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Note: The Spanish edition of CEPAL Review No. 13 contained, in addition to the above articles, an article by Mr. Sidney Dell. This was of a preliminary character, however, and it is planned to publish an abridged new version of it in English in the near future.

The industrialization debate in Latin America*

Héctor Soza**

The purpose of this essay is to contribute to the discussion of Latin American industrialization from the standpoint of manufacturing prospects and the long-term options which can be glimpsed within the framework of economic and social development objectives.

In order to accomplish this goal, we must first of all describe the terms in which industrialization is being discussed, since it is well known that the revision of the ideas which for decades inspired the industrial policy of most Latin American countries, together with the changes in world economic trends, are giving rise to positions or projections of undeniable importance for the future.

Next, it is necessary to define quite precisely the region's industrial profile, noting the various trends and situations in the different countries, since the future of industry will also be quite heterogeneous. It is also necessary to describe the basic common traits of Latin American industrialization, which are rooted in the region's history, prevailing political framework and location in the world and its ties—notably those of a cultural, political, economic and technological nature—with the developed Western economies, all of which helps to shape a development style reflecting those traits which together define an overall Latin American industrialization model transcending the heterogeneity mentioned above.

Finally, it is necessary to review the main schemes or scenarios behind the industrial debate, aside from prevailing trends, attempting to show the areas of common ground and divergence of the various positions and to collect useful elements for an evaluation in each case.

*Except where otherwise indicated, the figures used to illustrate various concepts are from CEPAL, which draws its information from the official sources of the Latin American countries, or from United Nations publications when referring to other areas of the world. The author, however, takes full responsibility for their use, especially as some of them appear in works which have not yet been published or are being revised, and consequently have not been approved by the Secretariat.

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I

General terms of the debate

In discussing Latin American industrialization, one can easily succumb to either of two opposing temptations; one, to exalt manufacturing growth and the atmosphere of modernity, or industrial atmosphere, which it has created and which promises to lead to more advanced stages; and the other, to focus rather on the problems of this sector and those of a general nature which Latin American industrialization has not helped to solve, or which in some respects it has even accentuated. In most cases, however, efforts are made to keep both positions in perspective, since industry has helped to make the region's economic expansion possible and to incorporate the technological progress of the centres, as well as to make Latin American economic growth more self-sustaining and consequently to generate the ability to react to external economic turbulence.¹ We must add that there are some less widely held views, inspired by specific and sometimes opposing political ideologies, which for various reasons reject the entire previous industrial history, and others wherein criticism, especially on the part of Northern economists, holds up as examples Asian models oriented towards assembly industries, imports and re-exports based on the 'advantages' of low wages.

Whatever the focus of the discussion, the industrialization strategy *per se* does not appear to be judged unduly harshly or extensively, as may be seen from most intellectual opinions and the majority of official pronouncements at the technical and political levels in the countries of the region, as well as the positions of the governments in international forums where the subject is discussed, where they insistently stress the urgent need to co-operate for industrial development. This is the case despite the fact that industrialization is being questioned as a motor for development and that the industrial efforts of some countries are consequently being weakened through political changes towards conservative, and sometimes

¹ Enrique V. Iglesias, "Latin America and the external turbulence", in *CEPAL Review*, second half of 1976.

extreme, positions based, *inter alia*, on easy external indebtedness largely made possible by the new easy availability of financial flows from private sources, albeit on 'hard' terms.

This was perhaps inevitable in the light of international experience, wherein in general, and with some conspicuous and explicable exceptions, the quality of development and the per capita income level clearly have a positive relationship to the weight of industry in the economy and the degree of advancement of the manufacturing sector in such areas as its structure, technological level and competitiveness in more complex categories.

The validity of the industrialization thesis is implicitly in doubt, however, when 'open' economic policies aimed, *inter alia*, at attracting foreign competition are applied or discussed, because indiscriminate openness toward imports may or may not lead to industrialization in specific circumstances since, at least in its purest version, it has no preconceived objectives regarding economic structure, resource allocation tending to be based on comparative advantages and on free market forces.

Thus, in most cases industrialization is not directly threatened in conceptual and political discussions, at least according to what we know from the official statements of Latin American governments, including those which are moving the furthest towards extremely 'open' economic positions (Chile and Panama, for example). It is a completely different matter, however, as regards the industrial patterns or models, and even more so the economic policy and machinery, designed to achieve the objectives of development and industrialization. Here is where the most important socio-economic and political aspects come in, economic 'openness', for example, being an option diametrically opposed to that of 'de-linking', to the strategy of collective efforts within integration schemes, and to models aimed at meeting the population's basic needs, both in their paternalistic version and that linked to development, or even a new style. Whatever the case, it is easy to see the importance of the different political commitments entailed in the various positions. Similarly, it is obvious that such

options may have a strong and differing influence on industrial patterns, or simply require different roles from the manufacturing sector.

Thus, the industrial debate tends to fall within the sphere of various strategies covering all aspects of economic and social affairs and often quite contradictory political positions. It is consequently recognized, either explicitly or implicitly, that industrialization is not an end in itself, that it depends upon fundamental economic and socio-political options which industry reinforces rather than initiates, and that a specific industrial policy's room for manoeuvring within a given economic and socio-political framework is therefore subject to restrictions which can be fairly severe.²

At this point it is easy to confuse what may be called the industrialization model or pattern—defined by such aspects as the basis of its dynamism, the productive structure, technology, and foreign trade in manufactures—with the economic and social policy which nourishes the model or from which its essential traits stem, keeping in mind the influence of local conditions such as the size of the market and the availability of natural resources. This confusion is often expressed in the ambiguity of the term 'strategy': at times this applies to the model, at others to the economic and social policy, and sometimes to all of these things or to limited, specific aspects such as the technological or protectionist strategy.

As far as the industrialization model is concerned, what is kept in mind is frequently the industrial position reached in most of the developed countries, either individually or in blocs or groups (North America, EEC, EFTA, the centrally planned European economies, Japan), which have the highest levels of income and general well-being. This is especially the case when certain essential similarities are observed, despite differences in the political system.

The principal similarities to be seen are the high level of industrialization, the diversified and vertically linked industrial structure,

² These ideas are supported, for example, in United Nations, Committee for Development Planning, *Report on the Tenth Session, March/April 1974* (ECOSOC official records, 57th Session, Supplement No. 4).

the technological development efforts, the location in large national and/or international markets and the advanced manufacturing export patterns. Obviously there are differences, such as those connected with trade in manufactures: the great openness of the Western European economies, especially in their trade with each other, through intra-sectoral specialization schemes; the closed strategy of the group of centrally planned economies; and Japan's very marked barriers against manufactured imports.

Despite these discrepancies, the importance of the similarities between the industrial models of the developed economies and of the fact that these models have been implemented according to differing political, social and economic strategies is undeniable, but this does not conflict with the limitations affecting a specific industrial policy within a given framework, since the models were developed under different historical circumstances. Such circumstances include the backwardness of some countries with respect to industrialization and development which, depending upon the severity of the lag, has historically demanded deliberate, increasingly intensive efforts conditioned by fairly dissimilar cultural and value systems, as well as specific political positions compatible with the primary development objectives and with the goal, often implicit, of catching up with the more advanced economies and societies. It should be noted that among the basic explanations for the above-mentioned similarities are the characteristics of world technological progress, to which all-important reason is added the rivalry for power, especially among the major hegemonic powers.

Accordingly, recourse is often had to the solution of comparing Latin American results with the industrial characteristics of the developed economies, which become a sort of shining example in the long-term horizon. But those who discuss industrialization are increasingly leaning towards a search for *sui generis* methods, since the 'shining example' itself is now being reviewed for social and economic reasons, especially as a result of the upheaval within the developed capitalist economies after 1973-1974, when the energy problem

revealed significant structural problems, and since the enthusiastic efforts made to reproduce this example have run into stubborn difficulties. This search, which stems from the idea that an industrial theory should be formulated for the developing countries wherein the manufacturing sector might play a different role from that which it plays in the centres, often forms part of the discussion of development styles and, naturally, the consideration of the political commitments which would be inherent in significant changes in the prevailing trends.

With regard to styles, one frequently encounters the question of the extent to which they are really factors exogenous to industrialization, and consequently whether different manufacturing patterns can become the stimulus for differing development styles. Despite the foregoing statements about the economic and socio-political framework of industry, the subject is not unimportant, nor is the answer easy. For example, taken from a historical viewpoint it seems indubitable that technological innovation and the corresponding industrialization played a decisive role in shaping the consumer style of the advanced capitalist societies in accordance, naturally, with their patterns of accumulation. It is equally certain that industrialization in Latin America has played its part in significant economic and social transformations. Thus, it would not be correct to state that manufacturing development is totally without influence among the major variables which help to define a style.

Nevertheless, following the reasoning of Carlos Matus,³ we must single out what he calls the 'dynamic conjuncture', a concept which he explains using precisely the example of the start of Latin American industrialization on the basis of domestic markets, stating that "it can be a force unleashed from abroad which reveals prospects for dynamic industrial growth, without any social group... having formulated them previously as a project...". A different matter is his concept of 'constructed policy', which is

³ Carlos Matus, *Estrategia y plan*, Editorial Universitaria, Santiago, Chile/Siglo XXI Editores, Mexico City, Santiago, Chile, 1972.

that of formulations based on "ideas which in turn are based on a specific theory or model". Thus, it is obvious that *ex post* analysis of industrialization models and development styles is by nature entirely distinct from that which may be done *ex ante*.

In both cases, however, it must be recognized that outstanding political ingredients or definitions are involved. This is why in considering Latin American industrialization one may easily note that the political reactions to the crisis of 1930 varied throughout the countries of the region, which helps to explain why some tended to industrialize and others did not, until the industrialization strategy became general after the Second World War, and especially during the 1950s, in a sequence which gradually gave political legitimacy to the fundamental significance of industrialization as a dynamic factor and one of the ways of incorporating world technological progress.⁴

These facts are mentioned simply to emphasize that even the dynamic conjuncture, which according to Matus "imposes itself upon men", required certain socio-political bases and an ideological and intellectual maturation process in order to express itself in industrial realities. This process, which gradually encompassed the entire region, sought to improve the industrialization process by introducing a greater degree of rationality, integration agreements to give it sufficient scope, and policies to facilitate exports. It must also be acknowledged that the opportunities for real expression were supported by previous situations, such as the chance which the industrialization process itself gave some countries to reap profit from the world economic boom which ended in 1973-1974, and which largely supported the dynamic conjuncture that led to sharp increases in manufactured exports, in addition to the position won, in line with the predominant economic and socio-political schemes, by the for-

eign transnational corporations, which are noteworthy among agents for such exports, in contrast to what took place in Japan, for example.

The policy constructed on the basis of ideas is very different, as may be seen by looking at international and Latin American experience, wherein the sharper the change, the more drastic the political commitment required. This is virtually self-evident, convincing and outstanding examples in the regional framework being such dissimilar cases as Cuba and Chile, or Nicaragua and Uruguay.

For these reasons, there are serious doubts as to whether industry itself can be the stimulus for very different development styles, although it must be acknowledged that the industrial events give rise to subsequent situations of change which may tend to modify the economic and social structures, without necessarily implying trends toward profound alterations in style such as those which are being suggested as regards the basic needs of the population or the importance of preserving the environment and saving energy.

