

IMPORTS OF MANUFACTURES FROM LESS DEVELOPED COUNTRIES

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CHAPTER I. THE PROBLEM AND A SUMMARY OF FINDINGS

INTRODUCTION

It seems to be generally agreed that newly developing countries will need to achieve a rapid and sustained rise in export earnings to cover their growing imports of capital goods and other essentials and to service their foreign borrowings. Failure to attain such an increase, or to receive ever larger foreign aid, would impose a foreign exchange constraint on their growth, even though the major transformation required is in their internal economic and social structures and in their capacity to save and invest.

Looked at from this point of view, the figures in table I-1 are not reassuring with respect to the export performance of the less developed countries.¹ Over the period 1950 to 1965 these countries, exclusive of the major oil producers among them, increased the current dollar value of their exports to the developed countries by 4.2 percent annually on the average. Their exports to each other, again omitting the major oil producers, were only slightly larger in 1965 than in 1950. Over the same period the dollar value of trade among the developed countries rose at an average annual rate of about 9.4 percent, or perhaps a percentage point less if figured at constant prices. Total exports of developed countries to the destinations covered by table I-1 were about 2½ times those of the non-oil-producing less developed countries in 1950 and were five times as great in 1965.

The need for a faster increase in exports of the less developed countries will not be elaborated here, since it has been studied at length by the United Nations and others. One may question alternative projections of the likely "foreign exchange gap," or the validity of the gap approach. But there seems to be little room for doubt that exports of the less developed countries will need to rise faster than heretofore as one of the conditions for their economic development.

The contrasting performance of exports of developed and less developed countries reflects, in addition to factors on the supply side, the faster growth of world demand for manufactures than for most of

¹ Throughout this study the less developed countries are taken as comprising all of the Western Hemisphere except the United States and Canada; all of Africa except the Union of South Africa; the Middle East except Turkey; the rest of Asia and the Far East except Japan, mainland China, and North Korea; and Oceania except Australia and New Zealand.