
The book under review is a special issue of the Industrial Development Survey for the Fourth General Conference of the UNIDO. Its main aim is to examine structural changes in industry which in turn bring about changes in the global pattern of comparative advantage. Thus, given the very interdependent world of today, policies followed in developed countries affect the newly industrializing ones. Thus, for instance, the rising trend of protectionism in the developed world is producing serious repercussions in the less developed countries.

Several chapters of the book deserve special mention because of their importance. These include Chapter III which examines structural change in the manufacturing sector. Chapter IV looks at the interrelationships between manufacturing on the one hand and agriculture and services on the other. Chapter V reviews industrial strategies and policies from a regional point of view. Chapters VI and VII form the core of the book in which industrial policies are examined for developed countries and the links between product development, trade and industrialization are discussed. From this detailed examination it becomes clear that the world industry is in a state of transition, with no clear trend emerging for the future. Chapter VIII reviews the level of wages in the manufacturing sector. International comparisons are also made. Chapter IX looks at agro-food industries in the developing countries and the role they play in these countries’ industrial structure. Chapters X and XI are case studies of steel, machine tool, consumer electronics and petrochemical industries, in which the impact of industrial policies on their performance is brought out. Chapter XII is of particular importance as it deals with the measurement of comparative advantage of different countries in selected industries. These industries include iron and steel, wood products and petroleum refining.

The two decades immediately following the World War II saw a steady rate of economic growth with little or no inflation. But then in the late Sixties the international economic order became more ‘turbulent’ and economic growth began
to falter in the industrialized and developed West because of a shift in the comparative advantage of the traditional exports of these countries in favour of the newly industrializing Asian countries, like South Korea, Taiwan, Hong Kong, and Singapore. These countries began to compete successfully with the West in the output of such basic manufactured goods as steel, shipbuilding, textiles, and electronics products. However, for various political and economic reasons the developed countries, with a few exceptions, were unable to take the necessary policy action to restructure their economies in line with the changing structure of the global comparative advantage.

To explain the shift in the global structure of comparative advantage the book looks at the underlying factors that may be responsible. A very plausible explanation relates to the theory of the product cycle, which examines trade performance in the light of such dynamic characteristics as the rate of product development and the role of technology. According to this theory 'new products' are characterized by high inputs of skilled labour. For example, all the new 'high-tech' developments in the field of space technology, computers, telecommunications, etc., require a very high level of skill input. Consequently, developed countries which are generously endowed with skills and capital have a comparative advantage in the production of these commodities. Thus, products which are manufactured in these industries are termed 'new products' in the initial phase of their life cycle. However, once the technology spreads and becomes readily accessible, the manufacturing of the product can be undertaken by less skilled labour with greater amounts of unskilled labour. The product is then deemed to have entered the 'mature' phase in its life cycle. Thus, countries with abundant supplies of cheap labour, for example, South Korea, Taiwan, and Hong Kong, etc., acquired a competitive edge in the production of 'mature' goods which included ships, textiles, consumer electronics and steel products. Multinational companies also helped in the process by shifting the production of these goods to the newly industrialized countries. This was achieved by a transfer of large amounts of investment during the 1970s and the early 1980s made possible by low labour costs.

It may be added here that because of recent dramatic advances in 'process technology', for example, the use of lasers in the textile industry, the comparative advantage is beginning to shift back to the developed countries for the production of such basic goods as ships, consumer electronics and textiles. Consequently, multinational companies are also beginning to shift their investments back to the developed countries because of greater profitability and nearness to their main markets.

The major emphasis now is on producing labour-saving technology at very low cost in the developed world. Other technological developments include robot technology which is being used extensively in such industries as shipbuilding, automobile manufacture, steel, etc., thus reducing labour costs and giving the products of these industries an edge over similar, but technologically inferior, products coming from the Far East and South-East Asia. Other industries that are affected include textiles, consumer electronics, leather goods, etc. Also, new concepts of manufacturing are being introduced in the West and Japan which are proving to be more flexible and, consequently, more productive. The new chip technology is coming to play an even greater role in the manufacturing sector, making it much easier to control tools and machines.

The advantage of having computer-controlled tools and machines is that they can quickly and easily be reprogrammed to produce products of different specifications saving on time and, thereby, on labour costs. Moreover, this enables the entrepreneur to amortize capital over a number of product lines. Thus, time-saving is money-saving which can be put to more productive use elsewhere. Given the new technology, which is largely labour-saving, it is clear that labour-intensive industries, such as textiles, consumer electronics, cars, and steel, are major candidates for automation. This has serious implications for the newly industrializing countries of the Third World. With comparative advantage in the production of these goods shifting back to Europe and the USA, and with rising protectionism, new strategies for industrialization have to be developed for these countries.

It is possible that the more dynamic economies of East and South Asia may be able to preserve their comparative advantage. There is evidence that some of these countries are acquiring the latest technology to keep their production processes up to date, but for the other developing countries the implications are likely to be severe. There is even the possibility of these developing countries being driven back to the production of primary commodities or incurring immense cost to protect domestic industry.

A way out for these developing countries is to exploit, as much as possible, the potential of trading amongst themselves in the context of South-South cooperation which logically should lead to greater regional integration, thereby increasing the extent of the market for each other's goods and products. The possibilities of increased barter trade with the COMECON and other countries should also be explored as this would lead to greater inter-regional cooperation and development. The example of India shows that her barter trade with the COMECON countries has helped in her industrialization by providing access to technology, capital goods and markets, thereby overcoming her foreign-exchange shortages.

For Pakistan, this is of particular importance as the country is in the process of industrializing and has to find a market for its exportable manufactured goods. By trading more extensively with other countries of the Third World, Pakistan can develop a market for its goods, given that the country's traditional export markets in the West are becoming more protectionist. If Pakistan fails to develop alternative markets, then it will have to rely on exporting primary goods, like cotton, which would have unfavourable consequences for the balance of payments because of the
tendency of the terms of trade to deteriorate for primary commodities. This, in turn, would affect the overall performance of the Pakistani economy to attain its developmental goals.

Carrying numerous tables reflecting the industrial performance of a large number of countries, including the developed, the Socialist bloc, and the Third World countries, the book under review would be of great use to researchers in the field of international trade and development. It is also an extremely well-written and lucid exposition of a very interesting topic of current concern.

Pakistan Institute of Development Economics, Islamabad. 

Mir Annice Mahmood