

# CEPAL

## Review

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ADOLFO GURRIERI

*Deputy Secretary*

GREGORIO WEINBERG



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## The transnational corporations in a new planning process

*Arturo Núñez del Prado\**

During the last few years, events of the greatest importance have taken place which have significantly altered the world picture, and of course the Latin American one too. The author therefore considers it an appropriate time to reflect on some aspects of the prevailing form of development, and especially the role played by the transnational corporations in this context.

The way in which these phenomena are interpreted, the defence mechanisms employed by the countries, the strategies formulated in this respect and the plan of action adopted will have consequences of tremendous significance for the future of the region. The author draws attention to the role of planning in carrying out these demanding tasks, above all if it is desired to try to cope with the prevailing conditions not just on an emergency basis but also from a longer-term prospective. Planning is the most suitable instrument for conducting economic and social activity in general and regulating the market in particular, and the imperfections from which the latter suffers demand not only active State participation but also new forms of co-ordination and participation for the agents of the economic and social system, breaking away from the usual limitation to the traditional distributive struggle.

In the last section of the article, the author outlines a possible change in the basic methodology of planning with a view to reappraising and selecting the participation of transnational corporations in the development of Latin America: he sustains that planning at the enterprise level, in the case of a mixed economy, would give rise to a fresh conception of the planning process particularly appropriate for the present time and would help to strengthen the region's bargaining power.

\*Chief, CEPAL/CTC Joint Unit on Transnational Corporations.

## I

### Governments face to face with the new Latin American situation: Passivity or action?\*

Once again the region is being shaken by external forces which are aggravating the already difficult internal situations of the countries. While it is true that Latin American development has been characterized by continual adaptation to conditioning factors which have been changing with the course of time and by the constant modification of the domestic apparatus to suit such changes, the current phenomenon seems to go deeper and is certainly more complex. Anyone who thinks about the future can see that the 1980s could witness the consolidation within the framework of modern capitalism of forms or styles of growth and development different from those of the recent past.<sup>1</sup> Judging by the factors which gave rise to it, the process initiated in recent years enables us to gauge the depth and extension of this phenomenon. The features of the crisis which the world is experiencing mean that the very roots of the economic systems are feeling the impact of this and will have to embark on a transformation in the strict sense of the word rather than a mere readaptation to the new circumstances.

This is a crucial time which calls for the closest analysis of what is happening and the course which is being followed: a time which makes it essential to appraise the scenarios that would be formed in line with the tendencies

\*This article forms part of a broader scheme and is complemented by the article by Luiz Claudio Marinho, "The transnational corporations and Latin America's present form of economic growth" which appears also in this issue of *CEPAL Review*. The author wishes to express thanks for the valuable comments and suggestions of Alfredo E. Calcagno, Adolfo Gurrieri, Pedro Sáinz, Claudio Marinho and his colleagues in the Joint Unit but stresses of course that they are in no way responsible for the views expressed in this article. He also wishes to express his grateful recognition of the work of the late Oscar Varsavsky, since several of the ideas expressed here have their origin in his generous teachings.

<sup>1</sup>The concept of form or style of development used in this article is in line with the approach described by Aníbal Pinto in "Styles of development in Latin America", *CEPAL Review*, No. 1, first half of 1976.

which appear to be taking shape. Failure to take such action could lead to much more pressing situations.

If we examine the main elements affecting the Latin American economies it is easy to see that a form of evolution has been initiated which is quite different from that which characterized most of the preceding decade. Although a great deal has already been written on this matter, it does not seem superfluous to stress that the more general crisis of the world economic system is undoubtedly one of the factors which is most influencing the readjustment and restructuring of the economic systems of the region. The central countries themselves are suffering from disturbances in the functioning of their economies, and although they obviously possess greater defence mechanisms than the countries of the region for facing this crisis, in one way or another they are being seriously perturbed by it and are surviving the new situation only with difficulty. Both on the side of the real supply and demand of goods and that of financial flows, changes are to be observed at this moment which not only affect the context and frames of reference but also alter the very substance of the functioning of capitalism in the economic systems where it has become established. Hence, it is clear that the world scene is in a process of transformation and a qualitatively and quantitatively different situation is taking shape which has direct and more serious implications for the Latin American economies.

A decisive influence in the eruption of the crisis, but not in its creation, has been the upheaval in the energy sector and the multiplication of oil prices almost by twenty. The origin of this phenomenon must of course be sought not only in the problem of the oil and gas reserves and the political and economic agreements of producers, but also in the behaviour of the production units which are at the head of the industrialized economic systems. The energy problem is today one of the severest conditioning factors for the economic, social and political processes of the future. The saying that in the past the process of industrialization was carried out on the basis of oil at a couple of dollars a barrel is a dramatic truth which, in the light of present circumstances, reflects the pro-

found nature of the change which is taking shape. The multiplication of oil prices by twenty is inevitably bound to cause far-reaching changes in the very essence of the processes of accumulation, production and consumption, and especially in the generation of technology.

The majority of the countries of the region are suffering not only from the consequences of the original earthquake, but also the after-effects caused by the action of the centres, who, in their urgent efforts to defend themselves as best they can from the results of this situation, are passing on its consequences to the countries with the weakest defence mechanisms. The most visible forms of this particular transfer of negative effects are prices, and above all the 'manipulation' of the domestic markets for consumer goods, inputs and capital goods and the terms and destination of finance, associations with domestic private enterprises, etc. By way of example, it should be borne in mind that for the developing countries as a whole the 'manufactures bill' was higher than the oil bill in the period 1970-1978.<sup>2</sup>

Moreover, within the economies of the region the contradictions inherent in the prevailing forms of development were getting worse. The terms 'vulnerable', 'exclusive' and 'concentrative' applied to Latin American development are clearly reflected in a number of indicators and analyses which it is not necessary to refer to at greater length at this point, although in order to back up the propositions which will be put forth below it seems desirable to outline their most obvious symptoms.