In this connexion it must be kept in mind that the concept of style is frequently used vaguely and very esoterically with respect to the ideological and political support bases. For this reason, in an illuminating article on the unified approach to development, Jorge Gra-ciarena explains that "... politics reappears... as a central component of any conception of styles of development. The values may vary, but styles must distinguish and decide as regards how much, how, what and for whom, since these are the alternatives normally facing a development process and the choice rests with the political order. The function of choosing between them is institutionalized, and it is the business of the political apparatus, more than of any other institutional order, to choose the direction of development and promote progress along the chosen path"⁵

When the matter is put in these terms, analyses of the Latin American industrialization process and of its prospects and options may be

⁴ For over 30 years, CEPAL has argued extensively about this significance of industrialization. In the *Economic Survey of Latin America, 1949*, it already emphasized the subject strongly, according to paragraphs later reproduced in *Desarrollo, industrialización y comercio exterior*, in *Cuadernos de la CEPAL*, No. 13, Santiago, Chile, 1977.

⁵ Jorge Gra-ciarena, "Power and development styles", in *CEPAL Review*, first half of 1976, p. 191.

placed in the field of concrete socio-political realities and not, as often occurs, in an esoteric framework which consists of the belief that at any given moment industrial policy was or will be given numerous options. External events which have been so closely linked with industrial policy over the last decades and which will probably have a profound impact in the future or must be included when considering optional strategies must also be considered.

Furthermore, we must recognize that retrospective analysis is valid to the extent that it makes a critical analysis of past experience in its projections for the future. At this point, perhaps we should explain that this analysis usually takes place within the historical framework of an industrial strategy taking the form of a trajectory aimed at establishing support bases for other stages or methods put forward with a view to and in accordance with superior social objectives. Thus, judgement of the suitability of forms of industrialization is directed towards prospective long-term trends.

In connexion with these approaches, it may be worthwhile to recall that the first stages of the industrialization of the developed Western capitalist economies were by no means easy, nor were they reached without huge social sacrifices. This also occurred in the socialist economies of Europe after the Second World War, until they reached an industrial standing and level of income similar to those in Western Europe, and in Japan, when its industrial recovery began, *inter alia*, with modest steps in the export of manufactures. The assembly for re-export model of some Asian countries with cheap labour might be seen in similar terms. But all this in no way means that Latin America must necessarily repeat these experiences, since the region has already made fair progress in industry and is able to use to its advantage the technological progress of the developed countries (as it is doing to a large extent, although not always in suitable conditions); appropriate co-operation can be expected from the developed countries, and in practice is being sought in an increasingly integrated manner, without prejudice to the overwhelming importance of Latin America's own efforts.

With respect to the chronological aspect,

it may be wondered whether Latin America really had an option for developing its industry other than that which emerged, so to speak, naturally, in view of its internal political restrictions as well as those inherent in its external ties and in the functioning of the world economy, especially in the developed western area, to say nothing of the problems posed by the fact that it began its industrialization late in a context of underdeveloped economies with limited infrastructural facilities and entrepreneurial, scientific and technical vocations, among many other factors.

In so far as the answer is no, any evaluation of the Latin American industrialization model will mean confronting it with a retrospective utopia. Analysis is obviously useful, however, if it focusses on projections for the future, the principal development problems, and the economic and social objectives to which industrialization may contribute.

The domestic and external economic framework, as well as the socio-political context of industrialization, must still be kept in mind, however. It has been said that this means that industry cannot be considered as having a very high degree of autonomy, although one can easily find areas where specific industrial policy actions have had a noteworthy impact, as demonstrated by the industrial history of the countries of the region. To a large extent, however, these very actions are determined by economic and political factors. For example, in the large as well as most of the medium-sized countries of the region, the development of many basic industries was associated with direct actions by the public sector within the framework of economic and political conceptions which give the State a protagonistic role and have also led to extensive nationalization and to regulations reserving basic, strategic areas for the State. Certainly, these positions have been revised in some countries, but it is equally certain that in others the real changes have not been too drastic, since the conditions which justified direct State intervention remain.

Just the opposite has taken place in the small countries, where only in exceptional cases has a basic industry developed. In them, the economic-political option which, through integration, would have made an industrial

model similar to that of the larger countries viable did not materialize, as may be easily seen from the ideological assumptions which gave rise to the integration agreements.

These comments on the general terms of the Latin American industrial debate, conceptually placed within its historical, economic and socio-political context, are inadequate, however, unless some of the principal approaches, schemes or scenarios wherein this discussion is usually placed are specified or thoroughly analysed.

Firstly, the principal traits of the Latin American industrial profile and its trends must be defined, since the discussion is based on a critical analysis of this background and seeks new perspectives largely in relation to it.

Next, we must examine the normative horizon of industry in the mature economies, since the debate often compares the process of Latin American industrialization with that of those economies, and many of the analyses support the imitative nature of this process, although that imitation is certainly incomplete in some important respects. We must also define the Latin American position, wherein trends toward abandoning the hypothetical norm may be noted.

We must then touch upon the industrial significance of the trends towards restructuring the world economy and their implications for the revival of manufacturing activities and, consequently, for the international division of labour, since it is contended that such trends

are very marked and viewpoints trusting or mistrusting in their benefits for the region abound in the debate.

It also seems necessary to analyse the ideas for Latin America discussed in connexion with the formulation of the United Nations International Development Strategy for the 1980s: ideas which draw upon the values of the normative horizon in the context of co-operation and the New International Economic Order, and which figure prominently in the discussions in international forums.

It is also useful to consider the surge towards economic openness which is tending to emerge in some countries because, although it does not correspond to specific industrial positions, openness does have an impact on the manufacturing sector, and in the Latin American debate it holds a predominant position in certain contexts and countries.

Finally, attention must be paid to the proposals for outward-oriented industrial strategies which contrast notably with the other positions on external relationships and, moreover, specifically pursue and generally give high priority to urgent social objectives.

Actually, isolating these six approaches is in many cases somewhat artificial, since they often contain common points or overlapping or coinciding areas. To some extent, consequently, the distinction may be viewed as a methodological device designed to clarify the options or positions which are most often discussed, together with the commitments they imply.

II

The industrial profile and trends

1. *Industrial dynamism*

Over the past thirty years, Latin American industry has expanded at an average rate of 6.7% per year, whereas world industry did so at a rate of only 5.9% annually. Thus, the region's industrial weight in the world increased from less than 4% to close to 5%. More noteworthy, however, is the fact that the region's manufacturing weight among the Western market economies climbed from 4.7% to 8.4% as a result of Latin

America's relatively rapid industrial growth, North America's slow growth (3.6% annually), and the slack pace of Western Europe's growth (5.2% annually).

This fact deserves to be emphasized, since it indicates the industrialization effort involved, the scale of which can be properly appreciated if it is kept in mind that Latin America's external links are essentially with these developed market economies of moder-

ate economic expansion. Thus, the region's total gross domestic product climbed at a rate of 5.5% per year, while North America's did so at 3.6% and Western Europe's at a rate of 4.3% annually.

It may accordingly be concluded that there has been a certain autonomous dynamism in Latin American development which is expressed even in the muted effects on the region's economy of the recession undergone by the developed market countries after 1973-1974;⁶ according to most of the analyses, this is all linked with the industrial progress of recent decades, which provided impetus for growth and an increased capacity to resist external vicissitudes, in addition to tending to mitigate the deterioration of the primary commodity export situation.

The industrial dynamism of Latin America can also be observed by comparing the rates of expansion of manufacturing versus overall economic activity, the ratio of 1.22 (industrialization process) being somewhat higher than the world average (1.20) over the past three decades and significantly higher than the rate for the developed market economies as a whole (1.11), although it was lower than that of the socialist countries (1.40) and Japan (1.48), whose strategies were intensively industrialist within rapid economic expansion schemes.

These figures on the region mask large differences in dynamism among the countries making it up, however. Eight countries equalled or exceeded the average economic expansion rate (Brazil, Mexico, Venezuela, Costa Rica, Nicaragua, Ecuador, Panama and the Dominican Republic); nine exceeded the overall industrial growth rate (the same countries mentioned above plus Honduras), and only six countries (Argentina, Chile, Uruguay, Bolivia, Haiti and Paraguay) had slow

rates of industrial expansion when compared with the world average (5.9%). These six countries were also those which recorded some of the lowest economic growth rates. Despite these exceptions, however, one may still hold the view that relatively vigorous industrial dynamism was general throughout the region.⁷ All the same, if Brazil and Mexico are excluded from the calculations, the average rate of industrial expansion drops from 6.7% to no more than 5.0% annually, principally due to the slow economic and industrial growth of Argentina, whose weight was significant at mid-century (31% in 1950, but only 16.6% in 1979).

These facts not only illustrate the differences in dynamism within the region but also highlight the fact that, generally, the countries with the greatest overall economic expansion had the highest industrial growth indexes; this corresponds to international experience, to which there have been very few exceptions, and those have generally been for very specific reasons. The reasons for this and for the fact that economic growth tends to coincide with more rapid industrial expansion (industrialization process) are well known in development theory, and this is not the place to refer to them. It is more useful to continue discussing the problem of heterogeneity, which goes far beyond the dynamism problem, and whose projections will be felt in the future.

Obviously, industrial heterogeneity within the region has been noticeable from very early on, so that the 1930 crisis found the countries in fairly varied positions. There is no doubt that the largest and some medium-sized countries were more favourably placed for pursuing decisive industrialization processes and dealing with the unfavourable conditions in the world economy and international trade affecting their primary export products and the need to recover, maintain or increase the population's levels of employment and income. In general terms, the countries with the easiest import possibilities, the narrowest markets, or political positions incompatible with industrialization were most backward in

⁶ One indicator of this muted effect is the overall performance of industry in the developed market economies since 1973 in comparison with that of Latin America. In the former, manufacturing output dropped in 1974 and especially in 1975, and the average rate of industrial expansion from 1973 to the end of the decade was 1.1% annually, whereas in Latin America on the whole, output never dropped, and the average rate of industrial growth during the period was 4.8% per year. Manufacturing output decreased noticeably only in Argentina and Chile, but this was primarily for domestic political and economic reasons.

⁷ Overall industrial dynamism is best measured by the simple arithmetic mean of average rates of manufacturing growth in the countries, which comes to 6.1% annually.

the development of manufacturing, which penetrated the entire region as a strategy only after the Second World War.

Around 1950, manufacturing's weight in the Latin America economy was 20% (currently 26%), but only Argentina, Brazil, Chile and Uruguay exceeded this figure, while Mexico was on the edge of it, the other countries being far behind in their industrial development. If the countries are categorized as large, medium-sized and small, the differing average industrial situations of each group emerge clearly. For that period, however, we cannot say that there was a marked correspondence between size of market, degree of industrialization and level of income. Only the small countries, with their modest levels of income and low degrees of industrialization, came close to demonstrating this association. In the case of the large and medium-sized countries the situation was more complicated, and consequently the averages reveal little. Other elements would have to be introduced into the analysis, such as the availability and degree of exploitation of natural resources, while it must also be taken into account that at that stage of industrial development the size of the market was perhaps not an unduly severe limitation, since a large portion of the manufacturing output fell into the categories of non-durable consumer goods, which are sometimes called traditional, and where the requirements in terms of scale, technologies and capital were frequently smaller. In other categories, little progress had been made and, certainly, activities of little complexity were involved.

