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Trade as the Engine of Growth

H. W. Arndt

In December 1961, the United Nations General Assembly passed Resolution 1707 entitled "International Trade as the Primary Instrument for Economic Development"¹. It was an event that few would have predicted ten years earlier and that still causes surprise in retrospect. How, after a decade and more during which capital formation, physical and human, had occupied the centre of the development stage, did trade come to be elevated to that position?

Import Substitution

Controversy about the future of international trade and commercial policy had been part of the discussion of post-war plans even before the end of World War II and it continued into the post-war years. There was argument for and against the view expressed in the late 1930s by D. H. Robertson that, for various reasons, international trade was unlikely in the twentieth century to play the role of "an engine of growth" which it had played in the nineteenth². Official US policy, supported by economists such as Jacob Viner, pleaded and campaigned for a liberal trading system, removal of trade barriers and the principle of non-discrimination³. In Britain, official policy was more ambivalent, and there were those who drew the lesson from the inter-war years that henceforth "there will have to be direct planning of international economic intercourse . . . there is much to be said for superseding the free play of market forces"⁴. The dispute was partly a revival of the nineteenth century argument about free trade and protection. Even more so, it was part of the wider ideological debate between advocates of market economy and of planning or, more crudely, of capitalism and socialism.

During the first post-war decade, the literature on the economic development of less developed countries, in so far as it concerned itself with international trade and commercial policy, was dominated by critics of free trade. A school arose, represented most prominently by Raul Prebisch and Gunnar Myrdal, respectively Executive Secretary of the United Nations Economic Commissions for Latin America and Europe, who rejected the classical theory of international trade as inapplicable to less developed countries and argued that, far from acting as an engine of economic growth, international trade had been responsible for hindering development. In a programmatic study of "Growth, Disequilibrium and Disparities: Interpretation of the Process of Economic Development" (1949) which was to become extremely influential, Prebisch argued that the growth of the West "had left untouched the vast peripheral area with its enormous capacity for assimilating technical progress so as to raise the very inadequate standard of living of the great masses of its population". A major reason was that, because of inelastic world demand for primary products and a combination of monopolistic pricing of manufactures with competitive markets for primary commodities, "the periphery tends to transfer a part of the benefits accruing from its technical progress to the centres while these latter retain their own benefits for themselves"⁵. This explained the secular decline in the terms of trade for primary products between the 1860s and 1930s which a United Nations study had recently documented. The Prebisch-Singer thesis⁶ about the declining terms of trade for primary products, despite seemingly conclusive refutations of both the empirical evidence and the theoretical explanation by a succession of economists, became, and has remained, a centrepiece of Third World ideology⁷.

Myrdal developed a more systematic theory of international trade as a mechanism of international inequality. "Contrary to what the equilibrium theory of international trade would seem to suggest, the play of market forces does not work towards equality in the remunerations to factors of production and, consequently, in incomes."⁸ On the contrary, international trade strengthens the industrial countries while the underdeveloped countries find their traditional industry ruined by cheap imports, their skills impoverished. International trade has, it is true, stimulated the production of primary products, but these face inelastic demand and excessive price fluctuations and tend to be confined to plantations and mining enclaves which do little to promote general economic development. "Under these circumstances the forces in the markets will in a cumulative way tend to cause ever greater international inequalities between countries as to their level of economic development and average national income *per capita*."⁹ Nurkse summed up this view in his Wicksell Lectures: "In a world in which (outside the Soviet area) over nine-tenths of the manufacturing and over four-fifths of the total productive activity are concentrated in the advanced industrial countries, the ideas of symmetry, reciprocity and mutual dependence which are associated with the traditional theory of interna-

tional trade are of rather questionable relevance to trade relations between the centre and the periphery.¹⁰