Despite the significant growth achieved by the region until recently in various activities under the prevailing form of development, a serious appraisal of the volume, content and distribution of this growth leads to conclusions that call for reflection. On the one hand, if we look at the growth rate of the per capita product, we may see that between 1970 and 1979 it grew by a little over 30%, that is to say, in almost a decade the per capita income has risen from 650 to 860 dollars at 1970 prices.<sup>3</sup>

<sup>2</sup>See CEPAL, *Latin American development in the 1980s* (E/CEPAL/G. 1150), p. 69.

<sup>3</sup>CEPAL estimates prepared by the Latin American Economic Projection Centre.

Certainly, this is a rate of expansion with which we cannot be over-satisfied. But if in addition we consider the main beneficiaries of economic progress, we see from various studies and many other indications that generally speaking it was the richest sectors which gained. Consequently, the spread of growth does not seem to have reached in an equal manner to the lower strata of the region's population. Various estimates of the number of persons who may be classified as extremely poor (30% to 40% of the population) confirm this judgment. The prevailing form of development has not been capable of solving this problem: indeed, it is precisely the most privileged section of the income distribution pyramid which appears to have enjoyed the benefits. This contrast alone is sufficient to lay this form of development open to question and suggest that another orientation of the economic activity of the region should be proposed.

If, in addition, we consider that the form of development which has been characteristic of the region has demanded growing external indebtedness, then the objections to this form become even more obvious. Thus, between 1970 and 1979 Latin America's external debt more than doubled in constant terms.<sup>4</sup> It is clear that this type of development, in the present energy context, involves large and increasing injections of external finance for most of the non-oil-exporting developing countries, forming a kind of self-perpetuating spiral.

Although the information on the stock of capital continues to be very scanty, there are some indications that the product/capital ratio has gone down significantly.<sup>5</sup> The available data show that the gross investment coefficient has risen from a little over 21% in 1970 to almost 27% in 1976.<sup>6</sup> In other words, within the form of development under consideration growth seems to be becoming more expensive at an unusually high rate, which means that a

larger number of units of capital are needed to generate a single unit of product.<sup>7</sup> If the consumption structures of the various social groups are considered and that of the upper strata is compared with those of the rest of the population (to say nothing of that characteristic of the sector sunk in absolute poverty), the questioning of and opposition to the prevailing forms of development are seen to be perfectly legitimate.<sup>8</sup>

When it is borne in mind that a considerable part of society does not have access even to the items most essential for their subsistence, can there be any justification for a situation where the useful life of a product is artificially reduced by the appearance of new models which frequently have no real novelty but their design? Is it reasonable that in the case of certain articles the container and packing are worth more than the contents? Can there be any justification, in view of the reigning inequality, for a situation where the compulsive acquisition of non-essential goods becomes a growth factor for a by no means insignificant part of the economic system? We could go on asking such questions, but the real point is that the contradictions which they reflect assume even more disquieting dimensions when projected into the medium and long term. What level of imports will be needed to sustain this form of development? How big will the external debt be, and what proportion of exports will be needed to cover its servicing? What export effort must be made to cover this type of gap?

Whether in terms of diagnosis or as a function of prospective analyses, the external and internal conditioning factors have promoted the initiation of a process of adjustment in the functioning of the economies of the region. The fundamental issue to be examined is where the active trends and the forces of inertia are leading, what courses are being approved, and who

<sup>4</sup>*Ibid.*

<sup>5</sup>See CEPAL, *Long-term trends and prospects of Latin American development* (E/CEPAL/1076), April 1979, table 5.

<sup>6</sup>It should be noted that this indicator only provides an order of magnitude as regards the ratio of the two variables. The difficulties in counting up and valuing the various capital goods and in estimating their depreciation are limitations which must be borne in mind.

<sup>7</sup>It might be held that the lag between investment and production is a point to be held against this appraisal, but only extremely high rates of growth of the product in the coming years could partially invalidate this statement, and even so there would still be valid grounds for discussion regarding the type of product generated.

<sup>8</sup>See Raúl Prebisch, "Socio-economic structure and crisis of peripheral capitalism", *CEPAL Review*, No. 6, second half of 1978.

is deciding the directions which will characterize Latin American development in the future.

There can be no doubt that the set of problems facing the region, including the oil-exporting countries, calls for mature reflection on possible strategies to tackle the future in such a way as to get round the obstacles which cannot be surmounted or circumvent them as painlessly as possible. The adoption of this type of strategy makes it essential to select different forms of development.

Up to a few years ago, the discussion on alternative forms or styles of development gave rise to interpretations with a high ideological content. In reality, while the topic succeeded in arousing the interest of academic centres and research institutes it was not the subject of examination and debate within governmental organizations, or at least not with the aim of correcting the tendencies which economic and social activity seemed to be following.

The new conditions through which the world economy is passing and the internal problems faced by the governments of the region give reason to foresee even greater difficulties with which the economies of Latin America will have to struggle. In view of the magnitude of the problems hanging over the developing world, this seems not only a favourable opportunity but also a time of urgent necessity for reflection and appraisal of the various available options. Whether we like it or

not, the very weight of the prevailing problems has opened the door to a debate on forms or styles of development which had up to now been pushed to one side because it was attributed to radical political motives or excessively theoretical concerns.

