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Policies for *competitiveness*

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The progress made by the countries of the region in their stabilization processes has led policy-makers and entrepreneurs to pay increasing attention to the competitiveness of production activities and the factors and policies that determine it. The stability attained has clearly revealed the levels of some real variables which were hard to quantify in conditions of extreme price variations. This greater transparency of the market conditions, together with the growing competition resulting from the processes of greater trade openness, has brought out the strengths and weaknesses of the region's firms in terms of competitiveness and in many countries has led to renewed awareness of the need to apply policies aimed at reducing the cost of the microeconomic adjustment processes. This article reviews the current debate on the possible scope of such policies and suggests lines of action to strengthen the competitiveness of the region's enterprises, especially those engaged in manufacturing. Section I presents background elements, at the most general level possible, to gain an idea of the debate on competitiveness policies in the region. Section II suggests some policies needed in order to strengthen regional competitiveness, together with some lines of action to put them into effect in the areas of the generation and spreading of technology, which are the fundamental field of action for policies of a horizontal or neutral nature. Finally, section III indicates some analytical elements which are very important for the formulation and implementation of policies which will surely be in the forefront of the debate on competitiveness.

I

From sectoral policies to policies for corporate competitiveness

After the crisis suffered by industrial policies in the region as from the mid-1980s (Peres, 1993), in the early 1990s there was a marked renewal of interest in them, although in a form that gives grounds for believing that the new policies will hardly be a repeat of those of the 1960s and 1970s. Whereas most of the industrial plans and programmes of those years (especially in the biggest countries of the region) sought to create new production sectors, the policies proposed today tend to concentrate on improving the competitiveness of the existing sectors, after the adjustment of the 1980s. In most cases, the aim is to increase the efficiency of resource allocation or to make marginal changes in the original resource endowment, rather than giving rise to new sectors to complete the input-output table, as was so often claimed in the past.

Together with this change in the focus of the policies, there has been a growing tendency to recognize the key role of the present endowment of production resources in increasing the efficiency of existing activities and developing new ones. Although it is still felt that the creation of dynamic comparative advantages is the decisive factor for long-term competitiveness, the actions planned for the immediate future tend to be concentrated on improving the performance of highly imperfect markets, such as those for the development of human resources and technology (Katz, 1993). The gradual specialization by the region in the production and export of widely used inputs with a high content of natural resources but relatively little added value is a direct result of the priority given to current comparative advantages (Guerrieri, 1993).

Even in countries with stabilization processes that are very well advanced, such as Mexico and Chile, great difficulties have been experienced in securing a further increase in the added value of exports, and such comparative advantages as location, low labour costs and abundance of resources tend to be decisive for many export flows. The role of these advantages was heightened by the need to expand exports to meet interest commitments on the external debt which were not covered by the drastic reduction in imports, as well as by the bad experiences of many countries of the region with sectoral development policies in the late 1970s and early 1980s.

In the present context, policies of strictly sectoral scope have been concentrated on cases of indispensable restructuring due to the depletion of some natural resources (coal mining in Chile), changes in cost structures and in the availability of inputs and final goods due to processes of integration into world or regional markets (textiles and footwear in Mexico), or arrangements with the private sector, which have been carried out more efficiently at the local sectoral level than at the level of the industry as a whole (policy for the motor industry in Brazil).

It has been possible to carry out this limitation of the scope of sectoral policies more efficiently in countries where the market is not too small and the structure of production is relatively diversified. In countries with much smaller markets, in contrast, the definition of sectoral priorities continues to be an essential mechanism of resource allocation, even in the case of neutral-type policies. Thus, in a country like Jamaica, for example, with a small market and little diversification of the structure of production, it is necessary to establish priorities at the level of major sectors in order to decide what is to be done to develop human resources past the level of basic education and to further the spread of technology; otherwise, training would result in emigration of skilled labour and waste of technological dissemination efforts.

□ A large part of the content of this article was extensively discussed at the Seminar on policies for technological innovation, human resources development and international competitiveness, held at ECLAC headquarters in Santiago, Chile, on 2 and 3 December 1993. The author takes this opportunity to express his gratitude for the comments and numerous ideas put forward by the participants in that meeting.

Even in cases where it is sought to develop sectoral policies, it is noted that policy formulation tends to give fundamental importance to macroeconomic stability and that of the variables which determine it, such as interest and exchange rates. Macroeconomic stability, trade openness, privatization and deregulation form the basic context which appears to be indispensable for tracing sectoral-level lines of action. Although policy-makers consider these conditions to be absolutely necessary for economic growth, however, a good deal less attention tends to be given to defining what could be sufficient conditions for such growth.¹

This lesser attention is the result of two phenomena. On the one hand, there are the difficulties in identifying such conditions in view of the fact that traditional analysis of industrial organization has serious problems in adapting to a context of trade openness in which industrial concentration does not necessarily mean greater market power. On the other hand, there is the lack of consensus about the point to which the enterprise as such can or should be a policy object. Although there is agreement that it is necessary to develop policies to correct market flaws,² and there is generally acceptance of restructuring or reconversion policies to deal with sectoral crises, there is no general agreement in the countries of the region regarding the desirability of acting at the level of specific firms, even though there have been some important examples of successful intervention, such as the technological management action carried out by the Centre for Technological Management and Industrial Informatics (CEGESTI) in Costa Rica or the experiments in flexible manufacturing furthered by the Jamaica Promotions Corporation (JAMPRO).³

¹ Taylor (1993) illustrates the concern to distinguish between what would be necessary conditions or sufficient conditions to ensure that technology policy plays a positive role in development.