Subsequently, the influence of the size of the market begins to emerge more clearly, since many countries entered more advanced stages of manufacturing development, with industries requiring broader markets and bigger technological and capital bases. This influence is partially reflected by the fact that the large countries increased their degree of industrialization by 32% from 1950 to 1978, whereas the medium-sized ones did so only by 18%. It was the small countries, however, which made the relatively greatest industrial effort, since they increased their degree of industrialization by 50%, although of course they began with an extremely small manufac-

turing sector and passed through the simplest stages of industrialization. Nevertheless, on the whole they failed to match the industrial indexes which had been recorded by the large countries in 1950, although they slightly surpassed those registered by the medium-sized countries at that time.

As stated earlier, the dynamism with which these changes took place differs greatly among the countries. For example, the large countries tended to increase their industrial weight within the region due to the rapid expansion of Brazil and, to a lesser extent, Mexico, and despite the fact that Argentina, which sharply increased its degree of industrialization, did so within a context of only slow economic growth. The medium-sized countries (especially Chile and Uruguay) lost much ground, although Peru and especially Venezuela were among those whose expansion was relatively rapid. Industry in the small countries more or less maintained its weight in the region, and in Costa Rica, Ecuador, Nicaragua and Panama industry grew faster than the Latin American average.

Notwithstanding the foregoing, the general lines of the differences between the industrial patterns of the large, medium-sized and small countries were broadly maintained. Around 1950, the degree of industrialization of the medium-sized countries as a whole (17%) was 77% of that of the large countries (22%), and that of the small countries was 55% thereof (12%). In 1978, the degree of industrialization of the medium-sized countries (20%) had dropped to 69% of that of the large countries (29%), and that of the small countries had climbed to 62% of the same indicator (18%), thus coming fairly close to the figure for the medium-sized countries.

It might be said that the scanty industrialization of the small countries at the start of the period under consideration made their industrial path easier (in addition to the dynamic effect of the Central American Common Market during the 1960s), since it involved the development of manufacturing output in traditional activities and others of less complexity and smaller requirements with respect to markets, technology and capital. The medium-

sized countries encountered harsher obstacles, since during this period they had to face the challenge of undertaking more advanced industrial activities, the difficulties in developing which were more easily overcome by countries with larger markets.

Finally, it is worth stressing that when the overall industrial position reached by each country individually is considered, the general correlation between level of income and degree of industrialization becomes somewhat blurred. Although the analysis is made in approximate terms, one notes that this is basically due to significant exceptions caused by extremely specific circumstances. For example, consideration of the countries at the highest regional level in terms of per capita product at the end of the past decade (around US\$ 1 500 at 1970 prices) reveals that Argentina required a high degree of industrialization (33%) to attain this, whereas Venezuela needed one of the lowest in Latin America (17%); this, however, is obviously and essentially due to the fact that it is an important petroleum-producing country. At the second-highest level (around US\$ 1 000), Mexico, Chile, Uruguay and Costa Rica needed to record an intermediate degree of industrialization (between 23% and 29%), whereas Panama needed only a fairly low degree (14%) due to its geographical situation and the Canal, which gives it a marked trend towards the services sector. At the lower levels, the most noteworthy atypical cases are Brazil (US\$ 850) and Peru (US\$ 600), in spite of their relatively high degrees of industrialization (30% and 25%, respectively). The explanation for this must be sought in the fact that they are among the countries with the most pronounced internal socio-economic inequities in the region, which implies that much of the population is isolated from development and a great deal of employment is in activities with very low productivity, in contrast to the relatively high productivity of factory-type manufacturing, which operates mainly for the higher social strata.

2. *Structural change*

The value of using the degree of industrialization, defined simply as the weight of manufac-

turing activities in the economy, as an indicator of the industrial situation or trends is extremely limited. Consequently, other considerations of prime importance must enter into any analysis of the Latin American industrial model and the region's heterogeneity in this respect, or into any comparison with the industrial patterns of the mature economies.

One of the most important aspects which helps to define industrial progress is the productive structure, whose modifications as a result of development tend to follow the same pattern throughout the world. The most characteristic and prevalent modification is the decreased weight of industries producing non-durable consumer goods (slow-growing, traditional) and the extraordinary dynamism of the chemical and metal products and machinery industries principally producing intermediate goods, consumer durables and capital goods. This is what took place in the developed economies and also, of course, in the Latin American ones. In the former, the causes generally lie in technological progress and changes in the composition of demand tending towards greater sophistication. In Latin America, the phenomenon has been slightly different, since in addition to the incorporation of technological progress and the behaviour of demand, the policies designed to perfect the manufacturing output structure have also been decisive. One notes a decline in the weight of non-durable consumer goods industries in developed areas when the basic needs of the population have been largely met —needs which, among other goods and services, involve many items from the manufacturing group mentioned above. In Latin America, however, with few exceptions, the situation is different, causing an apparent paradox.

A large portion of the population remains only partially or marginally involved in the consumption of manufactures, in accordance with the long-term trends and structural characteristics of Latin American development, which are that most of the demand for manufactures comes from certain levels of society where basic needs are best met. Thus, the demand for non-durable consumer goods from traditional industries amounts to a sort of vegetative growth, so that it is the most modern

industries which contribute most to industrial dynamism. But this fact is also connected, as already noted, with technological progress, the transformation of the structure of demand, and the policy for the structural improvement of production, all within the framework of the social restrictions mentioned. Thus, the schemes for change in the industrial structure become coherent with the form or style followed by Latin American development. Aníbal Pinto⁸ is referring to this when he notes that in Latin America such structural changes are connected with the concentration of consumption, especially of durable goods, many of which are produced by the rapidly-expanding metal products and machinery industries, and explains that "the more dynamic elements of the productive apparatus are interrelated and depend mainly, and sometimes entirely, on the demand of the (social) groups situated at the peak of the distributive structure", adding that "given the (relatively low) level of average income in the region and the countries, if the present style of development is to work and progress, then income and expenditure must be concentrated in those strata, so as to sustain and increase demand for the favoured goods and services".

It has been pointed out that the structural changes in industry have taken place in Latin America along international lines and those of the developed economies. Between the mid-1950s and the end of the 1970s, the weight of traditional industries dropped from 56% to 34% while that of the metal products and machinery industry climbed from 12% to 26%. Despite this very marked structural change, however, the situation is still far from equal to that of the mature economies where, again towards the end of the past decade, traditional industries represented around 20% or 25% of manufacturing output and metal products and machinery, around 40% or 50%.

The crux of the matter, of course, is that Latin American industry is in transition towards advanced stages; but there is also the fact that the technologically dependent style

followed in the region implies lags in the output of products incorporating the technological innovations of the centres, especially in the intermediate and capital goods branches. This means that the capacity for dynamic growth is limited by imperfections in the chain of production, which of course are particularly reflected in foreign trade, especially in the heavy imports of intermediate and capital goods.

The changes in the manufacturing structure have been noteworthy, however, so that industry today looks very different from that of 30 years ago, progress having been made towards the development of extremely modern lines of production. At the same time, however, the difference in the situations of the countries has increased and is manifested in many aspects which go far beyond the enormous disparities in industrial size. Although in nearly all the countries of the region the structural changes were in the same direction, it was only in the large countries that the metal products and machinery industries acquired much weight (28%) and a major degree of national integration. In the medium-sized countries, this weight is low (17%), and in the small countries, it is practically insignificant (9%), conforming to the general lack of vertical integration in production processes, especially in the technologically most advanced branches. In the large countries, especially Argentina and Brazil, a large capital goods industry developed, and in the three biggest countries (Argentina, Brazil and Mexico) one finds nearly the entire spectrum of basic industries. The medium-sized countries have been able to produce few capital goods and have significant gaps in basic branches, while capital goods are hardly produced at all in the small countries, and basic industries are found only exceptionally.

In these respects, the size of the market has been decisive, as has often been the availability of natural resources, in terms of advantages for basic development; to this we may add the fact that greater economic scale provides the essential amounts of capital and attracts the interest of transnational corporations, which have tended to settle most heavily in the spear-head metal products and machinery industries.

⁸Aníbal Pinto, "Styles of development in Latin America", *CEPAL Review*, first half of 1976.

It may be concluded, accordingly, that the industrial profiles of the various types of countries are only partially shaped by the fact that they are at different stages of industrial development, since they have generated dissimilar models according to the greater or lesser severity of their local restrictions. We know that attempts have been made to overcome these restrictions through integration agreements which, *inter alia* involve more intensive intra-sectoral specialization the smaller the country, but which simultaneously include the idea of advanced industrial development for all the members.

3. *External relations*

For historical and geographical reasons (with the exception of Cuba in the past two decades), ties with the developed Western market economies, which can be defined at the cultural, political, economic, financial, commercial, entrepreneurial, scientific and technological levels, have predominated in Latin America's external links. These long-standing and incontrovertibly strong ties, supported by the political patterns prevailing within the region, have obviously had a decisive influence on the Latin American development style, and consequently on its forms of industrialization.

In analysing this vertical connexion, the concept of interdependence is usually questioned, and Latin America's form of insertion in the West is often defined as a relationship of dependency: a concept which Raúl Prebisch⁹ expands when he characterizes peripheral development as "a process of irradiation from the centres of techniques, consumption patterns and other cultural manifestations, ideas, ideologies and institutions".

In this context, the influence of North America and Western Europe upon most Latin American countries is quite invincible and operates in varying ways with respect to industry, among which are especially salient the imitative forms of consumption, especially on the part of the middle- and high-income strata of Latin American societies; the provision of manufactures, which mainly come from those de-

veloped Western economies; the protectionism of the centres against manufactured exports from the region; the growing presence of transnational corporations in local manufacturing activities; and technological patterns relating to product characteristics and production processes which are also incorporated predominantly from these centres.

There is no doubt that in certain respects these forms of external connexion have been changing, and that sometimes they become indirect with respect to Western centres. This is the case of the increased ties with Japan, for example, when the latter emerged as an industrial power and competitor in the markets of the centres themselves and penetrated those of Latin America on the basis, *inter alia*, of intensive technological development, while its large corporations entered the world of the transnationals and set up branches in developing countries. It must be kept in mind, however, that Japan is located within the system of the developed market economies and that the sources of its advanced technological development reach back to the West. It is also true that intra-regional ties in Latin America have expanded, but 90% of its manufactured imports still come from the developed market economies, while a significant portion of the growing intra-Latin American trade in manufactures is carried out by foreign transnational corporations, to say nothing of their technological intermediation role: a fact which is also often related to technical co-operation among countries of the region or the regional transnationalization of local national and foreign corporations. This intermediary position is, above all, inherent in the semi-industrialized Latin American countries, as it is in some Asian countries which have achieved the same standing. It may be stated therefore that the essential characteristics of Latin America's external ties persist, as do the substantive aspects of their influence on the course of regional industrialization.