If this is not done, then the relocation of the region in the world context and the functioning of the Latin American economies will be adapted to the interests of the countries of the developed world and their strongest economic units, which are facing the crisis from a position of obvious advantage rather than to the needs of the Latin American masses and the governments which are genuinely concerned for them. There is no reason to assume that in a more dramatic situation these two kinds of interests will converge, unless the governments of the region take the initiative, clearly face up to this crucial moment, assume the leadership in this situation and present a solid negotiating position.

In this connexion, it should be noted that the successive stages of generation, ripening and maturity of the crisis, together with the reactions of the developed world and the attempts of the developing countries to find an answer to this, are by no means foreign to the activities of the transnational corporations.

In the following chapter, some considerations regarding alternative forms of development will be outlined.

## II

### The transnational corporations and the change in the form of development

Although each country of the region has been affected by particular combinations of internal and external factors, the direct presence or indirect influence of transnational corporations must form one of the central aspects of any analysis of Latin American development.

Just as the weight of this type of economic unit has been a determining factor in shaping the previous form of development, it also appears as one of the principal factors in the trans-

formation which has now been begun. The transnational nature of their activities gives them enormous advantages not only for relocating themselves in a substantially different framework, but also for taking initiatives which signify positions of real privilege for them. It may be said that they are facing the forthcoming changes on the basis of a more global and longer-term view than that which is to be observed among most of the governments of the

region, which are mostly struggling with serious conjunctural problems which limit their horizons.

If we take into account their economic and political power at both the external and internal levels, the information at their disposal, and the fact that their pursuit of a single objective means that they are hampered by fewer restrictions, the transnational corporations are seen to have clear advantages compared with most of the governments with which they are negotiating. As already noted, governments have to reconcile political, social, economic and technical rationales in their activities and must also grapple with contradictions, all of which goes to make up a situation full of severe restrictions. Thus, it is difficult for governments to reconcile the objectives of economic growth stability, social justice and independence of decision (especially if political pluralism is added to all this) with conjunctural and short-term perspectives.

In this context, the initiative does not exactly lie with the public sectors, and this different situation means that the transnational corporations are able to face the transition through action which reflect policies based on a broad and long-term view of their activities. The position of the governments is very different, as they must respond to the transition mainly through resort to defensive and tardy reactions to the appearance of foreseeable phenomena. They have to administer rather than conduct economic and social activity, and on occasions they are obliged to give full liberty of action and facilities to foreign capital, thus forming an alliance between the public sector, national enterprises and foreign capital which reproduces precisely those styles of development which are being questioned.<sup>9</sup>

It is against the background of this situation of imbalance, due mainly to the failure to take advantage of the effective bargaining power available to the governments, that this kind of readjustment of the components of the economic systems is taking place during the present period of crisis and the transition which lies before us. In effect, a change is beginning

to take place in the forms of development, and in this change significant weight is being exerted by the decisions and behaviour of the transnational corporations and their allies in the countries, while the action of governments is limited, as already noted, to unsystematic reactions rather than a deliberate policy fitting within a strategy in keeping with the importance of the phenomenon through which the region is living.

The transnational corporations have clearly seen that in view of the new general economic context the previous form of development no longer provides the same conditions of dynamism as in the past. Generally speaking, and leaving aside part of fiscal expenditure, the nucleus or motor driving the growth of their activities was the purchasing power of the top strata of the income distribution pyramid, particularly in the countries with the highest degree of industrialization.

In the face of this phenomenon, certain features of the behaviour of the transnational corporations indicate that their basic strategy also pursues the objective of expanding the market for their products by reaching consumers of lower purchasing power. This appraisal becomes particularly evident if we observe the structure of consumption, for if we analyse some of the characteristics of the market for final goods we see that it now displays some features which make it different from the situation prevailing until a few years ago.

Although such characteristics as the extravagant variety of products made available to the population with the highest purchasing power continue to predominate, and the wild round of renewal of fashions and models persists, both backed up by truly overwhelming publicity campaigns,<sup>10</sup> we may note a greater effort to reach also the markets immediately below that represented by the richest 20% of the population.

The relative cheapening of a number of types of consumer goods such as transistor radios, stereo equipment, digital watches, television sets, electronic calculators, etc., together with the massive introduction of disposable articles, are clear examples of a tendency towards

<sup>9</sup>Peter Evans, *A triplíce aliança*, Rio de Janeiro, Zahar Editores, 1980.

<sup>10</sup>See Carlos Filgueira, *Consumo y estilos de desarrollo*, CEPAL, March 1979 (CEPAL/DS/VP/190).

the mass marketing of certain products which will give the entrepreneurs involved another level of dynamism for their activities and a different context for securing their objectives. Various factors would appear to be of influence in this different treatment of markets between the elite, the middle groups and even the low-income groups, which is shaping a different background and changing the forms of development of the countries.

Of course the growing number and greater variety of countries of origin of the transnational enterprises which are entering the region or selling their products in it has led to some degree of competition, which in its turn has had some influence in the price reductions referred to. Obviously, the effects of scale and in general the fulfilment of what is known as the product cycle have as their results lower costs and generally also lower real prices, while it is also necessary to take into account the practice of presenting as 'new' in developing countries products which are already past their first youth in the developed countries.

At all events, however, the foregoing do not seem to be the only causes of this type of expansion and change in the destination markets. Cost-benefit evaluations by the entrepreneurs, or the production of really new articles or the lowering of the prices of old ones through efforts which go beyond increases of scale and are designed to win broader markets, could constitute another factor to be considered.

