

Future goods

Promotion of Manufactured Goods from Less Developed Countries

Economists have always accepted that economic exchanges among nations can result from an increase in real income for all the participants if each concentrates on producing those goods for which it has a comparative advantage. However, the reality of the international trade setting is far from this general principle. Since 1964, the United Nations Conference of Trade and Development (UNCTAD) has been striving to bring together the developed rich nations and less developed countries in order to work out a system which can facilitate such exchanges, hence, fostering the process of development. But on the eve of the fourth round of UNCTAD conferences devoted to this question, the progress achieved to date is far from satisfactory in the eyes of the less developed countries. The main obstacle in the way of increased exports of manufactured goods from the less developed countries (LDC) is the oft-expressed fear of "Market Disruptions" and a "Dislocation of the Work Force" by severe competition from manufactured goods originating in low wage areas. The vast array of tariff and non-tariff barriers and Voluntary Export Restraints present LDC export promotion efforts with great difficulties.

In light of this, there are a few questions which the developed countries can ask themselves: how long will the basic principle of economic exchange be disregarded in favour of concessions to the vested interests of a few industrialists? For example, (and this is only one example,) the protection given to the optical lens-making industry in Canada primarily protects the position of one major company, namely, Imperial Optical, whose margin of profit and restrictive trading practices are now being questioned from the point of view of consumer interest. On another plane, if some of the technological innovations substantially reduce the labour input in some manufacturing processes and "disrupt" markets, would that be rejected in favour of the existing industrial structure and vested interests? The most likely answer is - no. It is highly probable that each of the developed countries would try to acquire and monopolize such an innovation and let the existing structure work its way through the natural course of painful adjustment. Adjustment in the industrial structure, then, is required and does take place. It is only the source of the disturbance that is different. Given that domestic technological change is adopted and absorbed, why can't the rich nations decide to institute Voluntary Expansion Restraints of their own, in those industries where the LDC's can be seen to have comparative

advantage? It seems totally rational to expect the rich nations to bow out of those industries where the LDC's can be competitive rather than resorting to complex and extensive tariff and non-tariff protective measures.

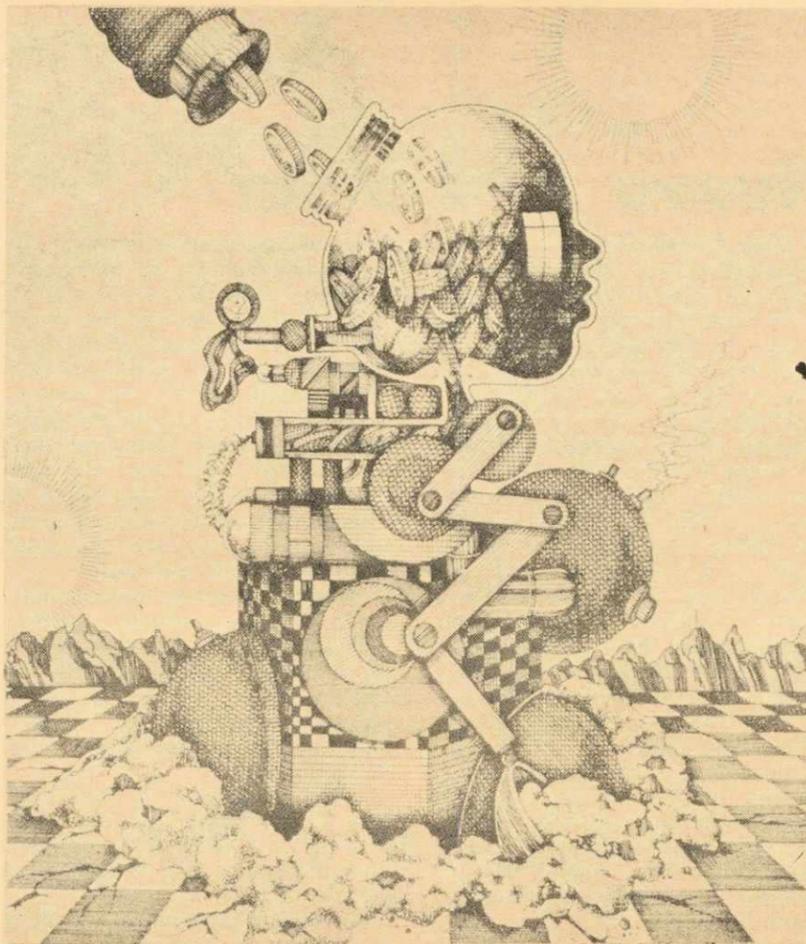
These questions have particular significance for Canada - a country that has been called the 'richest underdeveloped country' in the world. Canada has to decide whether she wants to remain a source of raw materials and agricultural products with a relatively frail industrial structure, or whether she is prepared to think untraditionally and consider a "contractual link" not with the European Community but rather with the Third World. It is possible that Canada could benefit from a long term agreement with some selected LDC's wherein she removes the barriers facing standard technology manufactured goods from the LDC's and is permitted, in return, to introduce highly specialized, tailor-made machinery and equipment into their markets. The chances are that under such an arrangement both parties would gain.

