
Meeting the Third World Challenge

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Meeting the Third World Challenge

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and

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Second Edition



for the

TRADE POLICY RESEARCH CENTRE

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The Trade Policy Research Centre in London was established in 1968 to promote independent analysis and public discussion of commercial and other international economic policy issues. It is a non-profit organisation which is privately sponsored and serves as an entrepreneurial centre under the auspices of which a variety of activities are conducted. In general, the Centre provides a focal point for those in business, the universities and public affairs who are interested in international economic questions.

The Centre is managed by a Council which is headed by Sir Frank McFadzean. The members of the Council, set out below, represent a wide range of experience and expertise.

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Having general terms of reference, the Centre does not represent any consensus of opinion. Intense international competition, technological advances in industry and agriculture and new and expanding

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markets, together with large-scale capital flows, are having profound and continuing effects on international production and trading patterns. With the increasing integration and interdependence of the world economy there is thus a growing necessity to increase public understanding of the problems now being posed and of the kind of solutions that will be required to overcome them.

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The Centre is registered in the United Kingdom as an educational trust under the Charities Act 1960. It and its research programmes are financed by foundation grants, corporate donations and membership subscriptions.

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To Marion and Holly

Biographical Notes

ALASDAIR I. MACBEAN has been Professor of Economics at the University of Lancaster since 1967, having been an Economic Adviser at the British Ministry of Overseas Development and, earlier, an adviser with the Harvard Economic Advisory Service in Pakistan. Professor MacBean has been a consultant to the Food and Agriculture Organisation, an agency of the United Nations, as well as to the division of the United Nations concerned with public finance and financial institutions. In addition, he has been a consultant to the Organisation for Economic Cooperation and Development, in Paris, and in the United States to the Agency for International Development. More recently, in 1976-7, he has acted as Specialist Adviser to the House of Lords Select Committee on Commodity Problems. In 1973-4 he was a Visiting Professor at the University of Michigan, Ann Arbor. Professor MacBean is the author of a number of publications in the field of trade, investment and economic development, including *Export Instability and Economic Development*.

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Preface to the First Edition

This book is being sent to press as preparations proceed for the fourth session of the United Nations Conference on Trade and Development, to be held in May 1976, and as the Tokyo Round of multilateral trade negotiations settles down in Geneva. Indeed, it has been written during a period of great uncertainty, characterised by the collapse of the Bretton Woods system of monetary arrangements, by world-wide inflation, by the effects of the quintupling of oil prices and by recessions in the major industrial countries.

We have tried to examine some of the effects of these various crises on the Third World, but our general assumption has been that the world economy will survive these shocks without a decline into a major depression. Our expectation is that trade will recover and economic growth be resumed. On its own, the resumption of growth in the industrial countries will have a major effect in stimulating demand for the exports of developing countries, but it should also improve the atmosphere for the removal of barriers to their exports of manufactures.

Most of our efforts have been directed to what seemed to us to be the major factors which, over the longer term, affect the prospects of improving living standards of the two-thirds of mankind who live in the Third World, rather than to the current situation.

We are indebted to Professors Wolfgang Stolper, Robert Stern, Elliot Berg and Richard Porter, and to the members of graduate seminars at the University of Michigan, Ann Arbor, for comments on earlier drafts of some chapters of this book; and to colleagues Nicholas Snowden, Tin Nguyen and Rodney Whittaker for discussions at the University of Lancaster. Hugh Corbet and Cedric Watts of the Trade Policy Research Centre were kind enough to read and comment on almost the whole of our first draft. We are most grateful to all of these individuals, none of whom need feel any responsibility for the errors and opinions of the authors.

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We should also like to thank Joyce Bissett, Stephanie Arkwright, Linda Mogford and Denise Chisholme, who kindly typed sections of the manuscript in various stages of illegibility.

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Lancaster
November 1975

Preface to the Second Edition

The curse upon analysts of the contemporary scene is the swift march of events which threatens with obsolescence each comment and judgement. Fortunately, by focusing upon the long-term trends most of the analysis of the first edition has remained valid. Many of the tables, however, were out of date and these have been brought up to as near the present as possible. Some changes in the text have necessarily followed. Fairly extensive changes and additions have been made in Chapter 5, 'Challenges of Technology', to take account of new literature and further thinking of our own upon this complex and important subject.

This volume, like the first edition, concentrates on the application of traditional economic analyses to development problems. While aware of the political and sociological theories, we feel these are best dealt with by specialists in these disciplines. We do, however, within the countries of our chosen framework, take account of the arguments of the radical political economists. The revised version of Chapter 4 is especially designed to do this.

We are indebted to Mario Martinez for collecting new data for revising and updating several tables in this edition.

ALASDAIR I. MACBEAN
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Lancaster
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Abbreviations

c.i.f	prices including cost, insurance and freight
DAC	Development Assistance Committee of the OECD (see below)
DC	developed country
ECAFE	Economic Commission for Asia and the Far East (an agency of the United Nations)
EEC	European [Economic] Community
FAO	Food and Agriculture Organisation (an agency of the United Nations)
f.o.b.	free-on-board prices
FPI	foreign private investment
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
GSP	Generalised System of [Tariff] Preferences in favour of developing countries
IBRD	International Bank for Reconstruction and Development (World Bank)
ICA	international commodity agreement
IDA	International Development Association (a part of the World Bank group)
ILO	International Labour Organisation (an agency of the United Nations)
IMF	International Monetary Fund
LDC	less developed country
MFN	most-favoured-nation (non-discriminatory) tariff
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
STABEX	Stabilisation scheme for exports from developing countries associated, through the Lomé Convention, with the European Community

xvi *Abbreviations*

UNCTAD	United Nations Conference on Trade and Development
UN	United Nations
USAID	United States Agency for International Development
WHO	World Health Organisation (an agency of the United Nations)

NAMES OF COUNTRIES

Where the name of a country has changed, we have normally adopted the one in use in the period of which we are writing, for example, Sri Lanka [Ceylon], Bangladesh [East Pakistan].