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PROVISIONAL PROGRAMME

- I. The Latin American industrialization process in the opening years of the Second Development Decade
1. Recent trends in Latin American industry
 2. Industrialization Policies in force and their main features
 3. Industrial development patterns, their application in Latin America and selected problems of the industrialization process

Documents

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The Latin American industrialization process in the opening years of the Second Development Decade

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| Information Document No 1 | Latin American industrialization and its impact on employment (ECLA) |
| Information Document No 2 | Environment, natural resources and industrialization (F. Aguirre Tupper, consultant) |
| Information Document No 3 | Exports of manufactures and Latin American industrialization (ECLA) |
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III. International co-operation for industrial development and the New International Economic Order

1. Towards a new system of international co-operation
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Documents

ST/CEPAL/Conf.51/L.4 International co-operation for industrial development and the New International Economic Order

Information Document No 7 International industrial co-operation (UNIDO)

Information Document No 8 General Assembly resolutions on the New International Economic Order: Declaration and Programme of Action (ECLA)

Notes on the provisional programme

I. THE LATIN AMERICAN INDUSTRIALIZATION PROCESS IN THE
OPENING YEARS OF THE SECOND DEVELOPMENT DECADE

1. Recent trends in Latin American industry

In the early years of the Second United Nations Development Decade Latin American industry experienced a rate of growth higher than that established in the International Development Strategy and one which was considerably higher than that of the two previous decades. Over a long period - but particularly during the opening years of the 1970s - there have been considerable increases in the share of the manufacturing product in the regional gross domestic product, which rose to 25.9 per cent in 1973, and in the per capita manufacturing product, which rose from 84 dollars in 1960 to 146 dollars in 1973 (at 1960 prices).

However, the position of Latin America as a whole, in a global context, did not show any variation over the last decade. Its share of the world industrial product remained at 3.4 per cent and its per capita manufacturing product over that period represents half of the world average.

The development of the manufacturing sector has shown different results in each of the countries, accentuating the gap between the larger, and even some of the medium-size countries and the others. This situation could be considered characteristic of the industrial development process itself, and a direct result of the different, and sometimes opposite, effect on each country of the way the productive resources are used and the changes that take place in the international economic situation. Nevertheless, the Latin American community must continue to give thought to the prospects and consequences of the inequalities which occur and are becoming more pronounced among its own members.

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In this connexion, it must be pointed out that between 1970 and 1973 the average rate of growth of the Latin American manufacturing product was 8.7 per cent, and this figure was exceeded in only 4 countries. The average growth rate of the other 15 countries for which information is available was barely 6.6 per cent in this period, that is to say, even lower than the regional average recorded between 1960 and 1970. If the three largest countries of Latin America are excluded the degree of industrialization - which in 1973 was 25.9 per cent for the whole of the region - would fall to less than 18 per cent. With respect to the per capita manufacturing product (taking that of the three largest countries as representing the base figure of 100), that of the medium-size countries (Colombia, Chile, Peru and Venezuela) was 63 per cent of those three in 1970, and 59 per cent in 1973, that of the four following countries, in terms of size, (Bolivia, Ecuador, Paraguay and Uruguay) was 42 per cent in 1970 and 37 per cent in 1973, and that of the smallest countries, 31 per cent in 1970 and 29 per cent in 1973.

On the other hand, the export of manufactures for the region recorded considerable growth in recent years, and particularly in 1973. Even so, it cannot be claimed that the effects of these exports were such that they could put their stamp on the pattern of Latin American manufacturing activity. In fact, they only represent 6 per cent of the regional manufacturing product. Furthermore, the larger countries of Latin America were responsible for most of this trade flow, accounting for 80 per cent of the value of foreign sales.

2. Industrialization policies in force and their main features

The industrialization policies applied in the Latin American countries have been more specific and have shown a greater degree of intent. Import substitution of industrial goods continues to be one of their major objectives, even though some countries believe that the substitution model has ceased to be a dynamic factor in industrial development.

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Together with this objective, other more concrete objectives have been defined since the past decade. On the basis of these, measures have been implemented to boost exports of manufactures, to expand the domestic market, and revise subregional integration schemes.

The impulse given to exports of manufactures stems mainly from the fact that the majority of the countries need to improve their balance-of-payments situation. To achieve this they have had to make much greater use of promotional instruments than of instruments intended to influence industrial production itself. The expansion of the domestic market and the reactivation of subregional integration schemes respond to the need for a wider market, for promoting the setting up of enterprises with higher scales of production, and for expanding the dynamic factors of industrial development.