At all events, the manners in which the centres exert their influence with respect to consumption, the supply of manufactures, transnational corporations and technological patterns are strongly interrelated and in some way depend upon each other. This is why the

⁹Raúl Prebisch, "Towards a theory of change", in *CEPAL Review*, No. 10, April 1980.

process of Latin American industrialization has been characterized by rapid advances in the horizontal diversification of manufacturing output, especially of consumer goods, and insufficient progress in vertical diversification, a scheme which is usually called disparate industrial growth and which has entailed a rapid increase in the need for imports of intermediate and capital goods with the technology of the centres, in addition to a significant and growing negative balance between exports and imports of manufactures, in most cases not offset by external sales of primary products. Consequently, an asymmetric trade scheme is preserved within a framework of intersectoral specialization. From a broad point of view one notes that this situation is tending to change, but the process is slow and the protectionism of the centres does not help in it. Thus, Latin America remains one of the regions most 'open' to manufactured imports and most 'closed' as regards the corresponding exports. This basic fact persists in the long term, and in general affects all the countries of the region, even the most industrialized, although the larger ones have made more progress in securing greater national integration in many industries and in producing capital goods, and thus import relatively fewer manufactured goods.

If this is the case, and the respective imbalances arise at differing levels depending on the country or at different industrial stages in time, the reason must lie much deeper than a country's simple position within successive transitional situations or its deliberate exercise of specific production policies which lead to this scheme. The underlying explanations must be sought, for example, in the virtually unrestricted technological dependence and in the rapid innovations taking place in the centres, along with the socio-political importance of incorporating them into consumption and production, which is linked with the forms of capitalist accumulation that are transplanted into the region; all of this conforms to the predominance of political positions whose proponents are reluctant to correct the unjust distribution of income, but responsive to the urgent desire of the middle and upper classes to profit from the consumption patterns of advanced societies with high average income levels, a situation

which makes them inclined towards dependency and is hardly favourable to the indigenous and collective efforts which have largely characterized the industrialization of the developed economies. This could explain, *inter alia*, at least in part, the limited success of Latin American scientific and technological policies, which for the past two decades the countries have sought to organize in institutional terms, as well as the weakness or crisis in the integration processes in connexion with which the political, social and economic heterogeneity of the countries, as well as the conflicts and disagreements between some of them and the political idiosyncracies which make them reluctant to cede national sovereignty, must also be considered.

With respect to production, the internalization of technological progress occurs gradually, following a process which often begins with imports of intermediate goods, components and equipment, and may eventually penetrate at various levels, especially in the countries with the largest markets; but sometimes, simultaneously or later, other innovations appear in the same or other branches, so that the basic situation persists, although at higher levels.

The dynamism of production frequently appears to be stimulated more by competition to create demand (publicity, financing) or new or apparently new products than by competition in costs and prices, and transnational corporations with high import coefficients and low export coefficients are often guilty of this, despite some perceptible and often noteworthy progress. In most cases, this dynamism is complemented by a sort of association between the State as the supporter of the development style and the corporations, which in turn become part of an oligopolistic network of national and international groups or corporations involved in other activities, including the financial apparatus. In this way, a system is shaped which helps the firm establishment of what Cardoso and Faletto call "industrial economies in dependent societies"¹⁰ within

¹⁰F.H. Cardoso and Enzo Faletto, *Dependencia y desarrollo en América Latina*, Mexico City, Siglo XXI Editores, 1977.

the framework of political alliances inclined towards dependency.

The notion of the dependent society may be extended to other factors intimately connected with the history of Latin American manufacturing development and which, together with the foreign trade problems, explain why the Latin American industrial debate is being increasingly directed at the consideration of foreign relations and international co-operation, especially 'vertical' co-operation from the centres (financing, technology transfers, codes of conduct for transnational corporations, access to markets, etc.), and less so towards domestic efforts, although it must be acknowledged that the world economy has been moving towards growing interdependency and internationalization.

This can be explained by the fact that some of the principal industrial stimuli have originated abroad, and are among the most outstanding historical landmarks of Latin American industrialization: (a) the first and most noteworthy corresponds, as is repeated in all industrial analyses, to the 1930 crisis which in many countries of the region generated significant industrial stimuli aimed at objectives such as domestic supply, which were later combined with those occasioned by the Second World War; (b) secondly, there was a tendency towards the general spread throughout the region—especially in the 1950s, when unfavourable external conditions had to be faced after the Korean War—of industrialization strategies which, even in the large and some medium-sized countries, legitimized the State's entrepreneurial activities in basic branches, which took place earlier in some but in other was postponed until recent times; (c) next, integrationist movements emerged whose ideological bases included the goal of giving bigger scale and competitiveness to industry in order to proceed to more advanced positions; (d) later, and especially from the 1960s onwards, one notes the growing presence of transnational corporations which, in oligopolistic spheres, assumed the leadership in various manufacturing branches (especially the 'spearhead' branches, which were the most dynamic and had the greatest technolog-

ical content), penetrating the Latin American industrialization style or model without changing its essence; (e) almost simultaneously, after 1963-1964, there was rapid growth of manufactured exports, supported by the previous industrialization process, integration agreements, promotion policies, the general rise in the prices of industrial products in international trade and the world economic boom; (f) finally, there was the impact of the increase in petroleum prices and of the crisis which hit the developed market economies after 1973-1974: an impact which, as stated earlier, was softened by the industrial capacity generated over past decades, aided by the greater facilities in respect of external indebtedness, all of which contributed to the fact that industrial imports continued to grow, and even grew at higher rates, although the respective exports sharply decreased their growth rates.

All of these landmarks, and perhaps others not included in this brief summary, are of real importance and helped to form what is today the industrial sector of the region. Predominant among them are the effects of external circumstances, either direct or indirect; however, it must be kept in mind that the legitimization and intellectual and political maturation of the industrialization strategy made a decisive contribution in this regard. The fact that the region's industrial outlook is currently very different from that of thirty years ago, however, does not mean that the important factors mentioned above have helped to transform the basic tendencies of the Latin American model. Moreover, it must be stressed that the relevant impacts had varying implications, depending on the countries concerned, as regards industrial dynamism, manufacturing structure and other aspects, among which we now wish to highlight foreign trade in manufactured goods.

4. *Foreign trade in manufactures*

The dissimilarity of the countries (natural resources, geographical position, markets, etc.), and consequently of their industrialization models, as well as, sometimes, the various stages they are at, are clearly reflected in the various patterns of foreign trade in manufactures, taking account of the relevant policies.

Thus, the more advanced stage of industrialization of the three large countries, which are usually classed among the semi-industrialized peripheral countries, is reflected in the fact that on the whole they have a larger and growing proportion of manufactures in the value of merchandise exports. Towards the end of the 1970s, this proportion amounted to 33%, while for the medium-sized countries it was barely 8%, or 17% if Venezuela is excluded. Among the small countries, those of the CACM are worthy of note, for their external sales of industrial products taken altogether equalled around 30% of total merchandise exports until around 1970, when reciprocal trade began to weaken as a result of the well-known problems among the countries, the Common Market entered a stage of crisis and the economic dynamism of the group declined. Finally, for the other small countries, the figure in question did not exceed 11%.

But industrial progress is perhaps most clearly reflected in the *structure* of manufactured exports, since differing primary export facilities affect the above-mentioned figures, as in the obvious case of Venezuelan oil. Naturally, the most outstanding is the weight of metal products and machinery, which exceeds 35% for the three large countries together, whereas it came to barely 14% in the medium-sized countries, 11% in the CACM countries (thanks to reciprocal trade), and less than 1% in the other small countries. The figures thus highlight a clear correlation with the relevant industrial structures, which are most advanced in the large countries, although not even the latter attained the manufactured export composition of the mature economies, where the relative weight of metal products and machinery is over 50% or 60% of total external sales of industrial products.

This fact is obvious, since if the metal products and machinery industry does not develop, then products from this branch can hardly be exported, and trade in these products is sharply influenced by the technological progress they incorporate, which is generated fundamentally in the mature economies. But stressing the association between the production structure and the pattern of manufactured exports is not a trivial matter, since the greatest

dynamism in international trade is in the metal products and machinery branch, a fact which helps explain why the large Latin American countries increased their weight in the manufactured exports of the region from 58% in 1965 to 70% in 1977, and to over 90% of all Latin American exports of metal products, machinery, and transport, professional and scientific equipment.

The situation is different in so far as *imports* of manufactures are concerned, since in all of the groups of countries their weight in total merchandise is around 70% or more, in some cases coming close to 80% (medium-sized countries, CACM), which corresponds to the well-known foreign trade imbalance.

With regard to the structure of industrial imports the problem is also different, since in all the groups of countries the metal products and machinery branch is prominently represented (over 40%, and even up to nearly 60%), largely as a result of the need to acquire components and capital goods (and, frequently, more advanced consumer goods), and it is here that the gaps in the production structure are most noticeable.

Since the large countries have achieved a more advanced production structure, however, they import relatively fewer manufactured goods, for although they possess nearly 80% of the industry, they make only a little over 50% of the region's external purchases of industrial goods, and there is a similar figure for imports of metal products and machinery, although they possess nearly 90% of the industry in question. In all the other groups of countries, their proportion of regional imports of manufactures is significantly higher than that of their production, that is to say, these countries are more 'open', primarily because of the different stages they have reached or the differing industrial model rather than their having developed 'open' economic positions, keeping in mind the intensive trade within the Central American Common Market.

The various models and degrees of industrial progress are not only reflected in manufactured exports and imports, as described, but also affect the orientation of exports, although they influence less the source of imports,

wherein those from developed market economies, which consistently total around 90% for the region as a whole, nearly always predominate.

The three largest countries, all of which have more diversified production structures and manufactured exports, have most expanded their markets throughout the world, despite the relative concentration of Argentina on LAFTA, Brazil on LAFTA, the United States and the European Economic Community, and Mexico on LAFTA and especially the United States. At the same time, however, these countries have significant industrial exports to the socialist countries and to Asia, the Middle East and Africa, especially in the case of Argentina and Brazil, since Mexico, being further behind in the metal products and machinery industries, functions less as a technologically intermediate producer and directs its industrial exports principally to the United States and the other countries with developed market economies, often within intra-industrial and intra-company trading setups. The medium-sized countries concentrate these external sales primarily on less complex products and on the markets of the region, and penetrate the markets of the developed market economies through more specialized patterns, entering other markets only exceptionally. Naturally, the Central American Common Market countries concentrate on traditional products and especially on reciprocal trade. The other small countries export few manufactured goods, nearly always simple ones from highly specialized categories on the basis of their natural advantages, especially when aiming them towards extra-regional markets.

Intra-regional trade in manufactures is

significant, but only in so far as exports are concerned, the latter representing 44% thereof around 1965, and later dropping to around 40%. The corresponding imports, however, represent less than 9%. This situation undoubtedly reflects their big demand for technologically more advanced manufactures (manufactured imports from the centres total around 90%, and even more if imports from the socialist countries are included) and the fact that regional industry has not been able to make them available among the countries themselves, leaving aside the question of technological dependence, with respect to which the intermediation of the semi-industrialized countries is not adequate. The regional market has, nevertheless, provided these countries with a basis for moving into other markets, and transnational corporations have played a significant role in this.

Regarding these corporations, it is important to stress that in general terms they show minimal interest in exporting but a great vocation to import, largely on the basis of captive trade between main offices and branches and among branches located in the region, as Luiz Claudio Marinho states clearly in a recent study.¹¹ It has been observed that in many countries the external operations of transnational manufacturers, especially if financial movements are included, account for a considerable portion of the balance-of-payments current account deficits of the countries in question.

¹¹Luiz Claudio Marinho, *Las empresas transnacionales y la modalidad actual de crecimiento económico de América Latina: algunas consideraciones* (E/CEPAL/R. 229, 19 June 1980).