With the passage of time, the richer stratas have undoubtedly become more demanding. Today it is more difficult than before to introduce into everyday consumption products which do not really represent an authentic novelty and whose consumption does not provide any significant new satisfaction. The almost irresistible urge observed some time ago to acquire appliances which originally worked manually or mechanically but then progressed to automatic, electrical or electronic operation is no longer to be observed with the same vigour, except in the case of goods which, as already noted, constitute real technological progress and provide real new satisfaction. The renewal of models—particularly in clothing, where this may even run counter to the laws of functionality—is an expedient which is used with dis-

quieting persistence and aggressivity, with the aim of creating artificial 'obsolescence'.

The ever-expanding publicity campaigns where use is made of insinuations or even demonstrations which go beyond the bounds of the ethical, warping the authentic behaviour of consumers, form another element which shows how far these firms are having to go to secure the expansion of their markets and thus guarantee other sources of dynamism to increase their sales and profits. The policy of consumer credit, which has reached an excessive level in some countries, is another complementary mechanism in market management. At the same time, however, in proportion as technology advanced and an extraordinary range of products was placed at the disposal of consumers, part of the richest sector became rather reluctant to continue with their buying mania, although not because of considerations of purchasing power. In the final analysis, the capacity for enjoyment also has a limit, in the form of the time available for enjoying the products acquired. Although the time devoted to cultural development has given way to another type of entertainment, such as the consumption of different types of services, these also take up time and make it necessary to exercise a choice, thus generating forms of behaviour which reflect a refusal to accept 'sophistications' which represent only apparent or insignificant degrees of progress.

The magnitude of the technological effort made and the amount of financial resources invested gain easier rewards, in terms of profits, when, as already noted, real innovations are made. The cheapening of older products seems to have been considered as a complementary alternative resulting from a deliberate policy on the part of the producers and generators of technology, quite separate from decisions of governments.

The question now arises in the countries of the region: who is taking these decisions to modify the structure of consumption? What direct role is being played by the public sector in shaping this new situation? In most cases it can be said that government bodies have not had any direct intervention in the adoption of decisions in this sphere, and their action has been limited to influencing the course of these

events through their handling of the short-term situation, mostly with a short-term perspective. A decision which involves the incorporation of the intermediate and even the lower strata into the consumption of products which are not always essential is of very great importance, especially when it is borne in mind that this type of decision has fundamental implications for the industrialization processes of the countries, with their role sequel of direct and indirect, positive and negative, controllable and uncontrollable effects. Of course any expansion of the consumer base, especially if it originates in the reduction of prices, leads to a reaction which is in principle positive, but it remains to be seen first what type of products are going to reach the broad masses of the population, and what is the *quid pro quo* for these market expansions. How will they affect the population which receives them, and what part of the available resources will be absorbed by this new increasing growth? What does this form of growth mean in terms of attention to the needs of the

extremely poor section of the population? What is the new industrial structure which will be built up through this form? What effects will it have on employment and income distribution? How much more or less dependent on external financing is this new type of economy likely to be?

Obviously, it is not possible to answer these questions without first of all clarifying the phenomenon and seeing where these trends lead in the framework of the economic and social activity of each particular country. The above is intended only to draw attention to a change which already seems to have started and which may become uncontrollable, as happened with elite consumption. This is all the more true when one considers that the objectives pursued by a private economic unit, particularly if it is transnational, do not always coincide with the needs of the countries and especially of the broad masses in them: indeed, they frequently diverge from these needs or even contradict them completely.

### III

#### The basic options

In the face of the situation described, one option is obviously to use the market as the means of solving the fundamental problems of the functioning of economic and social activity. This is an option which, in its own way and with the consequences already suffered by the region, has helped to reproduce the type of concentrative, exclusive and vulnerable growth already referred to.

There is no doubt that the imperfect mechanism of the market is indeed a form of settling the incompatibilities, maladjustments and imbalances typical of the Latin American economies, but unfortunately it does so with results and final balances which are far from being satisfactory in the light of any appraisal which includes economic and social criteria seen from the general viewpoint of the community. In practice, the imbalance between the insufficient capacity to absorb labour displayed by the economic system and the relatively

abundant supply of such labour results in disquieting levels of unemployment. The maladjustments between the supply and demand of goods are corrected by the market through price rises. The disparity between the financing needs of a type of development which is increasingly expensive in terms of investments and intermediate goods and the capacity for generating exportable surpluses is reflected in growing deficits and external indebtedness, and this generally leads to the adoption of extreme and urgent measures to export, even at the cost of adversely affecting domestic consumption.

The different weights of the agents involved, whether they be consumers or economic units, mean that the unrestricted play of the market mechanism suffers from such a degree of imperfection that its advantages turn out to be only apparent and its results are frequently negative. There is no need to enlarge on the list of its disadvantages; since this is not a new

matter, it is enough to ask ourselves whether, in the present crisis, it will permit the solution of the gravest problems and the assignment of proper attention to social problems, when it did not do so in less severe and less complex situations.

It hardly seems necessary to say that the long-term view, which is so neglected by those who participate in the taking of decisions, once again shows itself to be essential, and this time in a more urgent manner than before. It is worth noting that short-term views, and even medium-term ones, are not capable of assimilating the real significance of the change which looms ahead of us. In practical terms, what is involved is the construction of different economic systems and different societies, and a limited time horizon does not permit us, in the present context, to gain a clear idea of the possible final situations that will result. Moreover, the appraisal criteria characteristic of the short term are not only insufficient but may even be misleading. How can we evaluate decisions which may have great importance in the future in the light of short-term and even transitory parameters? Can the play of the markedly imperfect market forces ensure at one and the same time a growing and better distributed income, greater sobriety in consumption, and the allocation of resources to items which the community really needs in terms of essential goods and services? What long-term view does this type of market have, unless it is simply that of profitability? At a time when the allocation of resources should be carefully examined in order to ensure that priority is given to the most pressing needs, is it reasonable that publicity and propaganda should be the factors generating needs, instead of the needs generating production?