The chief policy inference for the underdeveloped countries drawn from this analysis was an urgent need for rapid industrialisation based on import substitution. Prebisch, in the 1949 ECLA study, stopped short of actually advocating such a policy, but the whole argument pointed towards it. "There is, in fact, a dynamic element in industry which is not found to a comparable extent in primary production." "The attempt to raise income in the Latin-American countries by means of exports may run into serious difficulties caused by competition from other countries" and technical progress in agriculture, while necessary to raise rural incomes, inevitably creates a surplus of labour¹¹. "Since there is no other way of absorbing the gainfully employed population and increasing its productivity, the activities which can be developed by protective tariffs do, within certain limits, give rise to an increase in real income."¹² Myrdal, while pointing out that war-time interruptions of supply and post-war balance of payments problems had led many LDCs to adopt import restrictions, argued strongly that LDCs "have quite a number of other sound reasons, based on their peculiar situation, for using these restrictions for protective purposes"¹³. In line with the argument developed by Rosenstein-Rodan and Nurkse that a major obstacle to economic development is a Keynesian-type insufficiency of effective demand because the inducement to invest is limited by the market,¹⁴ Myrdal argued that "import restrictions afford a means . . . of creating at once the necessary demand for a particular domestic industry"¹⁵.

A whole new literature of LDC protectionism grew up around new infant industry and "infant economy" arguments which found ammunition even in the writings of liberal economists, such as Lewis's case for compensating manufacturing industry for the high cost of labour set by average income in agriculture and Hirschman's, based on the historical experience of the industrial countries, for infant industry protection until a "threshold" is reached¹⁶. The Soviet model of autarkic industrial development was influential, especially in India through the role of Mahalanobis, physicist turned planner, who "*implicitly* assumed a closed economy or a situation of stagnant export earnings through inelasticity of export demand"¹⁷. Nurkse's balanced growth model could be interpreted as having similar implications since, as a critic later pointed out, "there can be no specialisation for the home market"¹⁸.

The new protectionism for LDCs was not without its critics. Western economists submitted the new arguments to scrutiny¹⁹. At the official level, the United States had failed in its early post-war efforts to establish an International Trade Organisation to monitor a liberal "Charter" but had salvaged that part dealing with liberalisation of tariffs in the General Agreement on Tariffs and Trade. The GATT, through successive rounds of tariff negotiations, did much to liberalise trade in manufactures among industrial countries. Its efforts, and those of the OEEC (later OECD) which encouraged the removal of import restrictions, and the liberalisation of trade within the two new regional

groupings, the European Economic Community (EEC) and the European Free Trade Area (EFTA), made a substantial contribution to accelerating economic growth in the industrial countries during the 1950s and 1960s, but this liberalisation did not extend to trade in agricultural and other primary products. It was not seen as giving any direct help to developing countries – indeed many of their exports confronted new barriers erected by the EEC's Common Agricultural Policy – and did nothing to discourage their generally inward-looking policies.

The emergence during the 1950s of the notion that international trade might play a more positive role in economic development than the first generation of post-war development economists had assumed was due not to these Western protagonists of liberal trade policies. It derived from three other influences: (a) concern about the "foreign exchange gap" of developing countries, (b) growing disenchantment with the import-substitution strategy in Latin America and elsewhere, and (c) Soviet efforts to neutralise the role of GATT, reinforced by the emerging political muscle of the Third World. It was the partly fortuitous confluence of these three that led to the UN Assembly resolution of 1961 and ultimately to the first United Nations Conference on Trade and Development (UNCTAD I) of 1964.

Internationalisation of Protection

(a) In 1957, the GATT appointed a group of economists under the chairmanship of Professor Haberler to report on "certain trends in international trade, in particular the failure of the trade of less developed countries to develop as rapidly as that of industrialised countries, excessive short-term fluctuations in prices of primary products, and widespread resort to agricultural protectionism"²⁰. These terms of reference reflected the special interests of Australia (which had taken the initiative for the appointment of the group) and a concern which had become increasingly prominent in discussion of the problems of developing countries in the preceding years, their "foreign exchange gap".