III

Discussion scenarios

1. *On the normative horizon*

(a) *General characteristics of the eventual norm*

After the Second World War, major political and economic projects were developed which supported the international boom that finally ran into crisis in 1973-1974. Industry, and even more so the international trade in manufactures, played a leading and dynamic role in that boom, especially among the developed market economies which, from 1955 to 1973, increased their reciprocal trade in these products from 53% to 63% of the world total.

The industrial growth of the developed economies (North America, Western Europe, the centrally planned European countries, Japan) was characterized by rapid technological innovation in products and production methods and by the manufacture of goods for huge national and international markets in line with the widespread advance of social progress. Within the great overall system of the developed market economies, trade tended to be organized through regulations (GATT) and negotiated integration blocs (EEC, EFTA) in an atmosphere of progressive trade liberalization and export-oriented policies. The socialist or centrally planned economies, which together with Japan had the highest indexes of industrial growth over the past three decades—10.2% and 12.7% per year, respectively, as compared with North America's 3.6% and Western Europe's 5.2% annually—also formed a group (CMEA) and developed a policy that was relatively closed to manufactured imports from outside the bloc. Japan, for its part, became a spectacular exporter of industrial products of growing 'sophistication' and technological content, while simultaneously developing according to a policy that was extremely closed to imports of such products.

The active world trade in manufactures was increasingly influenced by rapid innovations and the need for technological exchanges, as

demonstrated by the fact that trade in products with the highest technological content, such as machinery and transport equipment, has been the most active. Among the developed Western market economies, this trade takes place very symmetrically according to intra-sectoral specialization patterns in which products of similar technological level are exchanged. The openness, although very limited, to manufactured imports shown by the socialist economies and Japan largely corresponds to items where those countries have technological gaps. Furthermore, the manufactured imports of the developing countries contain an increasingly heavy proportion of intermediate and capital goods which incorporate the technology created in the centres.

Within this general situation North America, and the United States in particular, is in a separate sphere; with an income level three times as high as that of Western Europe in 1950 but currently only twice as high, it is the largest single market in the world, the principal creator and provider of technology, and for some time its economic expansion has been sustained less by industrial growth, at least if the latter is measured conventionally, thus approaching what is usually called the post-industrialization stage.

Western Europe has long been a market with a high degree of industrial integration. In 1955, as now, reciprocal manufactured imports represented 80% of the total from every part of the world and around 60% of manufactured exports corresponded to reciprocal trade. We also know that there is constant heightening of the trends towards the strengthening of integration processes and the intensification of scientific and technological research aimed, *inter alia*, at maintaining and enhancing competitive positions.

The centrally planned economies, which have doubled their degree of industrialization and nearly quintupled their per capita product since 1950, did so by forming a political and economic bloc with a socialist pattern and a

significant degree of disconnexion from the rest of the world. Like the Western European economies, they are economies with a technological tradition, and the efforts they have made have been very notable.

Japan, which nearly trebled its degree of industrialization and is close to having septupled its per capita product since 1950, also has traits which set it apart among the developed economies, such as its scarcity of natural resources: a situation which led it to industrialize profoundly and make intensive efforts to adapt or develop adequate technology, until it managed to place itself in a spectacular export situation with manufactures of growing technological complexity. This country does not share the openness to manufactured imports of the other developed market economies, especially in its trade with them, nor their industrial internationalization with respect to the penetration of foreign transnational corporations. Similarly, it is distinguished from such economies by the outstanding role of the State which, although far from being on the socialist scale, followed somewhat similar lines due to the country's need to make deliberate efforts to achieve industrialization.

Naturally, in the developed Western market economies the State continues to play a role in industrial progress. Apart from the manipulation of economic policy instruments often used for very specific industrial objectives, the State's decisive influence on research and development stands out in the figures on public financing of such activities, which in countries like the Federal Republic of Germany, Canada, Spain, the United States, Norway, the Netherlands, Great Britain and Sweden has recently amounted to 40% or 50% or more of total national expenditure in that category.¹² In addition, the large State scientific and technological development projects (such as those on atomic energy, space travel and defence) clearly do much to disseminate technological progress. Furthermore, in the industry of countries such as those of the European

Economic Community one notes the significant presence of the State as an entrepreneur, sometimes in connexion with nationalization action taken almost entirely without doctrinal causes but rather for specific economic and social purposes.¹³

The developed economies have thus achieved industrial positions which with some exceptions have certain constant characteristics, as noted in preceding paragraphs, which differ substantially from the Latin American characteristics mentioned above.

In the oldest industrialized economies, these characteristics include an advanced degree of complementarity in the production of consumer, intermediate and capital goods for large national or international markets, a fact which is reflected notably in the patterns of trade in industrial products. Firstly, there is the high proportion of manufactured exports; secondly, the preponderance of trade in those types of manufactures with the greatest technological content and degree of modernization, particularly in the metal products and machinery branches; and finally, a position of net exporter of manufactures (United States, EEC, Japan) or one near equilibrium (EFTA, centrally planned economies).¹⁴ Of course, all of this is combined with an industrial structure wherein the relative weight of the metal products and machinery industries is increasing, to reach figures ranging from 36% (EFTA) to 49% (centrally planned economies), while the weight of the non-durable consumer goods industries is decreasing to around 20% or 25% of the gross manufacturing product. As already noted, it is obvious that this process corresponds to the modifications in the demand structure whereby, once basic needs are met, the population's demand is directed towards more 'sophisticated' branches in line with the technological

¹³A. Arancibia and W. Peres, "La polémica en torno a las empresas públicas en América Latina", in *Economía de América Latina*, September 1979, semester No. 3 (México City, CIDE). Among other sources, the authors quote Cozzi, S. and Olmeda, G., "La presencia de la empresa pública en los países de la CEE", in *Cuadernos de Economía Política*, No. 8, Rome, January 1973.

¹⁴United Nations, *Yearbook of International Statistics*, 1978, Vol. I, New York, 1979 (ST/ESA/STAT/SER.G/27).

¹²UNESCO, *Science Policy Studies and Documents*, No. 43, Paris, 1978.

progress in all economic activities and that which is incorporated into manufactures, all of which naturally has an effect on the chain of demand for consumer, intermediate and capital goods.

It may be pointed out that among the essential characteristics of the eventual norm is the high degree of self-sufficiency in the supply of manufactures in the large national markets or within economic blocs. Thus, it is to be noted that the developed capitalist economies as a whole do not open their industrial product markets greatly to the rest of the world; it is true that there has been a scarcity of suitable supply from the rest of the world, but it is equally true that there have also been protectionist elements at work¹⁵ which have tended to intensify recently, especially due to the trade imbalances caused by the rise in petroleum prices and the crisis which began in 1973-1974, with the accompanying recession, unemployment and inflation.

The crisis has revealed some structural failings, among which are the loss of competitiveness of some industries, especially light ones, compared with those on the periphery. Apart from the protectionist reaction of the centres (the developed market economies) and some opening of the socialist economies (above all for technological reasons), however, the most substantive revisions have not gone far beyond intellectual spheres, some concern on the part of employers, political discussions, and denunciations by the periphery in international forums, all this despite the serious trends which have already been developing and which may be foreseen for the future with respect to the restructuring of the world economy and the internationalization of capital and production.

(b) Positions in Latin America

As all the analyses show, in essence the Latin American industrial strategy has followed a course from easy to more complex industries, basically oriented toward domestic

markets. The explicit or implicit central idea has been to emulate that which it seemed would eventually become the industrial norm, that is to say, the pattern of the developed economies. It is obvious, however, that Latin American industry is a long way from having the characteristics of the same sector in the mature economies, even if the most highly industrialized countries in the region are taken into account, and an even more important point to make is that the trends do not indicate that the region can come really close to this model, at least in the near future.

These trends are compounded by the fact that, partly because of the persistence of significant economic (such as external imbalance) and social (such as marginality and poverty) problems, as well as dissatisfaction regarding the rates of economic expansion, opinions are forming which deliberately abandon the industrial norm to which in any case, the Latin American industrialization process has not adhered in fundamental respects such as scientific and technological development and availability of large markets. It should also be repeated that industry does not have much autonomy with respect to the general economic and political determinants, so that consequently it cannot be saddled with responsibility for the most serious development problems of the region, especially when one realizes that it represents just over one-fourth of the Latin American economy and that less than one-fifth of the economically active population is employed in manufacturing.

Although to some extent the norm is being revised in the central countries themselves, and radical changes may be expected in the world economic order, the heart of the matter seems to lie rather, in the case of Latin America, in a certain underlying scepticism regarding the viability of implementing advanced industrial patterns, while there are also arguments holding that other industrial paths will give better support to general development or questioning the validity of the norm for the specific case of the region and the heterogeneous countries making it up.

Factors behind this scepticism include the large and in some respects growing gaps separating the region from the developed

¹⁵The background of UNCTAD I and the generalized systems of preferences illustrate this persistent protectionism.

economies, as well as the nature and magnitude of the political efforts and commitments which will be necessary to bring industry closer to this normative model. Thus, it may be said that this immanent scepticism is manifested in matters such as the region's great relative backwardness in scientific and technological development, which is expected to increase in the future and which leads many to sustain the thesis that unbounded dependence is inevitable or that it would be advantageous to acquire all of the technology without needing to use huge resources on research and development—a prospect which would be somewhat like following a mirage in view of the greater importance of establishing dynamic forms of accumulation and/or giving priority to urgent social objectives.

At all events, the discussion of the norm's suitability is somewhat ambiguous, and it is frequently difficult to strip it of the halo of scepticism mentioned above. Two positions may be noted, however, which are fairly well defined when expressed in simplified terms. One is the position taken by those who somehow find in the norm the paradigm of industrialization and are concerned basically about the proper directions to take and the right instruments or mechanisms to use. The other position, with its different variations considered below in connexion with the relevant situations, rejects or indefinitely postpones the norm and attempts to formulate other options and suggest ways of implementing them.

The first position holds the norm to be suitable but recognizes the heterogeneity of the countries in the region and the uselessness of applying the norm to isolated countries; it then takes the European experience and stresses collective efforts in conformity with the ideological bases underlying the Latin American integration agreements (LAFTA, the Andean Group, the Central American Common Market). Its basic arguments revolve around the dynamic capacity of the industrial structure derived from linking the production of consumer goods with that of intermediate and capital goods; the inability of primary exports to support the incorporation of foreign technological progress to benefit the entire society; and,

consequently, the need to participate in the most active currents of international trade on the basis of intensive reciprocal intra-regional trade, serious efforts to achieve complementary scientific and technological development, and a certain degree of selective disconnexion from the rest of the world, at least until more solid industrial positions are reached.

There are many variants based on this position, mainly distinguished by the directions proposed, which as may be gathered from most of the official statements made during the past decade,¹⁶ are usually connected with priority social goals, the variants themselves being the subject of specific policies to which industry would adapt itself.

One of these variants is the industrialization pattern which has predominated up to now in Latin America but which, some say, will soon reach the end of its role as a preparatory phase for more advanced stages. This line of thought puts forward proposals regarding the possibility of deliberately, through specific policies, correcting trends and especially gaps, for example by means of a strategy designed to accelerate the production of intermediate and capital goods, generally in conjunction with policies for the export of industrial products within intra-sectoral specialization schemes and sometimes within the framework of international integration agreements in order to secure markets of the appropriate scale.