Every time that crises and upheavals which affect the countries of the region in a profound and extensive manner loom over us, planning is rehabilitated as a form of government management of the economic systems. It should not be assumed from this, however, that in this other option the problems can be solved without difficulty. As long as needs are greater than availabilities, that is to say, as long as the problem of shortages continues to prevail, the difficulties will continue. The basic question to be considered is therefore what type of needs,

and whose needs, deserve priority attention, and this brings us to reflect on alternative forms which make the sacrifices and opportunities more equitable and provide greater possibilities of growth. The problem of running economic activity is not a trivial matter and lies at the very heart both of the form of development and of the long-term options.

Whether we like it or not, the forms of development which prevailed until recently will have to undergo changes. The line these will follow is relatively foreseeable if the fundamental problems are left to the unrestricted play of market forces, whereas the planning alternative, in contrast, involves the assumption of broad responsibilities: identifying the most important outlines of the type of society which it is desired to attain, establishing the primary characteristics of the form of development consistent with this object, and proposing the mechanisms of participation which this society will have at the different levels of decision-making.

Quite apart from the various ideologies and concepts of economic, social and political activities, planning as a practice and as a method is essential if we are to defend ourselves more effectively during crises and gain a proper place for ourselves with vision and foresight in the complex set of international economic relations, and above all if we are to respect the principle of equity in the distribution of the fruits of growth. As already noted, the achievement of these objectives involves recognition of the need for planning, in all its temporal, spatial, sectoral and institutional dimensions.

The main responsibility for running economic and social activities lies with governments, and it is their responsibility to appraise the course and evolution of future development and make the necessary corrections if this course, as often happens in the region, does not lead to the desired situations, particularly for the most under-privileged sectors. This responsibility is even more obvious when it is observed that moves are being made in circles other than those of government which are likely to affect future development and modify its forms.

It was already noted above that the transnational corporations and the domestic eco-

conomic units controlled by them or assimilated to them are taking steps, with particular and often alien criteria, which could lead the course of development in the region towards destinations not yet appraised from a long-term perspective. The criteria regarding the activation of economic processes, the reduction of inflationary pressures and balancing of the balance of payments have generally been established within a narrow time horizon, using measures of a traditional nature which, in the final analysis, favour that sector of the population whose purchasing power is most vigorously manifested in the play of the market forces. Thus, the incompatibility between the objectives of the private economic circles (especially the transnational corporations) and the more genuine needs of the mass sectors of the region is not brought out in its true dimensions. It would be very different if the presence and activities of this type of economic unit were weighed in the light of these needs and with perspectives which also included the medium and long term.

It is indispensable to identify the main features of the situations which would be created if the question of the form of development were left to the decision-making centres which have

been taking the initiative up to now. If this were done, it would provide us with qualitative and quantitative indications of the type of society which is being created and we would be able to appraise the potential magnitude of the inequalities and imbalances. This would permit the proposal of strategies leading to different situations, if the considerations of equity of distribution merit a weighting which, if not paramount, is at least comparable with that given to purely economic considerations.

Even in the case of those countries which have been most reluctant to plan their economies, sooner or later the circumstances will convince them that some form of planning will be necessary in order to tackle the crisis and adjust their forms of development in the light of the external restrictions and the persistence of domestic problems. In some cases because of social sensibility, and in others because of the pressures and demands of those who can no longer bear to continue in extreme poverty, forces could emerge which also demand another style of growth or another type of development dynamics, adding their influence to that arising from the inadequacies and contradictions of the forms of development currently prevailing.

## IV

### Reappraisal of transnational corporations in the context of planning

*Latin America in the 1980s*, a document prepared by the CEPAL Secretariat, clearly states the need to appraise the activities of these agents from the point of view of planning, as a way of expanding the negotiating power of governments. The present article takes up some of the proposals made in that document. Although the considerations set forth below concern various agents of the economic and social system, this study is directed in particular towards the phenomenon of the transnational corporations, in view of the decisive influence which this type of economic unit has had on the development of the region so far and the determining

role which it could play in the future. It must be borne in mind from the start that the transnational enterprises also engage in planning, in their own manner, and not only are their decisions based on detailed and timely data on economic, social and political aspects of the countries where they are operating or have the intention of establishing themselves, but also their broad geographical and temporal view of business gives them the advantageous position already referred to. If the instruments at the disposal of the modern State are organized and applied as a function of plans, development strategies or planned economic policies, then

they can approach the negotiations with these corporations from a more solid position. Even in those cases where planning is already institutionalized, reappraisal of the role of the transnational corporations in the light of the new circumstances could be beneficial.

In the final analysis, what is necessary is to analyse the way in which the transnational corporations could contribute to the fulfilment of a political plan or project and also, of course, to decide which activities are not in keeping with the lines of the latter. In essence, this is the basic scheme for a new appraisal not only of their investments but also of their entire area of influence.

The reappraisal of the transnational corporations in the context of a planning process would make it possible to identify first of all those sectors and activities where their collaboration is considered appropriate and even indispensable; next, the areas reserved for the activity of national firms, whether public or private; and finally those areas where the activities of the transnational corporations would run counter to the main lines of the options decided upon by the countries. A reappraisal based on this type of criteria, appropriate to the planning process, would make possible better selection of the transnational corporations and their activities; it would create a suitable field for new dealings with foreign capital and would also make possible more stable agreements with these economic units. For their part, the transnational corporations which make a real contribution to the achievement of the objectives of the type of integrative development proposed will be more inclined to make their conditions more flexible, and the legitimate nature of their presence would undoubtedly modify the negotiating positions.