After the earlier phase when estimates of the capital requirements of LDCs had revealed major "saving gaps", economists were now making estimates of LDC import requirements, usually based on assumed target rates of economic growth together with fixed import coefficients. Uniformly, they revealed the prospect of "foreign exchange gaps" left by adverse prospects for LDC exports and inadequate aid by developed countries²¹. Of the two gaps, the foreign exchange gap appeared as the more serious constraint on economic development, as the LDCs with few exceptions struggled to meet chronic balance of payments difficulties through import and foreign exchange controls. In the theoretical literature this gave rise to "two gap analysis" (and debate about its analytical soundness); in practical policy discussion to the slogans "trade not aid" or "trade and aid"²².

The Haberler Report picked up this theme. Its criticisms of the tariff and other barriers erected by developed countries which it described as an important factor contributing to the foreign exchange difficulties of LDCs led to the appointment by GATT of a standing committee – the famous Committee III – with the task of encouraging policies to help their exports. In passing, the report also commented adversely on LDC policies of import-substitution which “had almost certainly been to the disadvantage of the underdeveloped countries themselves”²³. But its recommendations were entirely addressed to exports of primary (and semi-processed) commodities. Very soon, however, attention began to be directed to the need for freer access to developed country markets for LDC manufactures. Wyndham-White, Director-General of GATT, in June 1960, sounded a note of which a great deal more was to be heard two decades later: “It is difficult . . . to escape the conclusion that one of the contributions which the older industrialized countries will have to make will be to surrender some sectors of light manufacturing to new industries in the developing countries, finding their compensation in the more specialized and dynamic forms of industrial production on which their economic growth in any case depends”²⁴. A few months later, the UN Economic Commission for Europe published a study of “Europe and the Trade Needs of the Less Developed Countries” in which it argued that, since aid and exports of primary products would meet only two-thirds of the import requirements of the Third World in 1980, “this would leave the remaining one-third, i. e. at least \$ 15 billion, to be filled by exports of manufactures” and on infant industry grounds proposed the first scheme for a generalised system of preferences (GSP) for LDC manufactures, very much on the lines of the scheme later adopted by the EEC²⁵.

(b) Meanwhile, Prebisch himself had begun to have second thoughts about the merits of the import substitution strategy. The UN *Economic Survey of Latin America for 1956* expressed disappointment that import substitution appeared to be failing in two of its major objectives, saving of foreign exchange and thus reduced dependence on world markets. “Unbalanced development may involve a rapid growth of certain essential imports, so that, in the final analysis, the economy is as much as ever at the mercy of events overseas – or even more so . . . This leaves an increase in the volume of exports as the only reliable source for the financing of the expanding volume of imports.”²⁶ While this suggested the need to pay more attention to exports, it did not at first induce any re-thinking of industrial development strategy. “This leads to the rather paradoxical conclusion that the only way of financing the imports for growing secondary industries is to expand the volume of exports of primary products.”²⁷ But two years later, while continuing to insist that import substitution was “the only way to correct the effects on peripheral growth of disparities in foreign trade elasticity”,²⁸ he began to advocate regional integration among LDCs – “preferential treatment is needed inside the area to promote specialisation in industrial products and primary commodities”²⁹ – and to argue for non-reciprocal tariff cuts

by developed countries on imports from developing countries, as well as for measures to ensure more equitable and stable prices for primary commodities³⁰.

Thus, intellectually, the stage was set for the UN Resolution of December 1961 declaring international trade to be the primary instrument of economic development. But, politically, its adoption as a plank of the ideological platform of the Third World had different origins.