Furthermore, the scarcity of raw materials and industrial inputs, as well as capital goods, and the extraordinary increase in prices are the most serious conjunctural problems which the Latin American industrial sector has faced in recent years. Its effect on each country was different. For this reason, the national policies applied to industry and used to cope with the economic situation were different. Thus, in those countries which benefited from the situation, steps were taken to lift restrictions on imports of industrial goods, particularly raw materials and inputs. Other countries entered into bilateral agreements, adopted measures prohibiting the export of certain products, or introduced changes in their industrial production plans, offering special facilities and incentives for the manufacture of goods in short supply.

3. Industrial development pattern, their application
in Latin America and selected problems of
the industrialization process

Import substitution, the development of the domestic market and the export of manufactures - in addition to the various integration schemes - together represent the driving force of the industrialization process in Latin America.

/Import substitution

Import substitution as a pattern of industrialization is always valid, even though as a dynamic factor it is of major importance only at the initial stage of industrialization. How far-reaching its effect may be depends on the size of the domestic market of each country. Although import substitution in later stages of industrial development is a less dynamic factor, it continues to wield some qualitative importance to the extent that it is possible to incorporate industries producing intermediate, durable consumer, and capital goods. Given the difficulties of these industries in the small and even medium-size countries, integration as a means of overcoming the limitations of small markets is particularly important. Economic integration seems indispensable for the small and medium-size countries of Latin America if they are to develop common interests to enable them to act as blocs vis-à-vis the larger countries and other blocs in negotiation and consultations which are to lead to a new world economic structure.

With respect to the export of manufactures, this pattern is followed in varying degree, depending on the size of the country. Through the export of goods from their more dynamic industries (metal manufactures and machinery, electrical and chemical) the larger countries can take advantage of the opportunity of embarking on a further stage of industrial development and enjoying the multiplier effect of those industries on the whole of economy. In the case of the smaller countries the export of manufactures will be a way of exploiting their special abilities in the production of special lines of goods; an indication that the process has taken root would be the achievement of high quality in those lines.

A careful analysis of the contribution of each pattern to industrial development is important for framing national industrialization strategies. These may be used to identify the targets of the development plans and the main guidelines of supporting policies.

With respect to the more important effects of the Latin American industrialization process, it ought to be pointed out, on the one hand, that it has meant the widening of the modern sector of the economies

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of the countries of the region, a greater development of natural resources, the incorporation of new manufacturing activities to meet the demand of the domestic market, or for export, and the gradual creation of greater technical capability. Furthermore, owing to the manner in which industrial development was promoted in its early stages, a number of more or less serious problems have arisen, such as rigidity in imports, vulnerability in connexion with the balance-of-payments, relative inefficiency in the use of resources, high production costs, increased technological dependence, high levels of idle capacity and, finally, a more pronounced geographical concentration of production and, with it, some regional imbalances in each country.

II. INDUSTRIALIZATION IN THE RELATIVELY LESS DEVELOPED COUNTRIES OF LATIN AMERICA

1. The present situation

The situation of the relatively less developed countries is considered one of the most serious challenges in the reorganization of the world economy and a key factor in the processes of regional and subregional co-operation and economic integration.

In Latin America this concern is reflected in the different instruments of subregional integration, and it is to be noted that on the basis of recommendations adopted by the governments within the framework of ECLA 1/ towards the end of 1967, a meeting of high-level government representatives of the 16 countries normally considered to be economically relatively less developed in Latin America was convened to consider the problems they face at the international and regional level - particularly the latter - in connexion with the processes of economic integration.

1/ Resolution 254 (XI).

With respect to the importance of the 16 countries of the area, it should be mentioned that they represent 17 per cent of the population of Latin America almost 20 per cent of the land area, approximately 10 per cent of the regional gross domestic product, 7 per cent of the industrial product, and about 20 per cent of the region's exports and imports.

Over recent years the absolute and relative gap separating those countries from the others in Latin America continued to widen. For example, whereas in the former the gross domestic product per capita increased from 273 to 353 dollars between 1960 and 1973 - that is to say, by 29.3 per cent - in the remainder of the countries of the region it rose from 412 to 609 dollars (47.8 per cent). A larger difference can be seen in the evolution of the per capita manufacturing product, which increased in this same period from 40 to 59 dollars in the economically relatively less developed countries, which means an increase of 46.7 per cent, whereas in the remainder of the countries it rose from 92 to 160 dollars (76.1 per cent).