For governments, the fact of their knowing the implications of the presence of transnational corporations for the main variables in play in a planning process would not only increase their information on the repercussions of this type of economic units but would also mean that they could properly appraise the positive and negative consequences of their presence, thus imparting greater accuracy, a broader perspective and a sounder basis to the process of decision-making in this area.

It has already been stated<sup>1</sup> that the operations of the transnational corporations have been decisive in shaping the present style of development and can also be decisive during the critical period through which the region is passing. Hence, a different type of appraisal of and negotiation with them is essential in order properly to fulfil the accepted principle that it is necessary to maximize the benefits represented by their presence and minimize the costs involved in it. As a guiding criterion, this represents the first step in a new relationship with the transnational corporations. At all events, in order to determine with some degree of accuracy how to maximize the benefits and minimize costs, it is essential first of all to prepare a list of quantitative and qualitative objectives to be achieved over various periods, followed by an outline of the various alternative policies that could lead to the achievement of this. These two tasks are routine fundamental steps in planning processes. On the basis of them it is then possible to go more deeply into the diagnosis designed to clarify the present behaviour of the transnational corporation and identify the main components of the strategies and plans connected with this type of economic unit. The appraisal of their presence and possible future participation in the context of a planning process naturally offers possibilities for a new type of negotiations between governments and transnational corporations.

When a government clearly perceives the most important delayed and immediate, direct and indirect effects which the participation of transnational corporations is likely to have on a set of economic and social variables, its real negotiating capacity automatically acquires a different scope and it is in a much better position to appraise the implications of each concession and each demand. Thus, knowing what the immediate or potential influence will be on employment and wages, the balance of payments, taxes, the use of credit, internal activities on the side of inputs and sales, etc. —all specified for different time-spans within a gradual process of improvement— would permit a really strict appraisal of the effects of this type of economic unit. Up to now, many of these aspects have only been given superficial qualitative appraisal, and most often the factors

which have predominated in the negotiations are related with aspects which are very important for contingent situations, but are of minor significance for development.

An appraisal methodology like that suggested above would lead to the selection of transnational corporations whose activities and behaviour were compatible with the new form of development which it is hoped will take shape in the region. The capacity to discriminate in favour of those enterprises which are in line with the form of development finally selected can only be properly carried out when the respective appraisal fits in with one of the basic stages of a planning process.

Moreover, as already noted, the rules of the game will be clearer for the transnational corporation itself, and its presence will become more legitimate when its activities effectively contribute to the achievement of the objectives pursued by a country. Volumes of investment, scales of production, amortization policies and policies on the reinvestment and repatriation of profits will have another frame of reference which would probably lead to the corporations making their negotiating positions more flexible, while the true problems of the countries would be seen more and it would be easier to distinguish between the interests of economic groups and those of the national masses.

In reappraising the transnational corporations it would seem useful to contemplate all three of the traditional perspectives of planning: the short medium and long term. By doing this, it will be possible to establish what their implications are in terms of the variables pertaining to each of these time horizons. The entry of a particular transnational corporation may satisfy short-term requirements, but it may come into conflict with longer-term needs. Moreover, while conjunctural requirements are generally easier to satisfy, at the same time they are more fleeting and frequently spurious. In contrast, those connected with the structural background, apart from being reflected better in longer-term perspectives, are not always even contemplated by the typical short-term criteria because the short-term is much more conditioned by contingent pressures, and different weight is given in it to the different aspects and effects of foreign investment.

It is self-evident that attempts to appraise transnational corporations from the point of view of plans and strategies which aim at more sober forms of development are likely to encounter strong reactions from the groups which are associated with the very forms it is desired to change. The resistance of the economic groups connected with the transnational corporations to their inclusion in other schemes which would alter the distribution and appropriation of the surplus will undoubtedly constitute a difficult barrier for any attempt to correct the situation, and these corporations will accuse those who are trying to reorient development of interventionism and transgression of the laws of the market.

Although it is difficult to oppose the idea of promoting a form of development which is more rapid but less extravagant, more efficient but less unjust, it will not come as a surprise to anyone that the groups which are benefiting from the exaggerated consumer society will use all their economic and political power to hinder a new form of development. It is foreseeable that attempts in this direction will give rise to violent reactions, but it can also be foreseen that the search for a form of development which is less extravagant and has a higher social content will receive by no means insignificant support even from entrepreneurial groups, to say nothing of the support from those sectors which are more deeply affected by the imbalances and weaknesses of the styles of development which are being questioned. In the discussion of these topics, it will be of really crucial importance that the analysis should concentrate on the essential features of what the transformation of its development model will mean for a society.<sup>11</sup>

It may be noted, in this connexion, that this matter gives rise to discussions which enter the ideological sphere, and it is very likely that the real positions against the correction of the situation will be disguised with fallacious arguments and surrounded by dark and mysterious warnings of dire consequences.

Of course the economic, social and political implications of changes of this type require

<sup>11</sup>See Jorge Graciarena, "Power and development styles", *CEPAL Review*, No. 1, first half of 1976.

not only a clear diagnosis in each country, but also a firm political decision to seize the initiative precisely in the present period of crisis, and not afterwards, when the courses will already have been set and the new economic relations consolidated. Choosing planning as a basic instrument for the management of the economy by the government not only strengthens the tendency towards a desirable course of development but also opens up new possibilities for negotiation with foreign capital and, in particular, with the transnational corporations. Neglecting to lead society in a particular direction not only means eluding an essential responsibility but also implies overlooking an effective capacity for negotiation which, in varying degrees, the countries of the region have significantly increased in recent years. Merely by way of illustration, think of the potential negotiating capacity which the State enterprises of each country would have if they acted together in accordance with a plan or in the light of a planned economic policy.

