

Weber's Theory of Location of Industries

This theory is based on the 'least cost principle' which is used to account for location of a manufacturing industry. The theory is based upon a single, isolated country with homogeneous conditions. Some of the natural resources in this setting are found everywhere, while some have fixed locations. The workforce has fixed locations. Transportation costs, in this situation, are a function of cargo weight and the distance. Demand is uniform throughout for all products, hence, there is uniform price for all products at all locations.

The theory claims that the costs will get influenced by transportation costs, labour costs and by the agglomeration factor.

Role of Transportation Costs:

1. A one market, one raw material condition gives rise to three situations.

(i) Raw Material Available Everywhere:

The best location in this situation is the market, as that will simply eliminate the transportation costs for the manufacturing unit.

(ii) Raw Material Fixed, And Pure:

The manufacturing unit, in this case, should be located either at the market or at the source.

(iii) Raw Material Fixed and Gross (It Loses Weight on Processing):

The best location will be at source.

2. A one market, two raw materials (R_1 , R_2) condition gives rise to four situations.

(i) Both R_1 and R_2 are found everywhere: here, the best location will be at the market, as in that case, lowest transportation costs would prevail.

(ii) R_1 is fixed, R_2 is found everywhere, both are pure: the best location would be at the market, because then, transportation charges for R_1 only will have to be paid.

(iii) Both R_1 and R_2 are fixed and pure: the best location will be at the market, because in that case lowest aggregate transportation charges will prevail.

(iv) Both R_1 and R_2 are fixed and gross: this is a complex situation, for which Weber introduced the "locational triangle". Two raw materials— R_1 , and R_2 —and market

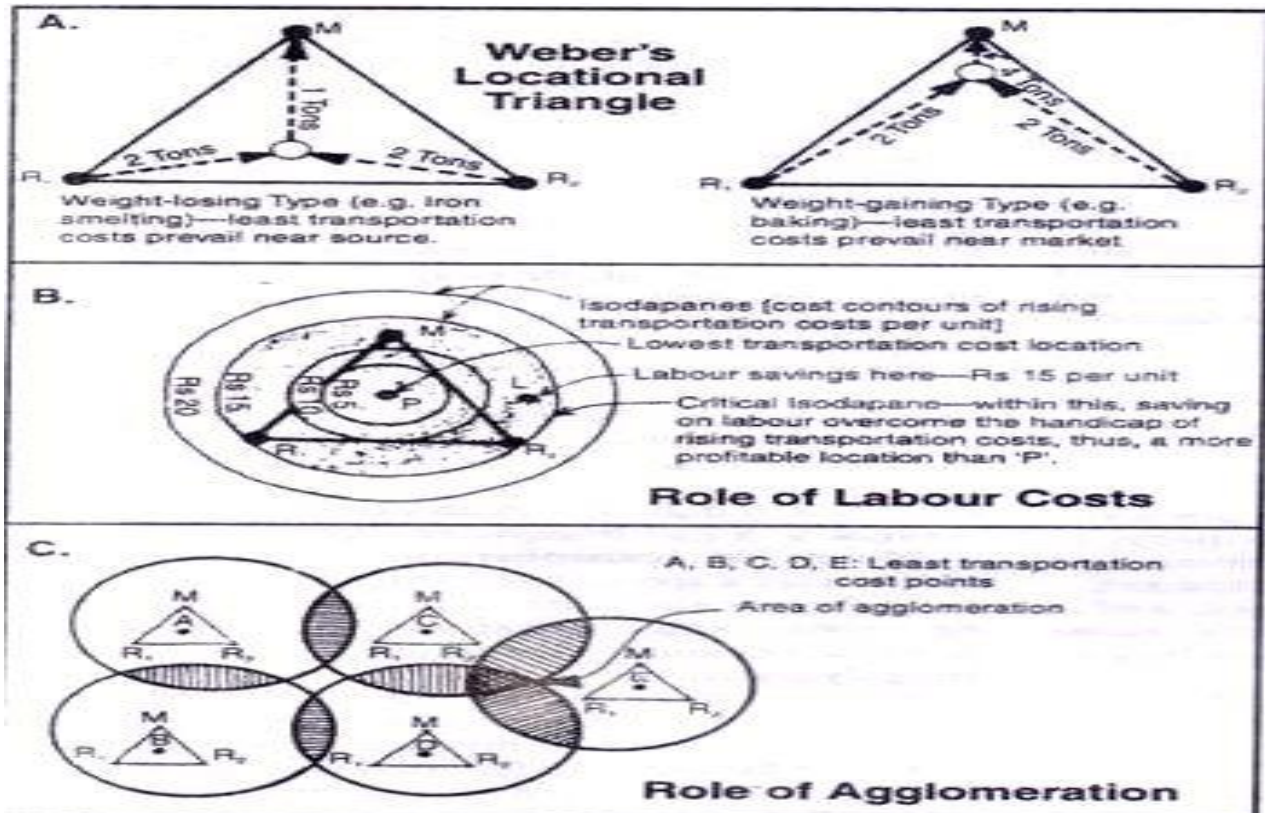
(M) form the three modes of this triangle. The transportation charges are a product of the cargo weight and the distance carried by transportation. Thus, a pull is being exerted on the location by each of these three modes. It is seen that the weight-losing manufacturing processes like iron smelting tend to be located near the source of raw materials, while the weight-gaining ones like baking tend to be located near the market.