Of course, it is not a question of black or white in these matters, since different positions frequently meet in common areas, or the differences between them are subtle and hardly distinguishable, although sometimes these subtleties mask elements of enormous importance. Thus, the variants proposed as part of the currents of opinion which back up the norm tend to merge and become confused with the prevailing trends or the implicit strategies of Latin American industrial policy which define a specific model pattern or dynamism, raising it to a higher level without changing its basic nature.

¹⁶Consideration of 26 general and industrial development plans and programmes from 16 Latin American countries clearly demonstrates this.

2. *On world economic restructuring*

The rejection of the norm, which is often even considered obsolete for Latin America now that inclinations towards a new international economic structure are being shown, together with the dissatisfaction with prevailing trends, are leading to the expression of other positions more and more clearly. Nevertheless, the crucial distinctions are difficult, and as already noted the various political commitments inherent in the different industrial options are frequently not expressed clearly.

Positions inspired by the need to restructure the world economy are many, but they obviously share a common strategy aimed at the export of manufactures, with or without the development of domestic markets. These positions state that restructuring implies the redeployment of industry to benefit the periphery, which would offer advantages such as natural resources and abundance of labour. In this way, the structure of the international division of labour would be transformed, and new forms of accumulation based on the above-mentioned advantages would be reinforced in accordance with trends toward the internationalization of capital and production. Thus, the technological, entrepreneurial and market factors would be contributed essentially by the centres, whose companies would locate in Latin America industrial activities less markedly oriented towards domestic markets and more aimed at the world, and especially the markets of the centres themselves.

One of the arguments in favour of these viewpoints is the technological backwardness of certain central country industries, especially light ones, which must at all costs maintain high salaries to meet social priorities, and have consequently lost their competitiveness against the periphery, as mentioned earlier. This fact had already somewhat affected the international division of labour during the world economic boom, especially benefitting the industries of semi-industrialized countries in Latin America and Asia. In the former, the phenomenon took place essentially on the basis of the already existing industrial nucleus, while in the latter it was related to policies designed to establish industries decisively

oriented towards exports; it was generally, in both cases, directly or indirectly thanks to the activities of transnational corporations.

Naturally, the success of exports to the centres was much more important for the four Asian countries mainly involved: South Korea, Hong Kong, Singapore, and Taiwan. In addition to their strategies directly aimed at exports, their lower wage levels and the activities of the transnationals, it must be noted that these countries had very poor natural resources and were politically in the front line, so that they were protected by the market economy powers. Moreover, the model which emerged in them was essentially assembly industry with a high degree of import and re-export, as on Mexico's northern border with the United States, where the assembly industry has acquired great importance, although the employment it offers does not exceed 10% of the country's manufacturing employment, and the value added in the country is only around one-third of the value of the re-exports.

Aside from Mexico, some activities of this type have been located in other countries of the region (especially in Central America), although on a smaller scale, while in others, such as Panama, they are being planned. It is difficult to view the reproduction of the Asian model on a large scale and in a general manner as viable for the region, however, primarily because many countries have passed the levels of development and industrialization of the four Asian countries mentioned above and entered much more advanced industrial stages, and also because generally Latin America has significant natural riches.

Thus, although the Asian model inspires some strategies, generally of a conservative political stance, the global Latin American option within the framework of world economic restructuring is generally proposed in terms of more profound industrialization, within which sub-contracting (one of the forms of which is the assembly industry) is not the most important ingredient. Many analysts think that the existing Latin American industrial bases could give rise to development based on intra-industrial trade and exports of manufactures with a high degree of national and/or regional or sub-regional integration.

At all events, these positions frequently propose the idea of opening up and activating world trade so that it would give rise to a new form of the international division of labour and promote reciprocal stimuli between the centres and the periphery in order to achieve economic activation and development. Ideas have also been proposed such as those involving industrial redeployment on the basis of the advantages of the periphery, especially those connected with natural resources and the new forms of accumulation offered by the low wage levels, together with the industrial restructuring of the centres to concentrate on spearhead and highly technical industries.¹⁷

These ideas clash with the protectionist position of the centres: a fact reflected not only in the respective policies, but also in the severe limitations formulated in the corresponding legal instruments within the United Nations. Moreover, it is by no means unlikely that the efforts being made to achieve technological

progress will tend to weaken or invalidate some of the advantages of the periphery once investments start to be made by the centre; it is suspected, for example, that the industrial revolution implied in the generalized use of micro-processors could undermine the 'advantages' currently offered by low wages in labour-intensive manufacturing activities.

Nevertheless, Pedro Vuskovic¹⁸ notes that there are very noticeable trends towards industrial redeployment from the developed capitalist economies to the periphery because of the large masses of cheap labour there, under the banner of the internationalization of capital and production and with the consequent denationalization of the developing countries. In contrast to the technological progress which, through productivity increases, would tend to counteract the 'advantages' of low wages and lead to 'defensive' investment,¹⁹ Vuskovic mentions the fact that other advances help support the trend towards redeployment, such as those which facilitate the splitting-up of production processes and the separation of those stages requiring greater labour density or capable of being performed by less-skilled workers, the greater efficiency of transport, and the facilities brought to long-distance administration by improved communications. Vuskovic explains that "because of this, the historical opportunity for autonomous industrial development which would represent progress towards new stages of development of the productive forces and new and more progressive social objectives is not being opened up... (to the underdeveloped areas)".

It would appear that these trends in the capitalist economy and their actual meaning for Latin American industry are in line with the dependent industrial model which predominates in the region and which in some cases is even tending to be accentuated due to influences from abroad which penetrate society, the economy, industry and the markets and are not,

¹⁷In the international sphere, the concept of industrial redeployment has been widely discussed as a result of the Second General Conference of the United Nations Industrial Development Organization (UNIDO), held in Lima in 1975, at which resolutions later ratified by the United Nations General Assembly were adopted.

To begin with, the essence of redeployment lay in the loss of competitiveness by certain industries in the developed countries in the face of the periphery's 'advantages', principally in abundant and cheap labour, the availability of natural resources and energy, or an ecology which could withstand contaminating or 'dirty' industries.

Currently, as can be inferred particularly from the positions of the developing countries, while some of these points are accepted or rejected, the concept of redeployment has been expanded on the basis of a spectrum of broader objectives conforming to the industrial aspirations of the periphery. Such positions appear principally in the resolutions of the Second Latin American Conference on Industrialization (Cali, Colombia, 1979), the proposals of the Group of 77 (Havana, 1979), and the Declaration and Plan of Action of the Third General Conference of UNIDO (New Delhi, 1980).

There has been some industrial redeployment towards the periphery: the installation of industries for domestic supply and assembly industries for re-export, for example. The new idea was to accelerate redeployment, covering activities to meet domestic but especially external demands from the centres or other expanding markets. Ever since these ideas appeared, however, they have stressed concerted redeployment, not necessarily within the framework of general trade liberalization. This reflected the reluctance of the central countries and implicitly took account of the undesirability of unrestricted opening-up in favour of the periphery.

¹⁸Pedro Vuskovic, "América Latina ante nuevos términos de la división internacional del trabajo", in *Economía de América Latina*, March 1979, Semester No. 2, CIDE, Mexico City.

¹⁹Javier Villanueva, *Perspectivas del desarrollo industrial latinoamericano: una completa transformación*, IDB/INTAL, Basic Studies Series No. 3.

as in the mature economies grouped in various combinations, counterbalanced by outward influences. Thus, more intensive internationalization and interdependence would have a predominantly de-nationalizing effect on Latin America, where confidence in indigenous and collective industrial efforts within the region would decline even further, quite apart from the serious ethical dilemma which would be posed by using low wages to support the export of manufactures.

It would seem that outstanding among these influences, which have been extensively analysed in Latin American economic and social literature and briefly recalled in other paragraphs of this document, are the transnational corporations, which have been assuming the most dynamic role in the industry of many countries in the region due to their favoured location in spearhead areas or in others where, because of their characteristics, they take the lead in the activities involved. Such a propensity does exist, since it is a well-known fact that, at least in relative terms, these corporations have been replacing local private corporations, which in many countries barely hang on as the predominant owners in traditional branches or backward industrial strata, while the public enterprises generally maintain their dominant role in the basic areas.

In this way, the ultimate effects of world restructuring would once again be accomplished facts which Latin America would receive passively, and the markets of the centres would be added to the other elements of external influence. Again in the words of Carlos Matus,²⁰ it would once more be a matter of a "dynamic conjuncture" and not of a "constructed policy" based on ideas which took account of the most important objectives of economic and social development.

3. *On the International Development Strategy*

The principal objectives and mechanisms of industrial policy in Latin America have been discussed in connexion with the formulation by the United Nations of the International Development Strategy for the 1980s.

²⁰Carlos Matus, *op. cit.*

In these discussions, the first thing one notices is the nature of the proposals, which are highly industry-oriented, although within patterns which safeguard other goals such as those connected with agriculture, nutrition and other social problems. These positions, which maintain or enhance the leading role of the manufacturing sector, are rooted in the Third World's general aspirations such as the "Lima objectives"²¹ aimed at the achievement by the developing countries of 25% of the world's industrial output by the year 2000 (as against 9.1% in 1978), or Latin America's ambition of attaining by the same year a share of 13.5% of world industry (4.9% in 1978).²² Thus, while significantly faster economic growth objectives than those of past long-term trends are established for 1990 and 2000 and their implications are reviewed, industrialization processes are calculated and considered which provide for even more rapid manufacturing growth rates.

The fact that such aspects are mentioned in various quantitative scenarios is in line with the idea of analysing economic implications in the light of the social goals of development. They are thus illustrative exercises, although they generally correspond to Latin American aspirations, which include not only the acceleration of economic and industrial growth, but also the desire for this growth to take place more evenly throughout the countries and not in such a disparate manner as in past decades.

The implications for industry are fairly serious, since high growth rates require much more extensive development of manufacturing than in the past and make it necessary to meet needs such as those of exporting on a large scale to furnish the capacity required for importing as well as to permit the viable operation of branches that call for large markets. In short, what is involved is structural improvement, above all relating to the efficient production of intermediate and capital goods with higher technological content.

This improvement, of course, involves the need to increase the dynamic capacity

²¹Third General Conference of UNIDO, Lima, Peru, 1975.

²²Latin American Conference on Industrialization, Mexico City, 1974.

stemming from technological relationships between final, intermediate and capital goods production inside and outside industry. It also involves, however, the need to participate in the most active international trade flows and to adapt supply to the requirements of the intra-regional trade in manufactures, whose growth rate must be extremely rapid in view of the discouraging predictions regarding the demand of the central countries, from which around 90% of the manufactures imported by the region currently come and in which products connected with this structural improvement predominate.

At this point it must be kept in mind that we are proceeding from the assumption that after several decades of manufacturing development oriented towards domestic markets, the industrial stage reached by the region would allow many countries to expand the spectrum of their industrialization objectives. Thus, for example, in most countries exports of manufactures are not viewed as an optional strategy but as a complementary element in a more advanced stage of industrialization. In general terms, the orientation of industrial output towards the population's basic needs would likewise not constitute a separate strategy, since Latin American industry would be capable of meeting the demand arising from objectives and policies aimed at the full-scale incorporation of the population into the benefits of development.