In advocating a different form of negotiation with foreign enterprises, within the framework of a process of planning and with the aim of achieving a new type of development, there arises a basic issue which must be defined: the demarcation of areas or activities in which the participation of transnational corporations would be permitted, and of areas which are reserved for national public or private capital. In this demarcation it seems vital to introduce the criterion of whether the activities are essential or not, so that foreign investment is limited to those activities which really help to make the form of development more equitable and less vulnerable. It is worth stressing that these proposals involve the idea of a gradual process which begins by identifying the most important and crucial aspects and goes on, with the passage of time and the accumulation of experience, to cover a larger number of aspects.

The negotiating capacity of the countries will be increased in proportion as there is an increase in the degree of generalization of those positions which stress the most essential and transcendental issues in their policies with regard to foreign capital. If this is not done, the result could be the proliferation of 'consumer

paradises' as the result of policies which welcome all types of foreign investment with open arms.

Once the sectors, activities or projects where the participation of this type of enterprise is considered appropriate have been demarcated, the negotiations with them should not be restricted solely to the topics covered by most of the laws and regulations on the treatment of foreign investment. Thus, in addition to the traditional concern with the establishment of regulations on taxes, permits, reinvestments, repatriation of profits, etc., it seems advisable to introduce also clauses on minimum export quotas and maximum import levels, on the employment of labour, on the use of domestic credit, etc. When their administration permits, clauses should also be included on prices, qualities and quantities of products. Naturally, the introduction of these other variables into the negotiations means that differential treatment must be given to the different categories of transnational corporations, but in spite of the greater complexity involved, the magnitude of the investments in question and the importance of their compliance with the basic objectives of the new development policies make it advisable to spare no effort to overcome these difficulties.

In advocating specific treatment for each transnational corporation, we have in mind the larger projects: those activities which call for special attention because of the size of the investment involved or the weight they can assume in the economic process. In speaking of the treatment of foreign capital in general terms we are only typifying a global position or characterizing a certain philosophy with regard to the entry of such capital: in contrast, the actual negotiations involve factual and detailed considerations.

While the transnational corporations form a category with common features they are nevertheless very heterogenous and of different origins, while the projects or activities which the countries wish to promote are themselves of great diversity. In the face of these two types of heterogeneity it is difficult to see how general laws or regulations could permit the 'optimization' of negotiations with foreign capital.

Perhaps global regulations could be re-

served for investments or projects of smaller scale, but for those of greater importance it is necessary to leave open the possibility of *ad hoc* negotiations capable of taking account of the special features involved so that it is possible to obtain from the transnational corporations a contribution which is really in keeping with the most genuine objectives of the countries.

In this way it can be ensured that the participation of the transnational corporations is in line with a kind of open competition which permits the appraisal of the way in which each enterprise complies with the specifications and criteria previously laid down by the host country in order to select the corporations which best satisfy the requirements. The emergence of new transnational corporations and their interest in entering the region mean that the countries would have some possibility of choice in the matter.

Apart from this consideration, the negotiating position of the countries would also be

strengthened by looking into the possibilities of negotiating with medium-sized enterprises in the central countries and in the most advanced Latin American countries, and moreover the scales and forms of operation of these companies might be more compatible with the special features of the economies of the region. At all events, the search for other alternatives and the establishment of conditions to orient the negotiations and agreements towards the achievement of a new type of development seem to be fundamental tasks which must be faced during the period of transition in order to take advantage of and increase the effective negotiating capacity of the region.

The considerations and proposals set forth above involve significant changes in the process of planning, particularly as regards the main techniques and methodologies. In the next section we will sketch some of the main modifications needed to the basic instruments in order to permit a more integral appraisal of the transnational corporations.

## V

### Planning at the enterprise level and the appraisal of and negotiations with transnational corporations

For some time past, judgments have been expressed on the problems affecting the planning processes in the region. A number of causes which might account for their main limitations have been observed, and as a result three well-defined areas may be distinguished which typify the diagnoses regarding their present state.

On the one hand, it is indicated that there is a set of factors related to the political sphere, that is to say, the question of to what extent the plans really represent a commitment on the part of those holding the real power. When it is admitted that the adoption of decisions does not come within the lines of the plan or is even contrary to them, we are admitting that the plan does not reflect the intentions and does not incorporate the interests of the political authorities and the groups supporting them. In reality, no plan can go beyond what the real centres

of decision are willing to carry out. When it is pointed out that the economic policy diverges from the lines of the plan, in reality what is being indicated is the type of dichotomy which separates the intentions of those who prepare the plans from the actions of those who carry out the policy.

On the other hand, there is another set of causes related with the organization of the planning systems and the participation of the various bodies, entities and agents of the economic and social system. The difficulties encountered by the operative organisms in taking into account the categories specific to planning in the conjunctural management of the economy, and the problems which the planners have in incorporating on a flexible and timely basis the political restrictions and alterations which inevitably arise in the everyday functioning of

the economy suitably summarize the essence of the problems which affect planning from this point of view. At all events, the different level of concern and the unequal size of the variables handled by the two groups explain a type of fundamental maladjustment which short-term planning and the so-called operational plans have not been able to solve.

Finally, there is a third area, related with the information and planning methodologies and techniques usually used in Latin America. While there has been significant progress in this field, generally speaking the instruments used still do not seem to fit in adequately with the complex tasks involved in a planning effort. The different rationales implicit in the economic, social and political processes have not found in the types of models used a suitable mechanism of comparison and appraisal capable of generating alternatives in which these rationales become coherent or at least do not contradict each other. Moreover, the instruments in question have suffered from rigidities which have prevented them from responding adequately to the conduct and behaviour of the different agents of the economic and social system. It may be noted in passing that such limitations have also become obvious, in different measures and forms, in centrally managed economies with great planning experience. However, it should be noted that the models based on numerical experimentation are those which have shown the greatest capacity for taking account of the special features and complexities of real events and properly reflecting the intentions behind the different types of plans.<sup>12</sup>

A different conception of planning is set forth below which could smooth out a number of the difficulties which planning has encountered in the region. It is interesting to note in this connexion the possibility provided by this alternative for appraising transnational corporations in an integral manner and negotiating with them on a more solid basis.