(c) One front in the Cold War of the 1950s was that on which the two superpowers manoeuvred for the sympathy of the Third World. As GATT moved in 1956 to demonstrate its concern for the trade problems of the developing countries, the Soviet Union countered by proposing the holding of a world economic conference to discuss problems of trade and development³¹; with the support of other Soviet bloc countries, it repeated this proposal for some years. As long as the proposal came from this source, it was not taken very seriously in the West. During the second half of the decade, however, with the sudden acceleration of decolonisation and the admission of numerous new member countries, voting strength in the United Nations Assembly shifted³², and the bloc of 77 "non-aligned" countries which had emerged from the Bandung Conference of 1955 gradually took over the initiative. At the Belgrade Conference in September 1961, President Tito launched the idea of a World Conference on Trade and Development. A few weeks later (7 December 1961), GATT responded with a Declaration on the need for rapid and sustained expansion of export earnings of less developed countries, including a pronouncement that "aid can be no substitute for trade" and a call for reduction of restrictions on access to DC markets for LDC products. A fortnight after this (19 December), the UN General Assembly endorsed President Kennedy's designation of the 1960s as the "UN Development Decade" and passed Resolution 1707 which gave approval in principle to the idea of a conference. In the following year, another non-aligned conference (Cairo, June 1962) gave more precise form to the demand for a conference on trade and development. The Western countries now abandoned their opposition. ECOSOC resolved to convene UNCTAD (now known as UNCTAD I), established a Preparatory Committee, appointed Prebisch Secretary-General of UNCTAD, and invited him to prepare a report to outline the issues³³.

The report which Prebisch submitted to the conference was entitled "Towards a New Trade Policy for Development". H. G. Johnson has said of it that it was "an unusually comprehensive, well-balanced, and philosophically coherent analysis and set of recommendations for promoting the development of the less developed countries through changes in the trade policy of the developed countries"³⁴. Starting out from a historical survey of the nineteenth century pattern of world trade and its breakdown in the Great Depression of the 1930s, Prebisch argued that the "Old Order" could no longer serve the needs of development, and that merely negative policies of removal of trade barriers had to be supplemented by positive policies to assist the trade

of developing countries. A restatement of his familiar thesis about the terms of trade for primary products provided the basis for a program designed to raise and stabilise the prices of primary products by commodity agreements and to make good losses of export earnings from worsening terms of trade by compensatory finance. It was a program which, in Johnson's words, extended "to primary-producing less developed countries the types of protection that developed countries extend to their own primary producers, with the significant difference that the subsidies involved would go to the governments and not the individual producers of those countries"³⁵.

The main policy innovation of the Prebisch report was a new emphasis on the need for developing countries to export manufactures. The Great Depression had "compelled industrialization to turn inwards like a simple import substitution process – simple but costly... The Second World War gave this form of inward-looking industrialization still further impetus". The policy had helped raise incomes but much less than "a rational policy of combining import substitution with industrial exports" would have done. The simple and relatively easy phase of import substitution was reaching its limits in most advanced industrialising LDCs. The relative smallness of their national markets added to other adverse factors. Excessive protectionism had "generally insulated national markets from external competition, weakening and even destroying the incentive necessary for improving the quality of output and lowering costs under the private-enterprise system. It has thus tended to stifle the initiative of enterprises as regards both the internal market and exports"³⁶.

Whereas a few years earlier Prebisch had questioned the import substitution strategy merely because of its failure to yield significant saving of foreign exchange, he now conceded much of the classical case against it, chiefly that it deprives countries of the dynamic benefits of international trade, which Haberler had recently restated in his influential Cairo lectures³⁷. But the inference Prebisch drew was not the desirability of general liberalisation of trade, by developing as by developed countries, but a case, on infant industry or "infant economy" grounds, for non-reciprocal concessions by developed countries. The GSP scheme for LDC exports of manufactures which he proposed to the conference followed fairly closely that outlined in the ECE study of 1960.

As Johnson pointed out, the program which Prebisch presented to UNCTAD and which has remained the core of the Third World's demand for a New International Economic Order was based on "a philosophy of international economic policy that might be described as the internationalization of protectionism for less developed countries"³⁸. To this extent, it constituted a step, though as yet only a small step, towards an outward-looking development strategy.