It should also be made clear that in the quantitative terms which are usually employed, the emphasis on exports of manufactures does not imply an industrial model excessively directed abroad. In the first place, we must recall that for ten years Latin American exports of manufactures grew at a rate of just over 20% annually (at constant 1970 prices) until the end of the world economic boom in 1973-1974. The coefficient of manufactured exports, or their FOB value in comparison with the gross domestic industrial product, barely reached 8%, or approximately 4% if only the value added by these exports is counted. In other words, the experiment in rapid expansion of manufactured exports has already been carried out with rates comparable to those which

would be required in order to permit rapid rates of economic growth and, although they grew as a share of the product, they do not explain the industrial dynamism of the past. For the 1980s, it may easily be calculated that if industrial expansion were 8.5% per year and exports of manufactures grew 20% annually, by 1990 the increase in industrial output due to these exports would only represent just over 16% of total industrial expansion, and the export coefficient would climb only from 4% to 11%.

Thus, even taking account of the indirect, dynamic impact of external sales of manufactures, the model will continue to be one of predominantly inward-oriented development. Domestic demand based on the general economic dynamism and the removal of socio-economic frontiers, together with structural improvement and its stimulating effects, will be elements of prime importance for industrial expansion. Since it is generally felt that the Latin American development style will continue to involve large imports of manufactures—a scheme which cannot indefinitely be based on external indebtedness in view of the inability of primary exports to finance the necessary import capacity—manufactures will be given an active role in exports, on the basis of the structural and technological improvement of regional industry.

At this point we must ask what difference there would be for Latin America between the industrialization patterns proposed and the positions oriented towards the industrial model of the developed economies, since rapidly expanding exports of manufactures have implications which bring these patterns closer to the norm. Firstly, one must think, at least in the long term, of the most dynamic trade flows, i.e., exports of products such as chemicals and metal products and machinery. Secondly, in the light of the prospects of the centres, there is greater need to stress intra-regional trade, within systems of intra-sectoral complementation and specialization, in line with the restrictions imposed by domestic markets and the heterogeneity of the countries. Apart from their effect on domestic dynamism, which is based on the linkages between the consumer, inter-

mediate and capital goods production processes, these considerations mean that there is an urgent need to orient the structure of regional industrial production towards that of the centres, modifying it only slightly in the light of the local availability of natural resources, environmental and energy precautions or the most pressing social objectives. If this is not done, it would be easy to predict that the gaps which currently separate the region from those economies will tend to broaden, that the internal and external imbalances characteristic of Latin America will get worse, or simply that long-term economic growth will be threatened. Thirdly, we must again stress what we have said regarding the scientific and technological development effort and the creation of comparative advantages in accordance with the dynamic conception of these.

The similarities between the patterns corresponding to the ideas discussed in connexion with the International Strategy and positions oriented toward the norm are again to be noted when the direction followed in successive transitional situations is observed. For example, in both cases an industrial and technological maturation process is involved until industry acquires an advanced capability to compete beyond simple technological intermediation with respect to the domestic and external markets. This is so because international trade in manufactures is increasingly motivated by the requirements of technological exchange: that is, the need for innovations incorporated into industrial products, either consumer, intermediate or capital, quite apart from the influence of comparative advantages in their dynamic form, of course. Otherwise, industry could continue to grow without solving persistent problem such as the uneven development and asymmetry of foreign trade, although these problems could move to higher levels, as in the case of a strong position with regard to exports of traditional manufactured goods with lower technological content and weaker elasticity of demand: a position which could be attained primarily by opening up the enormous markets of the developed economies. The concept of the path to be followed thus implies the idea of raising this level and using pragmatically all possible channels for industrial development

and export, as well as the industrial enrichment of primary products and the opportunities to be provided by redeployment within the context of the New International Economic Order.

At this point the ideas in question not only become akin to the position oriented towards the norm, they also overlap with the position involving international economic restructuring, although they certainly go far beyond it in terms of explicit long-term objectives and the types of international agreements felt to ensure real benefits for the region.

Perhaps the differences with the position oriented towards the norm are due mainly to the fact that the ideas in question are discussed within the context of the new International Development Strategy, which naturally stresses world economic reordering and, consequently, external connexions and international co-operation, especially that originating in the central economies.

According to the ideas being considered, the region's domestic and collective efforts and horizontal co-operation at the Third World level would have to be very substantial and must seek not only to form a suitable industry with respect to the fundamental goals of economic and social development, but also to face the international difficulties resulting from recessive trends in the world economy and the often negative position adopted by developed economies with regard to the problems of the periphery and the ways in which Latin America seeks to gain full entry to the world economy.

Within the framework of such concepts, it would be extremely hard to attain ambitious economic and social objectives without the co-operation of the developed economies. It must be kept in mind that this includes the idea of benefiting from, *inter alia*, the technological progress achieved by the centres; the entrepreneurial capacity which they have generated; international capital and financial aid; forms of accumulation offering advantages to the region; and the large markets of the developed economies. The possibilities for success would increase if all of these elements were combined, and this would require of the central economies a flexible willingness to co-operate within the framework of the New International Economic Order and, with more specific re-

gard to industry, in accordance with the Lima²³ and New Delhi²⁴ Declarations and Plans of Action, and at the regional level, with the statements of the Latin American governments at the Cali meeting.²⁵

All of these instruments are in line with the trend whereby, as the world economy has kept on increasing the degree of internationalization and interdependence among countries and regions (a development in which the periphery, and particularly Latin America, is involved), ideas and requests for co-operation have been proposed in increasingly integrated guise as regards their scope, forms and themes. Nevertheless, the appraisals made do not reveal results commensurate with the complexity of these sets of proposals, as may be seen from a declaration of the Group of 77,²⁶ for example, or as emerges from the analyses made within the framework of the Latin American Economic System (SELA) regarding the lack of political will shown by the industrialized countries in the North-South dialogue, at UNCTAD V, UNIDO III, the Tokyo Round, and the Venice Summit.²⁷ Governments, too, have stressed this, or left it to be inferred, in the regional appraisals of the International Development Strategy made in the 1970s in CEPAL.

It is these factors and the uncertain world economic trends that give rise to the main unknown quantities, one of which is the industrial significance which the new International Development Strategy for the 1980s could have for Latin America. Of course, there are also major uncertainties connected with the domestic policy of the countries in the region and the need to strengthen intra-regional ties.

The topic of intra-regional ties merits special attention, since it is felt that one of the most dynamic and fundamental pillars of development is the rapid growth of reciprocal trade

in manufactures among Latin American countries. Estimates for the year 2000 predict profound changes in the region's foreign trade in industrial products, the most noteworthy aspect being that of manufactured imports, less than 9% of which currently come from intra-regional trade whereas, as noted earlier, 90% come from the developed countries. This state of affairs would have to change sharply until intra-regional trade in manufactures greatly increased, possibly to around 50% of imports or 70% (currently 40%) of exports.

Obviously, these proposals have very serious political, industrial and technological implications. Firstly, it must be borne in mind that this new structure of trade in manufactures would call for a high degree of regional co-operation, and this in turn would require firm and far-reaching socio-political support forces. Secondly, the intensive growth of reciprocal trade would involve significant changes in the industrial structure that would allow supply to be adjusted, especially in branches which are currently backward in their development such as some chemicals, metal products and machinery and others, particularly intermediate and capital goods. The regional scale makes such adjustments possible within the framework of rapid economic growth and also makes it easier to involve all the countries in various levels of specialization according to size of national markets and other factors, avoiding commercial relations of the centre-periphery type which tend to develop between the more- and less-industrialized countries in the region. The most serious problem, however, is connected with technological development and the autonomous efforts required for it, since limitless dependency and the desire rapidly to incorporate the innovations of the centre lead to permanent gaps which are usually filled through imports of manufactures, the production of which is slow to get underway and often does so with a high imported content.

For this reason, in some estimates for the year 2000 the Latin American industrial structure merely approaches that currently prevailing in the mature economies, the metal products and machinery branch being placed rather below the average of the developed countries.

²³Second General Conference of UNIDO, Lima, Peru, 1975.

²⁴Third General Conference of UNIDO, New Delhi, 1980.

²⁵Second Latin American Conference on Industrialization, Cali, Colombia, 1979.

²⁶Havana, December 1979.

²⁷Latin American Regional Co-ordination Meeting prior to the Eleventh Special Session of the United Nations General Assembly, New York, August 1980.

These estimates also take account of the orientation which exists towards basic industries, in view of the availability of natural resources, and the stimulation of the market in numerous consumer goods branches which would be caused by policies designed to bring about the full-scale incorporation of the population into the benefits of development. In any event, the development of the metal products and machinery and other backward branches is essential in order to operate within the more flexible flows of international trade and to achieve a sharp increase in intra-regional trade.

4. *The trend towards openness*

For some time, the strategy of 'openness' has been implemented, is in course of implementation or is under discussion in some Latin American countries against a background of conservative political ideologies and within the framework of orthodox economic policies. Its theoretical foundation is essentially that the free play of market forces in national and international spheres will bring benefits, on the assumption that these forces will lead to optimal resource allocation. At the international level it is assumed that competition will lead to an improved use of comparative advantages and to the promotion of efforts designed to improve production efficiency, technological innovation and competitive capacity. Conversely, it is assumed that selective and restrictive import strategies will inhibit exports, whereas the latter are essential for development, and that in general the expansion of international trade will once again constitute one of the fundamental bases for the revitalization of the world economy.

In its simplest version, 'openness' —defined as the removal of barriers against imports and based on the free play of market forces— has two basic implications: one involves the withdrawal of the State from production, planning and support or promotion activities, while the other implies the limitation of international trade regulations, including those affecting the activities of integration blocs.

Thus, 'openness' means abandoning not only direct, but also indirect protectionist policies like those inherent in national policies or

integration schemes designed to aid fledgling economic activities or to attain other objectives, such as some of a social nature (employment and rural development, for example) or those aimed at ensuring dynamic capacity and competitiveness in the medium term.

Clearly, as stated above, 'openness' in its purest sense involves no strategy regarding the production structure or, consequently, industrial, scientific and technological development, all of which is left to the forces of the national and international markets and to the comparative advantages which in industrially weak countries consist primarily of natural resources and/or low wages. Certainly, there is some connexion between this position and others in terms of the importance they attach to international trade, but the options contained in the conventional norm, world economic restructuring or the International Development Strategy stress trade in manufactures, whereas true 'openness' is not explicit on this point, although it assumes that employers, stimulated by competition, would try to achieve efficiency in order to trade in international markets oriented towards the world, without the red tape involved in association or integration accords or agreements between countries.

Extreme 'openness' might possibly be considered as a special form of the positions connected with world economic restructuring: that is to say, a form from which all types of discriminatory domestic policies (industrialization, generalized export of manufactures, subcontracting and assembly industries in free zones, etc.) or any other agreed schemes apart from that inherent in the liberalization of international trade are absent. It accepts that type of industrial redeployment which may be called spontaneous, but rejects that included in the ideas of the New International Economic Order which, as a means of supporting industrialization in the periphery, has been proposed in negotiated terms by UNIDO and the countries at its General Conferences and by the United Nations General Assembly, a fact which is well demonstrated by the establishment of the UNIDO system of consultations or the reservations of the developed countries which include clauses tending to protect their inter-

ests and security. Concrete political positions which conceive of or accept redeployment simply as a product of the liberalization of international trade are rarely encountered, since declarations on the subject by some developed countries frequently consist of rhetoric designed to placate the demands of the periphery for such items as access to their markets and technical, financial and entrepreneurial assistance in order to carry out the redeployment.