Canadian goods could also become more competitive in the international market by two effects of such an agreement. First, there could be a sharp reduction in inflation and a stemming of the rising cost of living. In addition, there is the possibility of expanding the industrial base in Canada and gains from the economies of scale. In the long run, the employment effect of an expanded industrial base could more than offset the short term "disruptions and dislocations" that are, in any event, the lot of a modern industrialized economy.

To be more articulate about the possible outcome, one can say that such an agreement can create an opportunity for a "discontinuous quantum leap" for Canada through the creation of an industrial infrastructure to shift the composition of her exports from raw material and semi-manufactured goods (which together account for 60% of total Canadian exports) to finished products which now constitute the remaining 40%.

In fact the relatively abundant Canadian resources, if properly developed, could keep Canada one of the richest nations in the world, a world where shortages of natural resources are going to be the prime stumbling block in the way of continued growth and prosperity in the 21st century.

If Canadian industry, government, and the Canadian people at large, are willing to look beyond 'today' and to think unconventionally, in terms of a new international economic order then closer ties with the LDC's may be the policy decision that will hold the greatest promise for both Canadian and Third World development.



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In October 1973, the oil-exporting countries put an end to an era which had begun with what the West calls the 'great discoveries'. For the first time since Vasco da Gama, mastery over a fundamental decision in a crucial area of the economic policy of the centre countries escaped their grasp as certain peripheral countries wrested it from them.

The outcome of the events in Indochina, where the peasants, spurred on by their will for independence, organized and freed themselves from the most formidable military and technological power that the world has ever known.

In these circumstances, 'the basic question'—clearly formulated by the President of Mexico, Luis Echeverria—is obvious: 'either cooperation or world chaos, for solutions involving containment by force are not only unjust, but impractical in the present state of the new balance of power'.

This view is to some extent also that of the United States Secretary of State: 'We are at the watershed. We are at a period which in retrospect is either going to be seen as a period of extraordinary creativity or a period when really the international order came apart, politically, economically and morally'.

The existing 'order' is coming apart, and rightly so, since it has failed to meet the needs of the vast majority of peoples and reserved its benefits for a privileged minority. The task is to create another one. This will not be possible without a clear identification of the often divergent interests at stake, without struggle and without eventual transformation.

Redefining the content and direction of development and re-ordering international relations and the United Nations system to serve them will be a painstaking and lengthy endeavour but, as the Chinese proverb says, 'even the longest journey begins with the first step'. This step must be taken in the right direction.

On our 'only one earth', the undertaking calls first for answers to some key questions, both in the Third World and in affluent societies, defining the values which should inform it.

Development of what? Development for whom?

Development of every man and woman—of the whole man and woman—and not just the growth of things, which are merely means. Development geared to the satisfaction of needs beginning with the basic needs of the poor who constitute the world's majority; at the same time, development to ensure the humanization of man by the satisfaction of his needs for expression, creativity, conviviality, and for deciding his own destiny.

Development how?

Development is a whole; it is an integral, value-loaded, cultural process; it encompasses the natural environment, social relations, education, production, consumption and well-being. The plurality of roads to development answers to the specificity of cultural or natural situations; no universal formula exists. Development is endogenous; it springs from the heart of each society, which relies first on its own strength and resources and defines in sovereignty the vision of its future, cooperating with societies sharing its problems and aspirations. At the same time, the international community as a whole has the responsibility of guaranteeing the conditions for the self-reliant development of each society, for making available to all the fruits of others' experience and for helping those of its members who are in need. This is the very essence of the new international order and the justification for a reform of the United Nations system.

The task is not without constraints and the possibilities are not unlimited. As the Stockholm Conference showed, there is no incompatibility between development and environment, but there are ecological limits to mankind's actions. These 'outer limits' need not be absolute. They are determined by the way in which man creates the material basis for his existence. They depend upon the technologies employed and the relationship between social and natural systems, on the way human societies organize themselves and on the values they adopt. The true limits of mankind in our time are not primarily physical, but social and political.

Between the needs of the thousands of millions of human beings now alive or yet to be born and the ecological limits, there is a margin of freedom within which another development,

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and recession in the industrial economies. Therefore one has a new category of country to join that of the least developed states: the most seriously affected countries (the 4th World). Together, the least developed and the most seriously affected countries comprise over half the countries in the world. That I think is the heart of the problem. On the other hand think one can argue that some of the alternatives being proposed by UNCTAD 4, such as manufacture exports from the

3rd World to the First World, may be attractive and feasible for the larger 3rd World countries, as opposed to for the chronically overpopulated 4th World countries and I think this is where particular interest lies in UNCTAD 4, how much the Group of 77 can hang together when it includes countries as diverse in terms of ideology, political economy, and economic prospects as Iran, Saudi Arabia on the one hand and Rwanda and Guatemala on the other.