorphoses of industrial structure lies the immense capital accumulated in the industrialized countries.

Development efforts made after the last war by certain countries belonging to market and centrally planned economies necessitate a different approach than that of the old trading nations to the question of the international division of labour. World trade activities on the international level should neither be dominated by the developed nations which possess capital, technology and military superiority, nor by the developing countries having a large supply of cheap labour and/or important natural resources and critical raw materials. Naturally, the ideal solution lies in examining and relating the trade requirements of both sides.

THE TURKISH APPROACH TO REDEPLOYMENT

At the outset, it must be emphasized that Turkey has always been ready to take part in a new international division of labour which improves the welfare of the participating countries. However, it should also be clearly pointed out that there is no alternative for a developing economy but to have a thorough understanding of its resources, aims and potentials on one hand, and the opportunities open to it in the industrialized world on the other. To expect that the developed world will adopt policies totally in line with the interests of the developing economies or to hope that the latter will submit themselves entirely to the decisions of industrialized world and/or multinational companies is unrealistic.

It is true that the immediate concern of the Turkish economy is the balance of payments deficit, but the real problem is the inadequate rate of capital formation or savings which has contributed more to the present state of affairs. This point needs special consideration because the present rate of savings is at the lowest. The general

rise in world prices has contributed to the adverse balance of payments position and consequently to the low national savings, but the deterioration can be attributed to a great extent to the formation of incorrect consumption patterns and the consequential skewed industrial structure in Turkey. Once the problem is seen in this context it becomes clear that the solution has to be found within economic parameters and growth patterns suitable for the country.

Turkey has been involved in the transfer of technology process for a number of years. In general, the transfer is carried out through foreign investments, and licensing agreements, along with the purchase of production machinery.

However, it is rather difficult to say that the redeployment exercise in the Turkish case has so far been a successful one. Many difficulties were encountered in the course of technology transfer which may mainly be attributed to the donors, when redeployment of industries is interpreted in the sense of a new international division of labour.

A striking example which is not only applicable to Turkey but to many other developing countries as well is the textile industry. In Turkey's conditions, the textile industry is a suitable industry to be selected for redeployment mainly because almost all the inputs are available locally and because it has a long history within the country. Once the decision was taken to improve the textile industry, the production of cotton was promoted through subsidies and the introduction of modern agricultural techniques, as a first step. Secondly, modernization of the industry to make its products competitive in the world markets was realized through technology transfers in the forms of production processes and machinery. The marked development of the sector can easily be seen from the following table which summarizes the changes in the cotton industry over 1963-1977 planning period.

Development of the Turkish Cotton Industry (1963-1977)

Year	Cotton Produc. on (tonnes)	Number of spindles	Number of power looms	Yarn (tonnes)	Cotton fabrics (tonnes)
1963	257 500	841 870	18 100	96 766	83 578
1968	435 282	1 136 000	25 000	145 000	120 000
1972	543 554	1 307 400	32 000	210 000	148 462
1973	512 827	1 483 300	41 054	260 000	143 000
1974	598 315	1 942 600	40 450	286 000	139 000
1975	476 375	2 656 650	40 159	310 000	186 264
1976	474 827	2 903 850	40 183	278 000	183 520
1977	574 874	3 003 850	40 244	300 000	192 400

Redeployment of the textile industry, on the lines of a new international division of labour, should have resulted in a marked decline of the textile industry in the developed countries and larger imports of textile products from Turkey and other developing countries. However, the actual developments have been contrary to this expectation and call for a critical re-evaluation of the redeployment issue.

The following problems have been experienced with foreign investments in Turkey:

- a) Productive capacities tend to be suboptimal, resulting in inefficient production and high-priced products. Governmental requests for capacity increases are often strongly resisted.
- b) Production is very largely (if not totally) planned for the Turkish domestic market. This is a very sensitive issue given the present balance of payments deficit. Foreign partners often object to efforts to include even the minimum targets for export sales.
- c) Technology transfer is limited to a specified mode of production and does not include any provision to foster development of production methods within the company at the receiving end.
- d) In many instances, the technology transferred is only applicable to the manufacturing of a certain product which has nearly completed its economic life.
- e) The Turkish Government's insistence on increasing the share of indigenous production inputs has generally met with resistance by foreign investors. There is a heavy dependence on imported inputs and the balance of payments is thus disturbed even more.

Recent developments in Turkey's automotive industry could be cited as an example wherein all the above mentioned factors were included. A decision was taken unilaterally by the donor company that the production of a certain model of an automobile—which was also produced in Turkey—had to be discontinued. As a result, the Turkish partner was obliged to switch to a more expensive model, making it partly impossible to assimilate the technology previously transferred, particularly where the initial production set-up in itself already was of uneconomical scale and depended largely on imported inputs supplied by the donor.

Establishment and promotion of such and other types of consumer goods industries show how inappropriate consumption tendencies and patterns are encouraged despite of the Government's recommended policies and measures.

Taking all these factors into consideration, Turkey has decided to set forth her priorities with regard to the types of industries and the way structural changes should be effected. These industries have been described in the Fourth Five Year Development Plan (1979-1983) and include machine building, metallurgical, chemical, petrochemical and electronic industries. After the priorities and intentions are clearly indicated, the problem is reduced to finding the areas of mutual interest between the aims and policies of the industrialized world and Turkey. A number of such areas already exist and new ones may be found for future cooperation.

However, Turkey believes that there is another side of the coin, that is, cooperation among the developing countries. Between nations sharing the same economic problems there is a basis for mutual understanding and multi-lateral projects may prove to be very fruitful. There is no doubt that a new international division of labour which visualizes a better and just distribution of wealth among the world community can only be established if there exists a close cooperation between the developing nations, which could provide a stronger basis for negotiation and understanding with the developed countries.

Economic conditions in the world are changing now that quite a number of countries are developing in an unprecedented tempo. In some developing countries, high growth rates and rapid industrialization correlate with an increase in foreign investment.

These new phenomena affecting the world economic order have also brought us to a new stage in negotiations with investors from developed countries. They also brought about the first stage of cooperation among ourselves, that is among developing countries, since we are now satisfactorily equipped and have established the economic infrastructure for it. In this whole process, UNIDO plays an important and historical part.

In Turkey, we pay close attention to the results of changes in world economic conditions, as far as monetary affairs, trade flows and sectoral interdependencies are concerned. We are alert to developments in a broad spectrum of sectoral and trade potentials, and this shapes our politics and measures for negotiations and cooperation in a new era of understanding.

It is extremely important that the developing countries have a say in the foundation of a new global economic system in which they can play an important role. To this end, efforts by UN bodies along these lines are greatly appreciated. In particular, UNIDO, by providing a platform where the views and aspirations of the developing countries can be freely discussed and exchanged, deserves our compliments and thanks.

