American output and the NICs

by Renée Sigerson

Top international policy groups are suggesting that the United States could begin to import an ever growing portion of its manufacturing requirements from a select group of "Newly Industrialized Countries," now dubbed NICs.

If U.S. basic industries, such as auto and steel, continue to reduce output even further under programs that discourage financing of "sunset" or antiquated industries, U.S. imports from a group of six countries in the NIC category will soon top U.S. imports from the European Community.

These are preliminary conclusions from a number of current studies of the NICs' impact on U.S. trade patterns. Earlier this year, the London-based International Institute for Strategic Studies (IISS) and the Washington-based German Marshall Fund commissioned a U.S. group to examine tendencies on the part of U.S. multinationals to "integrate" their domestic production with subsidiaries in the more advanced countries of the Third World.

The group commissioned to perform the study was the National Planning Association (NPA), which dates back to the 1930s when it helped design the New Deal. The study, which will be released later this year, has not been publicized. Clearly, in choosing NPA, London's IISS is demonstrating that it considers current moves to "restructure" U.S. industry to be on a par with the dramatic changes that took place in the U.S. economy under the New Deal.

NPA's study breaks the U.S. economy down into five sectors: auto and auto components, steel, chemicals, consumer electronics, and textiles/clothing. It then examines the level of "production integration" introduced by U.S. firms in these sectors between their domestic operations and subsidiaries in Southern Europe, South Korea, Mexico, Brazil, Argentina, Taiwan, Singapore, and Hong Kong.

Relocation of U.S. industry

Preliminary summaries of NPA's work show that U.S. multinationals would like to relocate growing margins of industrial capacity to the NICs, but a barrier is protectionist legislation in the NICs themselves.

It is remarkable that such a study should be commissioned by leading non-American think tanks. Britain's IISS is an institution devoted to strategic policy formulation for all countries which are members of the North Atlantic Treaty Organization. In this connection, there is growing evidence that U.S. links to industries situated in the Third World is increasingly considered an issue that merits top strategic attention.

In a forthcoming book entitled "The United States and World Development, Agenda 1980," Father Theodore Hesburgh, chairman of Notre Dame University, and a member of the New York Council on Foreign Relations, addresses this question in his capacity as chairman of the Overseas Development Council (ODC), another policy planning group that has issued public studies on U.S. economic ties with the NICs.

In a press release announcing the book, Hesburgh is cited as saying that "exclusive policy attention to the strategic balance between the United States and the Soviet Union neglects a set of problems involving the developing countries that could seriously threaten the long-term security and well-being of the United States."

In a November 1979 study by Hesburgh's ODC which compares six advanced Third World countries with postwar Japan, it is shown that by 1977, the United States took 12 percent of total imports from the following group of countries: Brazil, Mexico, Taiwan, Singapore, South Korea, and Hong Kong. This 12 percent import share nearly matched the 15 percent import share on the U.S. market of the nine industrialized countries in the European Community.

UNCTAD study: same results

A 1977 study by the United Nations Council on Trade and Development (UNCTAD) showed similarly that by 1976, for 50 leading export items from the Third World, the United States ranked second only to Japan in dependency on these items from Third World as opposed to industrialized nations.

In discussing future potential to expand U.S.-Third World industrial integration, Hesburgh's ODC proposed in 1979 that an international forum be created to coordinate these growing trade ties. This forum, the ODC suggests, should be to advise nations on how to relocate workers displaced by cheaper imported goods and how to refurbish companies pushed off their domestic market by imported manufactures.