The fundamental change lies in the defini-

tion of the element or basic category to be planned. Up to now, planning has been mainly at the level of economic aggregates. At most, the classical macroeconomic variables such as the product, consumption, investment, etc., have been broken down into some subcategories, while the conventional economic sectors have been broken down into particular activities in order to avoid working with excessively heterogeneous conglomerates. There do not appear to be any serious objections either at the conceptual level or in the field of practical application, however, to the possibility of using the enterprise as the basic category of the planning process.

This possibility has been opened up for some time now by electronic computation. Planning by enterprises or by economic units seems to be a suitable response to the needs for better government management of economic and social activity and, in particular, for a fuller appraisal of the transnational corporations.

For the medium-sized or small countries, where 50, 100 or 150 enterprises are responsible for a high proportion of total production and marketing, planning at the enterprise level does not present any impracticable tasks or major complexities. It has been verified in Latin America that it is possible to work with models containing several hundred equations, which in turn means the use of highly disaggregated matrices.

For the larger countries, planning at the enterprise level can constitute an efficient alternative when planning by states, provinces or regions, where likewise 100 enterprises or so can represent a large part of economic activity, traditional planning by economic aggregates being retained at the national level.

If the characteristics of a particular country appear to present obstacles to the proposed change, one possibility would be to introduce this system gradually, selecting the leading enterprises in each sector which, by their direct weight or indirect influence, condition the functioning of economic activity. Thus, a distinction could be drawn in each sector between the public enterprises, the leading domestic and foreign private enterprises, and the rest. The knowledge of economic activity which the

<sup>12</sup>See the article by Oscar Varsavsky, "Modelos matemáticos y experimentación numérica" in Oscar Varsavsky and Alfredo E. Calcagno (compilers), *América Latina: Modelos Matemáticos*, Santiago, Chile, Editorial Universitaria, 1971.

planning offices would have after a strict examination of the activities of the leading enterprises would make it possible to reconcile economic planning and policy with less difficulty.

An effort in this direction would make it possible to gain both periodic and continual knowledge of the operations of these enterprises, their investments, production, imports, exports, hiring of staff, credits, taxes, profits, etc. When one considers the difficulties involved in planning by economic aggregates, precisely because of the need to estimate these aggregates, the advantages of planning at the enterprise level can be clearly appreciated.

Planning by economic aggregates generally uses the space of one year as its time unit. It is difficult to reconcile short-term planning, whose time unit is one month, with a three- or five-year plan. This is to a large extent the reason for the gulf between planners and those working in more operational bodies of the public sector. Planning at the enterprise level would give planners an extraordinary amount of information on the conjunctural situation, would facilitate their contact and participation in short-term decisions, and the timeliness and specific nature of the information continually collected would make it possible to bring plan and reality closer in two respects: on the one hand by enabling the plan to incorporate in a timely manner real events which had not been foreseen in it, and on the other, by orienting the real functioning of economic activity along the lines laid down in the plan.

This represents a change in the methodological conception of planning which would undoubtedly have repercussions on the actual organization of the work of a planning office. It could become a qualitative leap forward of great significance if solutions were found to the problems of working with massive information, designing new accounting systems and, in general, modifying the routines and ways of obtaining information. It is precisely in this respect that the first objections have been levelled at this proposal for planning at the enterprise level. The so-called statistical secrecy provided for in the business law of most countries and the difficulties of continuously following up dozens of enterprises have been suggested

as possible obstacles. These are not insuperable barriers however, and it would be perfectly possible to tackle them if there was determination to progress along these lines. It would be easy to continue listing the features of planning at the enterprise level and enumerating its advantages,<sup>13</sup> but this is not the moment to do so, since the aim is simply to give some idea of its main outlines so as to propose its use in the appraisal of transnational corporations.

There does not seem to be any need to give more illustrations of the way in which the presence of the transnational corporations would be appraised if the basic planning element were the enterprise. Each of these economic units would receive explicit consideration and treatment in this new methodology of planning at the enterprise level. In this way, it would be possible to see clearly and in detail what direct and indirect, immediate and delayed effects their operations would have on the present and future economic system under various hypotheses; what their positive and negative effects would be; what variables they would decisively influence; what the interrelations between this type of enterprise and those forming the rest of the system would be, etc. The comparison of transnational corporations among themselves and with the other public and private units, and knowledge of their cost structures, their expansion programmes and the role they play in the field of economic relations would undoubtedly make possible an integral appraisal of their real and potential behaviour.

The negotiating capacity of a government which had identified in detail the various types of repercussions and the magnitude of their effects would assume very different levels of solidity and accuracy from those characteristics of partial appraisals. In this different conception of planning at the enterprise level, new elements of judgment would emerge, some of them favouring the transnational corporations and others working against them. At all events, a larger amount of available information cannot

<sup>13</sup>In the CEPAL/CTC Joint Unit on Transnational Corporations, research has been initiated with a view to proposing methodological alternatives for the explicit and disaggregated consideration of transnational corporations in planning processes.

but guarantee better appraisal, and this would contribute to different treatment of foreign capital based on a variety of criteria and judg-

ments with greater time and space coverage and, undoubtedly, with greater accuracy and scope.