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Resource-based industrialization in the developing countries: A survey

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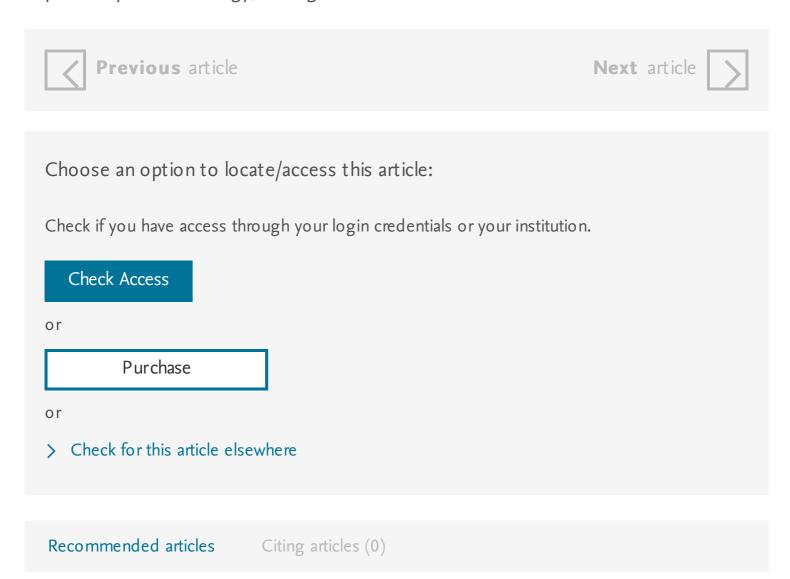
Abstract

This survey at shed light on the potential contribution of

industrialization based on resource processing to efficient growth, employment creation, greater equity and economic independence. The use of capital-intensive methods to reduce raw material costs appears to confer comparative advantage on countries with cheap capital. Lower transport costs due to substantial weight reduction in processing may counter this advantage for some stages of processing, but does not universally favor LDC exporters. Most major producers export sufficient quantities to achieve scale economies typical of resource processing, but economies of scale are a barrier in processing for the domestic market in all except the largest LDCs. External economies of industrialization are also thought to favor processing in the industrial countries, but potential linkages could stimulate some complementary investments in LDCs. Because

resource-based industries are not impressive contributors to direct or indirect employment creation, they are likely to perpetuate the pattern of dualism and inequality present in typical resource-rich countries.

Third-world exporters may be barred from entry into resource processing by the dominance of multinational firms in the metals and petroleum industries; by shipping conference freight rates that discriminate against processed commodities; and by importing country tariff structures that provide substantial effective protection against many LDC semi-processed exports. Processing of natural resources for export tends to continue the broad pattern of trade, financial and technical dependence of developing countries, although market dependence may decrease at some stage of processing. Home-oriented processing avoids market dependence, but cannot escape outside dependency on technology, management and finance.



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