Outward-Looking Policies

Meanwhile, and increasingly during the 1960s, while a frustrating and often acrimonious North-South dialogue³⁹ arose from UNCTAD I, with the South pushing for the Prebisch program and the North for multilateral tariff negotiations coupled with grudging acceptance of the principle of LDC preferences, the case for an outward-looking industrial development strategy was carried much further than Prebisch had done. The most influential contribution to this case was made by an ambitious study of the industrialisation experience of a number of developing countries which was initiated at the OECD Development Centre by I. M. D. Little (whose interest in these problems had been stimulated by a period working in the Planning Commission in New Delhi) and which culminated in the Little-Scitovsky-Scott report on *Industry and Trade in Some Developing Countries*⁴⁰. Other contributions were made by a team at the World Bank associated with Bela Balassa⁴¹; by the London-based Trade Policy Research Centre which initially tried to promote the idea of an Atlantic Community as an alternative to British entry into the Common Market but later concentrated on propagating the case for freer trade⁴²; and by a Tokyo-centred group which in conferences and papers on Pacific trade and development lent its weight to the case while injecting some ideas with a Japanese flavour into the discussion⁴³.

In part, the case for more outward-looking policies drew on mounting evidence in industrialising LDCs of the adverse effects of the import substitution strategy to which Prebisch had already pointed in his report. One of the first studies outside Latin America was one by John Power of the Pakistan case⁴⁴. Power noted that the saving rate had failed to rise as had been hoped and suggested that "the character of the industrialization itself, with its emphasis on import substitution – especially the replacement of imported consumption goods – had something to do with it"⁴⁵. Import licensing, initially to conserve foreign exchange, gave greater encouragement to domestic production of consumption than of capital goods, and of inessential than of essential consumption goods. In a necessarily small home market, it could not take advantage of economies of scale, and, in the absence of backward linkages or opening of export markets, the momentum of industrial development based on import replacement could not easily be maintained. "There is no natural, spontaneous evolution from the kind of 'hot-house' industrial growth induced by shutting out imports to . . . self-sustaining growth."⁴⁶

The Little-Scitovsky-Scott report, drawing on the experience of seven countries, strongly reinforced and extended this negative case. "The studies on the seven countries indicate that these countries have now reached the stage where policies that are followed to promote import-substitution are proving harmful for the economic development of these countries. Industrialization sheltered by high levels of protection had led to the creation of high-cost enterprises; these enterprises are

producing expensive products, many of which are for use by a restricted middle class, and so production is rapidly coming up against the limits of the home market . . . With high industrial prices, maintained behind high tariffs, industrialization has been carried out at a high cost to agriculture . . . Ponderous administrative control has held up decisions and has led to excessive stocks and the creation of a multitude of firms operating below capacity . . . The most serious result of these policies, however, is that the nascent industries have come to depend for their profits on government decisions, and so have formed the habit of devoting their efforts to obtaining privileges by pressure on the government rather than by cutting their costs."⁴⁷

To the negative experience of import substitution in some industrialising countries was added the encouraging experience of an increasing number of small countries, chiefly but not exclusively in East and Southeast Asia, which appeared to be successful in following the earlier example of Japan by pursuing an export-oriented strategy based on export of labour-intensive manufactures. The first "showcase example of industrialization for export" noted in the literature as early as 1959 was that of Puerto Rico, but this could be regarded as a special case because of its preferential access to the US market⁴⁸. To some extent, this applied also to the second success story of export-led growth, that of Hong Kong, to which Myint drew attention in 1969, since Hong Kong enjoyed useful preference in the United Kingdom⁴⁹.