Role of Labour cost:

Role of Labour Costs To determine the role of locational pattern of labour force on manufacturing location, Weber’s locational triangle is placed in concentric pattern of rising transportation costs outwards from the centre. It is assumed that the labour force is dispersed outwards and the distance from the centre represents savings on account of labour costs decrease and a point (L) comes where the savings on labour cost overcome the handicap of rising transportation costs. This is a more profitable location than ‘F which is the lowest transportation cost location.

Role of Agglomeration:

The coming together or agglomeration of industries offers cuts in production costs if two or more industries operate in the same location.



Evaluation of Weber's:

Theory Weber's theory which revolves around transportation costs misses the point that the freight rates may not always be directly proportional to the distance. These rates may not also be similar for raw materials and finished goods.

Weber, in his theory, seems to have over-emphasized the supply factors while ignoring the demand factors. Still, credit must be given to Weber for laying bare the fact that transportation costs are the most fundamental factor in deciding the location of the manufacturing industry.

General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade (GATT) is a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis." The GATT was intended to boost economic recovery after World War II through reconstructing and liberalizing global trade.

KEY TAKEAWAYS

1. The General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in October 1947, after World War II, and became law on Jan. 1, 1948.
2. The GATT's purpose was to make international trade easier.
3. The GATT held eight rounds in total from April 1947 to September 1986, each with significant achievements and outcomes.
4. In 1995 the GATT was absorbed into the World Trade Organization (WTO), which extended it.

History of the General Agreement on Tariffs and Trade (GATT)

The GATT held eight rounds of meetings between April 1947 and September 1986. Each of the conferences had significant achievements and outcomes.

- The first meeting was in Geneva, Switzerland, and included 23 countries. The focus in this opening conference was on tariffs. The members established tax concessions touching over US\$10 billion of trade around the globe.
- The second series of meetings began in April 1949 and were held in Annecy, France. Again, tariffs were the primary topic. Thirteen countries were at the second meeting, and they accomplished an additional 5,000 tax concessions reducing tariffs.
- In September 1950 the third series of GATT meetings occurred in Torquay, England. This time 38 countries were involved, and almost 9,000 tariff concessions passed, reducing tax levels by as much as 25%.

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- Japan became involved in the GATT for the first time in 1956 at the fourth meeting along with 25 other countries. The meeting was in Geneva, Switzerland, and again the committee reduced worldwide tariffs, this time by US\$2.5 billion.

This series of meetings and reduced tariffs would continue, adding new GATT provisions in the process. The average tariff rate fell from around 22%, when the GATT was first signed in Geneva in 1947, to around 5% by the end of the Uruguay Round, concluded in 1993, which also negotiated the creation of the WTO.

Association of Southeast Asian Nations (ASEAN)

The Association of Southeast Asian Nations (more commonly known as ASEAN) is an intergovernmental organization aimed primarily at promoting economic growth and regional stability among its members.

There are currently 10 member states: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Laos, Myanmar, Cambodia and Vietnam.

Why was it set up?

ASEAN was founded half a century ago in 1967 by the five Southeast Asian nations of Indonesia, Malaysia, Philippines, Singapore and Thailand. This was during the polarized atmosphere of the Cold War, and the alliance aimed to promote stability in the region. Over time, the group expanded to include its current 10 members.

Regional cooperation was further extended with the creation of the ASEAN Plus Three forum in 1997, which included China, South Korea and Japan. And then the East Asia Summit, which began taking place in 2005 and has expanded to include India, Australia, New Zealand, Russia and the United States.

What does it do now?

ASEAN aims to promote collaboration and cooperation among member states, as well as to advance the interests of the region as a whole, including economic and trade growth. It has negotiated a free trade agreement among member states and with other countries such as China, as well as eased travel in the region for citizens of member countries.

In 2015, it established the ASEAN Economic Community (AEC), a major milestone in the organization's regional economic integration agenda. The AEC envisions the bloc as a single market with free flow of goods, services, investments and skilled labour, and freer movement of capital across the region.

True to its original mission, the organization strives towards peace and stability in the region: members have signed a treaty pledging not to develop nuclear weapons, and most have agreed to a counter-terrorism pact, which includes sharing intelligence and easing the extradition process of terror suspects.

How do members cooperate?

One of the organization's aims is to promote technical and research cooperation among its members. The ASEAN Outstanding Scientist and Technologist Award is presented every three years to recognize nationally and internationally acclaimed achievements in the field.

Areas of research include safeguarding the region's environment and wildlife. The association's Center for Biodiversity was established to promote cooperation on conservation and sustainability throughout the region and serves as secretariat of ASEAN Heritage Parks, which oversees 37 protected sites.

In the field of education, the ASEAN University Network was founded in 1995 to promote academic and youth cooperation between member states. As part of this initiative, the University Games have been held every two years since 1981.

How important is the region economically?

If ASEAN were a country, it would be the seventh-largest economy in the world, with a combined GDP of \$2.6 trillion in 2014. By 2050 it's projected to rank as the fourth-largest economy.

Home to more than 622 million people, the region has a larger population than the European Union or North America. It also has the third-largest labour force in the world, behind China and India.

What does the future hold?

Despite their distinct cultures, histories and languages, the 10 member states of ASEAN share a focus on jobs and prosperity. Household purchasing power is rising, propelling the region into the next frontier of consumer growth.

The region must now meet the challenges of providing enormous investment in infrastructure and human-capital development to ensure it realizes its full potential.