Furthermore, the relatively less developed countries, although they share common characteristics, may differ in other respects. Among their common characteristics, mention could be made of the major importance of agriculture in their economies. In most cases, more than 66 per cent of the active population is engaged in this sector which, in turn, contributes more than 30 per cent of the gross domestic product. In the majority of the relatively less developed countries, agriculture has recorded a slow rate of growth, hardly higher than that of the population. At the same time, the main characteristics of the agricultural sector in most of these countries are low productivity, subsistence levels of income, low rates of savings, limited acceptance of technological innovation and new cultivation methods, and a high concentration of land holdings.

Another dominant feature of the economies of the relatively less developed countries is the predominance of the external sector as a motive force. In greater or lesser degree, these countries have small export economies whose operation depends on the sale of

a few primary commodities on the international markets. In addition, they suffer from a low level of industrialization, a weak economic and social infrastructure, a negative trade balance, limited State participation in economic development, inadequate exploitation of natural resources, and a small market. Of course, the characteristics and the problems indicated are not present to the same degree in all the countries neither do they produce similar effects.

The differences which exist between the relatively less developed countries determine the peculiarities of their particular development strategies and policies, which reflect the particular situation of each country. However, it is possible to trace general lines of industrial development within the framework of which this group of countries can be placed.

2. Prospects and strategies for industrial development

Although the responsibility for defining their development strategies, mobilizing as efficiently as possible all their domestic resources and giving a consistent framework to their planning efforts belongs to the relatively less developed countries, it is essential for the international community to give these countries preferential assistance along the lines laid down in the Industrial Development Strategy and the Declaration and Programme of Action on the Establishment of a New International Economic Order. The structural disequilibria of the less developed countries are so great that intensive and sustained action on the part of the international community is essential to boost the growth of their economies. At the same time, these countries should engage in common activities through their regional and subregional integration machinery so as to overcome the structural weaknesses which slow down their development. Joint programming by subregion would appear to be one of the most promising possibilities here.

The industrial development strategies of these countries obviously will have to reflect the individual conditions of each and identify the appropriate combination of their endowment of

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available and potential resources, the foreseeable demand for manufactures in the local and regional markets, and their requirements and possibilities in respect of the financing of the expansion of the infrastructure and the industrial base. There are, however, some elements which will be common to all of these and which assume special importance for these countries, such as the role of the State, specialization, the re-conversion of artisan-type industry, complementary supporting programmes and international co-operation. Naturally, considerations as regards the joint action to be taken through the economic integration systems should also be taken into account, since this constitutes an important mechanism for guaranteeing import substitution and the export of manufactures at the regional level.

III. INTERNATIONAL CO-OPERATION FOR INDUSTRIAL DEVELOPMENT AND THE NEW INTERNATIONAL ECONOMIC ORDER

Although the Second United Nations Development Decade is barely half finished, various symptoms of the qualitative inadequacy of the process of change, whose promotion was established in the International Development Strategy have already appeared.

During the opening years of the present decade the world economy has experienced increasing problems and complications, as a result of which the majority of the developing countries have suffered. The machinery for international co-operation has been inadequate and inefficient for alleviating the adverse effects of these developments. At the very least, international co-operation and its machinery need to be reorganized so as to counter these effects, especially since the manifestations of the economic situation would appear to indicate serious structural maladjustments in the world economic system. In the circumstances, the objectives of the strategies - to improve the distribution of income and wealth so as to promote social justice, to raise employment levels, to expand and improve education,

health, nutrition, housing and social assistance and to safeguard the environment - might not be accessible if the present style of living of the developing countries continues indefinitely.

The seriousness of the world situation produced a concensus in the United Nations General Assembly during its Sixth Special Session, and this took the form of the Declaration on the Establishment of a New International Economic Order and a World Plan of Action to achieve it (see resolutions 3201 (S-VI) and 3202 (S-VI)). It should, however, be recognized that the process of restructuring the world economic order will be neither easy nor rapid, and that numerous decisions will have to be taken both in the developed and in the developing countries, preceded by multilateral world, regional, and also bilateral negotiations. The international co-operation agencies will have to be the centres of world meetings for defining the role which the new system of co-operation between the nations will play in carrying out the above-mentioned resolutions.