But by 1967 the list of countries "where the growth of manufactures has been at least somewhat export-oriented" had lengthened to include also Taiwan, South Korea, Israel, Mexico and Pakistan⁵⁰. Several of these were achieving very high rates of growth of exports of manufactures in the face of DC protectionism and without the benefit of preferential treatment. A study published in that year claimed that "contemporary experience of LDCs in the realm of trade policy has shifted a considerable body of influential opinion . . . towards what might be called an outward-looking strategy of trying to export manufactures early in the process of industrial development". It listed, as the main benefits of such a strategy, increasing returns in production of a larger market and the value of competition: "Export promotion goes hand in hand with efforts to conquer and defend the home market, but a degree of foreign competition is tolerated at home to toughen the competitive fibre of local industries"⁵¹.

When the Asian Development Bank two years later commissioned a study of *Southeast Asia's Economy in the 1970s*, the author of the chapter on the manufacturing sector, Helen Hughes, stated the new doctrine very firmly: "The further pursuit of import-substituting, inward-oriented industrialization strategies will lead to more high costs and balance of payments difficulties. In the Philippines, industrial growth had already slowed down in the 1960s, and in Malaysia and Thailand . . . industrial growth is in danger of slowing down in the 1970s, because the relatively easy import-substitution possibilities have been exhausted. An alternative, outward-looking industrialization strategy,

already adopted with remarkable success in Singapore, entails a difficult and painful adjustment of policies."⁵²

The same volume contained a (primarily) Japanese contribution which supported this general approach – „there is a need to search for new engines of economic growth in the international economy, and to push the development of export-oriented industrial activity appropriate to the economic circumstances, resource endowment, and demand structure of particular developing countries"⁵³ – but with nuances that reflected Japanese experience and viewpoints. Among these were an emphasis on "horizontal" trade, i. e. exchange of manufactures for manufactures; on a "new international division of labour" based on the (Heckscher-Ohlin) comparative advantage of developing countries with their cheap and abundant labour and developed countries with their superiority in capital and technology; but since the guiding principle must be "dynamic" comparative advantage which will not be attained through the free market, there was emphasis also on "agreed specialisation"⁵⁴ including planned "structural adjustment"⁵⁵ in the advanced countries such as was being undertaken in Japan and on "planned transfer of manufacturing activity from developed to less developed producers"⁵⁶.

Hla Myint, in his overall report in the same volume, endorsed the general recommendation that "the Southeast Asian countries should move away from import-substitution policies towards a radically different approach to industrialization", but gave no support to "agreed specialisation" and was a good deal more cautious about the kinds of export on which LDCs should concentrate. These should not be just labour-intensive – such exports were "likely to face stiff competition"; prospects were best in lines which can make use of specific skills and aptitudes of labour; most promising for resource-rich countries would be a shift from raw to processed materials for which he coined the term "export substitution"⁵⁷.

Conclusion

The case for export-oriented industrial development won more adherents during the 1970s, both in theory and in practice, but it remained a minority view in the Third World, politically wholly overshadowed by the UNCTAD ideology with its demand for a New International Economic Order and in the development literature also by the shift of emphasis from economic growth to social objectives. Even its more enthusiastic exponents, both among academics and practitioners, put it forward with qualifications. Most of them conceded that it was more conclusive for small than for large countries⁵⁸, and that import substitution remains "inevitable and legitimate at the outset in most countries"⁵⁹. In its more sophisticated version, therefore, the case is not against import substitution as such, but against the notion that, as Myrdal put it in the early 1950s, while manufacturing for exports will

become desirable at a later stage of industrial development of underdeveloped countries, "for a long time they have had their hands full in trying to meet the demands of their domestic market"⁶⁰. The new view is that "unfortunately, this two-stage theory of development is impractical. It is just too difficult, and at best an extremely slow process, to get away from the first stage *unless* the growth of grossly inefficient industries has been ruthlessly suppressed from the beginning and the second stage has been explicitly kept in view and made an essential ingredient of the economic policies in the first stage"⁶¹. And even the proponents of this austere prescription would presumably admit that it is never too late for a sinner to repent and for a country that began with import substitution pure and simple to change to a more export-oriented policy as soon and as best it can.