In general terms, the 'openness' in the region also corresponds to political views which give preference to national or foreign private enterprise and the free play of the market forces, even in a situation of oligopolistic structures and concentration of capital. Although the question of openness is topical in most countries of the region, in many of them it is accompanied by explicit, concrete policies for industrialization and the promotion of exports of manufactures along lines which in some cases were successful at a much earlier date.

It is perhaps worth recalling that, in spite of protectionist régimes of weak or average intensity, some middle-sized countries (such as Venezuela, because of petroleum) and many small ones (such as those of the CACM and especially Panama, *inter alia*) have always been very favourable towards manufactured imports, reflecting industrial results which differ from those of the large countries and primarily due to the restrictions of the domestic market, the availability of natural resources or their geographical positions (for example, the presence of the Canal gives Panama a natural tendency towards services), rather than to differing aspirations.

Certainly, Latin American analyses have long maintained that external competition is healthy within the prevailing economic and socio-political context, which is extremely demanding with respect to imports of manufactures (especially intermediate and capital goods and also luxury consumer goods in the least-industrialized countries) and, consequently, with respect to the exports which are needed to ensure the necessary import capacity. This, among other things, was kept in mind when the ideological bases for the integration agreements were established according to

which the expanded markets would provide support (scale, efficiency, specialization, commercial experience, etc.) for the access of their manufactures to international markets in general. To some extent this has happened, most notably with metal products and machinery of high technological context, although it has mainly taken place in the largest countries.

The current trend towards openness in Latin America obviously follows the import-export model, but avoids integrationist positions and is directly oriented towards the world. It is precisely for this reason that in the industrialization debate it is interesting to note that conceptually speaking this trend fits in with what Fernando Fajnzylber calls the "global restructuring project"²⁸ with respect to world capitalism: a project aimed at liberalizing the market, which has been taking intellectual shape in some financial, entrepreneurial, academic and political circles. As far as the developing countries are concerned, these concepts hold that "ideal projects would be those which make world economic expansion functional by facilitating imports, eliminating export subsidies, promoting and creating favourable conditions for foreign investment, weakening the regulatory action of the public sector, freezing wage pressures and questioning regional co-operation schemes". On this matter, in addition to other comments, Fajnzylber states that "given the political and social situation of the developed world, it is hardly likely that the 'global restructuring' project will be fully implemented...", and that with respect to industrial exports, "the Latin American countries must simultaneously face the promotion of exports from developed countries, growing protectionist barriers in the developed countries, pressure to diminish their own protectionism [that of the developing countries], and trends promoting the provision of greater facilities for direct investment in the countries". He adds that it is paradoxical that it should be "in this context that the most forceful criticism is made of Latin American industrial-

²⁸Fernando Fajnzylber, "Sobre la reestructuración del capitalismo y sus repercusiones en la América Latina", in *El Trimestre Económico*, Mexico City, October-December 1979, No. 184.

ization, calling for the elimination of protectionism and the reduction to a minimum of 'interference' associated with public action".

At least for the foreseeable future, then, Latin American 'openness' must be unilateral, because the region forms part of an international economy which has no intention of freeing the market forces, and even if this were done by governments, the growing industrial domination of the great transnational corporations which tend to control trade and manage the market for manufactured products, especially those in which international trade is most vigorous, would still remain.

Within the region itself, the trends towards openness which are expressed in significant realities are few, so that within the Latin American framework as well they are in practice unilateral and, naturally, have not been concerted.

Moreover, the few Latin American experiments are as yet extremely short, and none has reached the purest and most extreme version of 'openness', even that of Chile, which is the most advanced. The only one which goes back any length of time is the Panamanian experiment, but this has very special characteristics since Panama is one of the Latin American countries of most recent industrialization and its manufactured exports are insignificant.

Furthermore, it would seem that openness helps to heighten some of the basic traits of the context of Latin American industrialization and its patterns. Consumption, of course, is imitative and advanced in comparison with average income, and there is a strong tendency to import manufactures within asymmetrical external trade patterns, since the main easy comparative advantages lie in the abundant natural resources, which lead to the export of raw materials and foodstuffs with little or no processing, or at best to the export of semi-manufactured goods, among which most of the so-called 'non-traditional' exports should be classified. To this must be added the structural weakness with respect to inter-industrial relations, technological dependency, transnationalization, external indebtedness, and de-nationalization in general.

One may easily observe that openness has different meanings in countries with differing

industrial characteristics and situations. Aldo Ferrer,²⁹ for example, in analysing the orthodox economic policies implemented in Argentina and Chile, explained how they have had differing effects in those countries on "the process of readjusting the production structure and dismantling industry" and points out that the "dynamic effect of export activities based on comparative static advantages" is also very different. He views economic size and degree of industrial advancement as especially important, and concludes that, given the larger domestic market and much more advanced and integrated industrial position of Argentina, in that country "the dismantling of the industrial base ... is a more difficult undertaking ... than in Chile". He submits that "in a smaller economy, the dismantling of industry ... may be compensated by the expansion of exports based on ... natural resources", but that "in an economy the size of that of Argentina, this is practically impossible", so that "in the Argentinian case, the orthodox strategy inevitably implies a drop in the growth potential of the economic system". One must ask, however, if in smaller economies the compensation referred to can last over the long term.

5. *Inward-oriented strategies*

So far we have commented on four schemes or scenarios which in one way or another involve relatively different industrial strategies: the position oriented towards the model of the advanced countries, world economic restructuring, ideas in line with the new International Development Strategy, and the trend towards openness. As we have noted, however, these schemes overlap, so that it is often not easy to distinguish them clearly, with the sole exception, perhaps, of the trend towards indiscriminate openness. It is also often difficult properly to assess the differences in industrial projections implied in these schemes, especially when they are considered according to the concept of the path to be followed towards more advanced positions.

²⁹Aldo Ferrer, "El monetarismo en la Argentina y Chile", in *Ambito Financiero*, Buenos Aires, 22 August 1980.

Nevertheless, and although the distinction between the four schemes is somewhat ambiguous, the discussion is useful and revealing with regard to some of the most important industrial implications, as explained earlier. Thus, the position oriented towards the conventional norm is extremely clear in its formulations, since the path it prescribes is based on the industrial model and the economic and integrationist machinery of the developed economies and it assigns an important role to complementary technological development, which is not the case with the scheme corresponding to world economic restructuring and much less so with that aimed at openness. Only the new International Development Strategy takes a position which is more favourable towards the norm, from which it draws extremely important elements, while however greatly stressing extensive external connexions and integral international co-operation with emphasis on the responsibilities of the developed market economies and on intra-regional links.

It should be stressed that one of the common points or areas where these schemes, and their respective industrial projections, coincide is that of the importance attached to external relations, although they often differ fundamentally with regard to the accent or direction thereof. It is here that some of the most obvious differences with the inward-oriented strategies of the region and the countries may be seen. In these strategies, priority is given to industrialization linked with the primary sectors, especially agriculture; to solving social problems and providing employment; and to meeting the population's basic needs according to partially indigenous technological patterns with consumption schemes suited to the level of development and frequently in line with deliberate distribution policies. Consequently, it is in connexion with these objectives that the inward-oriented strategies propose the need to build an industrial model wherein final, intermediate and capital goods production are properly included. These strategies also specify an important role for the State, often even assigning it entrepreneurial production activities.

In general, these strategies are based on the different role which industry must play with respect to development in the Third World in comparison with the developed economies. Thus, industry is often seen as a stimulus for agriculture and other primary sectors, perhaps as a first step towards more advanced stages in the future. In accordance with this concept, traditional means of measuring the degree of industrialization of developing countries are usually considered to be useless; rather, it should be evaluated by the degree to which natural resources are processed in industry.

Moreover, the various versions do not necessarily propose delinking from the exterior, since they are often proposed in connexion with *ad hoc* means of international integration; however, they are somewhat selective with respect to external connexions, with the aim of safeguarding important objectives such as those involving technological patterns, employment and consumption, or with regard to goals like decreasing the influence of the centres, which has largely characterized the industrialization of the periphery, and specifically of Latin America.

Thus, these currents of thought are less concerned, for example, with disparate industrial growth or asymmetrical trade than with the domestic dynamism and social problems which go beyond simple employment.

One of the most refined expressions of these positions is the 'endogenous' industrialization strategy proposed by UNIDO for the Third World,³⁰ "which would anticipate the population's needs in general and seek to tailor the industrial production structure to produce goods to fulfil these needs... By definition, the dynamics of growth would come from within the country, calling for a much greater emphasis on self-help or self-reliance. In carrying out this strategy, income would also be generated directly in the hands of the rural and urban poor to help them to satisfy their minimum needs for food, clothing, shelter, medical care, education and transportation. Projects would stress a low

³⁰UNIDO, *Industry 2000 - New Perspectives*, United Nations, New York, 1979, pp. 77-79.

capital-labour ratio, use less energy and encourage greater use of local skills, entrepreneurial resources, materials, capital goods and technology ... The strategy would involve an expanded role for small and medium industry... [and] a symbiotic interaction between farms and industrial enterprises at the rural level leading to greater equality in the rural-urban terms of trade... [It] would call for a positive economic role for the government, particularly through the creation of enterprises producing not only industrial, but also public goods... The endogenous industrialization strategy is not to be equated with a closed door policy or autarky. The exchange of goods and services internationally is assumed to constitute an important element in the process of development... although care would be given to fitting the flows of finance, technology, and imported materials and components to the productive structure deemed most suited for furthering the social objectives of the developing countries. Within this strategy based on human needs, stress is placed on the role of industrial development in alleviating the conditions of poverty”.

Clearly the most definitely or explicitly inward-oriented strategies are not only different from those found in the previous scenarios with respect to external relations, industry's connexion with the primary sectors or social priorities: they also include easily visualized and distinctive policies. They differ least, perhaps, from the position oriented towards the norm, which is most exacting with regard to indigenous and collective efforts, thus implying a certain selective 'delinking' and the limiting of non-essential consumption needs within the framework of fairer distribution policies. They are also fairly close to the position based on the ideas being discussed regarding the new International Development Strategy. But they are very far removed from

the position which depends upon the industrial possibilities involved in the trends towards world economic restructuring, and even more so from the trend to economic openness as described earlier. Inward-oriented strategies are at one political extreme, and at the other is openness, defined by the free play of market forces.

It is curious to note that a number of representatives of developed countries have expressed enthusiasm for inward-oriented strategies. This may perhaps be explained by a certain desire to alleviate the constant pressures from the periphery for co-operation. Enthusiasm is also being expressed for indigenous and collective efforts involving integrationist ideas, perhaps for the same reason. Such enthusiasm, however, is inconsistent with the political stances of the developed market economies and their frequent recommendations regarding economic openness, which in turn are not consistent with their own increasingly protectionist strategies.

At the same time, however, inward-oriented strategies frequently also take account of the advantages of full incorporation into the world economy and the benefits to be provided by international economic restructuring, either that which is tending to be implemented or that which the countries are trying to negotiate to further the development and industrialization of the Third World. They thus draw upon elements contained in other schemes, as is very apparent in the case of UNIDO's endogenous strategy, which fits in quite explicitly with the ideas forming the New International Economic Order, and which proposes concerted industrial redeployment. In other cases, industrial redeployment is viewed only as a result of the attempt by transnational corporations to reap greater profits in an atmosphere of liberalized international trade.