At the industrial level, the New International Economic Order implies a growing share of the developing countries in the world manufacturing product, which means for these countries an industrialization process at growth rates never achieved before, or at least never maintained for any length of time. In this context, international co-operation will require thorough re-structuring, in line with new responsibilities and prospects. In fact, one of the above-mentioned resolutions presents a real challenge to the international community, stating that, "with a view to bringing about a new international economic structure which should increase the share of the developing countries in world industrial production, the developed countries and the agencies of the United Nations system, in co-operation with the developing countries, should contribute to setting up new industrial capacities including raw materials and commodity-transforming facilities as a matter of priority in the developing countries that produce those raw materials and commodities". In this context, several developed countries are already seriously considering in their industrial programme the

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suitability of transferring some activities of production to developing countries, owing to the increasing difficulties they have encountered in siting new plants or expanding existing plants within their own territories. Examples of these which may be mentioned are the steel industry, petrochemicals, leather, textiles, and other industries which are labour-intensive or which pose problems of space. These measures may constitute an important contribution to increasing the share of the developing countries in the world manufacturing product and an advance towards achieving a new and more balanced world economic structure, but only in so far as this respects the interests of the receiving countries and in so far as these measures are complemented by other activities which will ensure the advance of the process towards a fairer and more rational structure of manufactures in the world.

At the same time, the processing at a later stage of some raw materials and basic commodities where they are produced could have an economic basis if the comparative advantages of such sites for carrying out more complex processes of production are considered.

Note should, however, be taken of the possible consequences of an intention to reserve for the developing countries only types of industry not suitable for developed countries (pollution-causing, labour-intensive, and basic commodity industries), and the rest of industrial activities for these latter countries. This would mean a new international division of labour in the industrial sphere which could later become a serious limiting factor, both as regards the industrialization process in the developing countries and the achievement of the objectives proposed in the New International Economic Order.

The need is therefore stressed to formulate and apply measures which will make possible and ensure not only an increase in the share of the developing countries in world industrial output but also a similar increase in the growth of the various industrial activities at the world level. The formulation and application of the measures aimed at establishing new economic structures in

/industry should

industry should therefore have the full and active participation, on a basis of equality, of all the countries members of the international community, so as to ensure both the maintenance of the principle of fairness in the distribution of the benefits of the new structure and strict compliance with the decisions adopted.

As regards the developing countries in particular, they should define their objectives and strategies in the industrial field and prepare programmes to serve as a basis for the negotiations which could lead to the establishment of commitments with the developed countries. In this context, the public sector of the developing countries should play a dominant role in the constitution of the new order, and it is therefore essential that it should be made stronger. The regional and subregional integration systems can also play an important role as consultant agencies and as agents for channelling and reconciling the interests and aspirations of the member countries. The main responsibility in constituting the new order will, however, devolve on the developed countries, since it is they which control an enormous share of the world's resources and its economic and technological potential.

The industrialized countries should face up to the process of change with the determination to take steps to abolish the barriers which impede the access of the industrial products of the developing countries to their markets. In some specific cases, they should also accept commodity purchase commitments on previously-established bases. Furthermore, they should accept the cutting-down of the activities of those branches of industry for which the developing countries are best equipped and, consequently, adopt measures to facilitate the reconversion of the activities affected.

The measures and activities described in these paragraphs - aimed at the restructuring of the world economy and, in particular, of industrial activity - will require the creation of consultative machinery which will have to involve several levels of negotiation (world, regional, subregional, bilateral) and operate within the framework of the United Nations system, which could provide an appropriate forum for the necessary intergovernmental meetings.

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This machinery would allow the greatest possible co-ordination among the various technical assistance agencies (financial and specialized) for more efficient co-operation. The co-ordination of United Nations agencies should be extended to the bilateral co-operation agencies so that the best possible use is made of available advisory resources in the field of industry.

The role which these agencies should perform is broad and varied. In fact, they range from a number of preliminary studies - availability of resources, ecological and geographical conditions for the siting of industrial activities, establishment of an industrial information system at the world level, periodic projections, etc., together with technical assistance to the developing countries in consultations and negotiations - to the periodic appraisal of the progress of the process of change towards the establishment of a new international industrial structure. Obviously, these do not detract from existing functions. On the contrary, work on financial, scientific, technical, commercial and labour-training affairs should be intensified and adapted to the framework of the new structure which is being negotiated.

International co-operation should be complemented by intensive co-operation among the developing countries themselves, since the prospects for a new international order open up a vast spectrum of possibilities for mutual action, which to a large extent transcends what has been achieved to date.

It should be mentioned here that Latin America has made important progress in joint action thanks to its various systems of integration and co-operation in industry. However, the new circumstances require a further intensification of these efforts by means of the introduction of new ideas - if this is possible - or else by emphasizing current ideas but using new instruments and machinery which can give the process a greater impulse so as to achieve the growth rate which the present situation requires.