Notes

- 1 H. G. Johnson, *Economic Policies Toward Less Developed Countries*, Brookings, Washington, 1967, p. 25; A. S. Friedeberg, *The United Nations Conference on Trade and Development of 1964*, Rotterdam University Press, 1969, p. 10.
- 2 D. H. Robertson, "The Future of International Trade", *Economic Journal*, March 1938, reprinted in American Economic Association, *Readings in the Theory of International Trade*, Blakiston, Philadelphia, 1949, p. 501.
- 3 J. Viner, "The Prospects for Foreign Trade in the Post-War World" (1946), reprinted *ibid.*
- 4 H. W. Arndt, *The Economic Lessons of the Nineteen-Thirties*, Oxford University Press, 1944, p. 297; the flavour of the debate is well conveyed in the "Dissenting Note" by Sir Andrew McFadyen; cf. also T. Balogh, M. Kalecki, E. F. Schumacher, in "New Plans for International Trade", Supplement, *Bulletin*, Oxford Institute of Statistics, August 1943.
- 5 United Nations Economic Commission for Latin America, *Economic Survey of Latin America*, New York, 1949, p. 56.
- 6 Dr. Singer has answered the priority question as follows: "Roughly speaking, I would say that throughout 1948 and early 1949, Prebisch and I worked independently, and without knowing each other, on terms of trade problems – Prebisch more theoretically and generally; and I more empirically and statistically, at first" (personal communication). In a paper given in New York, in December 1948, and published, under the title "Economic Progress in Underdeveloped Countries", in *Social Research*, March 1949, Singer gave an analysis of the problems of the underdeveloped countries strikingly similar to Prebisch's.
- 7 Cf. L. E. di Marco, *International Economics and Development: Essays in Honor of Raul Prebisch*, Academic Press, New York, 1972, a symposium in which most of the Latin American contributors declared their belief in the Prebisch thesis as firmly as most other contributors rejected it.
- 8 G. Myrdal, *Development and Underdevelopment*, National Bank of Egypt, Cairo, 1956, p. 47; cf. also his *The International Economy*, Harper, New York, 1956, and *Economic Theory and Underdeveloped Regions*, Duckworth, London, 1957.
- 9 *Ibid.*, p. 51.
- 10 R. Nurkse, *Patterns of Trade and Development*, Stockholm, 1959, p. 26.
- 11 *Economic Survey of Latin America*, op. cit., pp. 49, 83.
- 12 *Ibid.*, p. 84.
- 13 G. Myrdal, *The International Economy*, p. 276.
- 14 Cf. P. N. Rosenstein-Rodan, "Problems of Industrialization of Eastern and South-

- Eastern Europe", *Economic Journal*, September 1943; R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Blackwell, Oxford, 1953.
- 15 Myrdal, *The International Economy*, p. 276.
 - 16 A. O. Hirschman, *The Strategy of Economic Development*, Yale University Press, New Haven, 1958, pp. 112, 114.
 - 17 J. N. Bhagwati and P. Desai, *India: Planning for Industrialization*, OECD, Oxford University Press, London, 1970, p. 18; cf. also H. W. Arndt, "The Balance of Payments Argument for Priority to Heavy Industry", *Sankhya*, Series B, Calcutta, February 1962.
 - 18 J. H. Power, "Industrialization in Pakistan: A Case of Frustrated Take-Off?", *Pakistan Development Review*, Summer 1963, p. 201.
 - 19 Cf., e. g., J. Viner, *International Trade and Economic Development*, Clarendon Press, Oxford, 1953; G. Haberler, *International Trade and Economic Development*, National Bank of Egypt, Cairo, 1959; A. K. Cairncross, "International Trade and Economic Development", *Economica*, August 1961; H. Myint, "Infant Industry Arguments for Assistance to Industries in the Setting of Dynamic Trade Theory" (1963), reprinted in *Economic Theory and the Underdeveloped Countries*, Oxford University Press, London, 1971; W. M. Corden, *Recent Developments in the Theory of International Trade*, Special Papers in International Economics, Princeton, 1965.
 - 20 *Trends in International Trade*, GATT, Geneva, 1958, p. 1.
 - 21 Cf. B. Balassa, *Trade Prospects for Developing Countries*, Irwin, Homewood, Ill., 1964.
 - 22 Cf. H. B. Chenery and A. M. Strout, "Foreign Assistance and Economic Development", *American Economic Review*, September 1966; V. Joshi, "Two-Gap Analysis", reprinted in G. M. Meier, *Leading Issues in Economic Development*, 3rd ed., Oxford University Press, New York, 1976, pp. 336 ff; R. Findlay, "The 'Foreign Exchange Gap' and Growth in Developing Economies", in J. N. Bhagwati (ed.), *Trade, Balance of Payments and Growth*, North Holland, New York, 1971.
 - 23 *Trends in International Trade*, op. cit., p. 125.
 - 24 Quoted GATT, *International Trade 1959*, Geneva, 1960, p. 56.
 - 25 United Nations Economic Commission for Europe, "Europe and the Trade Needs of the Less Developed Countries", in *Economic Survey of Europe in 1960*, Geneva, 1961, pp. 4 ff., 50.
 - 26 United Nations Economic Commission for Latin America, *Economic Survey of Latin America for 1956*, New York, 1957, p. 151.
 - 27 Ibid.
 - 28 R. Prebisch, "Commercial Policy in Underdeveloped Countries", *AEA Proceedings*, May 1959, p. 253.
 - 29 Ibid., p. 267.
 - 30 Ibid., p. 264. Prebisch argued that there was no need for reciprocal tariff cuts by LDCs since the latter would in any case spend any additional export earnings in imports of industrial goods from the developed countries.
 - 31 A. S. Friedeberg, op. cit., pp. 5-7.
 - 32 Between 1955 and 1959, 23 new member countries were admitted to the United Nations, another 17 in 1960; by 1963, GATT also had a majority of LDC member countries (ibid., pp. 8, 16).
 - 33 Ibid., pp. 6 ff.
 - 34 H. G. Johnson, op. cit., p. 25.
 - 35 Ibid., p. 29.
 - 36 Paul Prebisch, *Towards a New Trade Policy for Development*, UNCTAD Proceedings, Vol. II, New York, 1964, p. 14.
 - 37 G. Haberler, op. cit.
 - 38 H. G. Johnson, op. cit., p. 28.
 - 39 The North-South debate will be discussed in a later chapter.
 - 40 I. Little, T. Scitovsky, M. Scott, *Industry and Trade in Some Developing Countries: A Comparative Study*, OECD, Oxford University Press, London, 1970.
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50 D. B. Keesing, "Outward-Looking Policies and Economic Development", *Economic Journal*, June 1967, p. 303.

51 Ibid., p. 305.

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53 Ibid., p. 225.

54 Kojima quoted Harrod as an advocate of "agreed specialisation" but suggested that the idea was first expressed by Myrdal in *The International Economy* (Kojima, op. cit., p. 51).

55 Kojima, op. cit., p. 9.

56 Asian Development Bank, op. cit., p. 255.

57 Ibid., pp. 19 ff.

58 Cf., e.g., W. A. Lewis, "Employment Policy in Underdeveloped Areas" (1958), reprinted in G. M. Meier, *Leading Issues in Economic Development*, 1st ed., Oxford University Press, 1964, p. 379.

59 Little, Scitovsky, Scott, op. cit., p. xix.

60 Myrdal, *The International Economy*, p. 257.

61 Bhagwati and Desai, op. cit., p. 486.