² With regard to State intervention in specific markets, there has been a transition from an approach in which the flaws in the markets were emphasized and efforts were made to offset them with direct action –by setting up a public enterprise, for example– to an attitude in which, after acknowledging the failures of intervention, an effort is made to correct the market results, as far as possible, through other market mechanisms. Action is also taken in the form of market simulation or the creation of quasi-markets, as for example in the case of incentives for academic productivity which operate by means of competition.

The above-mentioned cases are just a few examples of a broad set of successful institutional experiences of the development of national science and technology systems, technological management, linkages between the universities and industry, nurseries for new enterprises, technology parks, local systems of innovation, and international cooperation. Many lessons can be drawn from them on policies for competitiveness which go beyond the mere field of innovation and the spreading of technology (Dini and Peres, forthcoming).

In spite of their rich variety, however, the institutional experiences of policy implementation have a serious weakness: the limited range of their impact. Their effect often extends no further than ten or a dozen firms of very little weight in the overall production and employment of the country in question. Thus, one of the main challenges for the formulation and application of competitiveness policies in the region is how to transfer past lessons and give them a generalized impact.

This points to what might be considered the main weakness of such policies in the countries of the region: insufficient implementation and little evaluation of the results other than in terms of the number of actions or projects carried out. The lack of implementation has been due both to the growing weakness of the relevant State bodies and to the complexity of the policies formulated, which rarely foresee the problems of their application. The predominance of bureaucratic attitudes in policy-making (designing something new in order to alter the power structure) or technocratic approaches (designing something new merely to show that one is technically capable of doing so) further complicates the situation and is a clear indication of the weakness of the existing institutions in this field.

³ This uncertainty over how far to carry out direct actions in support of specific firms contrasts with the strong tendency to give firms social responsibilities which seemed far outside their purview only a few years ago. Thus, for example, explicitly or implicitly making firms responsible for basic educational activities (teaching reading, writing and arithmetic) seems to be due less to the non-interventionist virtue of the State than to its failure to fulfil some of its basic functions.

The very complexity of the policies means that in some cases the concept of structural change is not sufficient, and it is necessary to carry out what might be called a structural "revolution". Naturally, when a policy fails the first measure tried is to make gradual corrections in order to improve the results. However, the process of marginal changes may lead to the conclusion that the policy cannot be corrected and that the only solution is to do away with it entirely, no matter how extreme that approach may seem. Mexico's experience of doing away with the regulation and registration of private transfers of technology might be a good example of a structural "revolution" in respect of a policy which the authorities tried to correct several times before coming to the conclusion that its time had run out: in other words, that there was a limit to efforts based on the idea of the "hair of the dog".

In order to design radical changes in policy instruments which go beyond the mere destruction of

past measures, it is necessary to achieve a suitable blend of the pragmatism which has characterized decision-makers in the region with a sound analytical base which is usually to be found in the bodies responsible for making macroeconomic decisions rather than those responsible for industrial competitiveness policies. The insufficiency of that base in industrial analysis is particularly noteworthy when it is necessary to progress from agreements on general non-operational principles (strengthening the role of the private sector in environmental protection, for example) to the adoption of action criteria (for example, how much pollution –i.e., how much output– to allow a specific sector to produce). The difficulty of weighing the static and dynamic advantages and disadvantages of adopting policies on competition or allowing mergers between firms in order to take account of possible synergies is another example of the costs involved in the analytical weakness in question.

II

Policies and lines of action

1. Policies

On the basis of this general analysis, a set of measures can be proposed for improving the formulation of competitiveness policies in the region and helping to solve the problems of the implementation and evaluation of such policies.⁴

a) *Preventing lags in the technological base due to adjustment policies*

Despite the recent recovery, most of the countries of the region have registered growth rates below those of the past, because of the effects of external shocks and domestic macroeconomic problems. Even more serious is the fact that this can have long-term effects. Thus, the technological and human resources

development effort in the region is still far below that of its competitors; there has been a loss of domestic engineering capacity in a number of countries, and the innovatory response of firms is heterogeneous (dual) and insufficient to reduce the lag, so that it is essential to avoid sinking into a situation of slow growth and technological weakness. It would therefore appear to be necessary to reallocate many of the available resources to improving the competitiveness of firms and strengthening the institutions providing the systemic factors which determine that competitiveness. In this context, the liberalization and deregulation processes now under way can have opposing effects. If entrepreneurs perceive that there is a strong public and social commitment to competitiveness, they may be led to make greater efforts to win a place in the international economy. If, however, they feel that such a commitment does not exist or is only feeble, the process of greater openness and deregulation may discourage new production activities and cause capital to shift towards imports, services, commerce or financial activities. Naturally, an

⁴ This section incorporates part of the experience gained in ECLAC/UNDP Regional Project RLA/88/039 in nine countries of the region (Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Jamaica, Mexico, Uruguay and Venezuela). A first version of this text appeared in Gueruil, Macario and Peres (1993, section B) and was subsequently included in ECLAC, 1994.

effective commitment in this respect must necessarily be reflected in clear signals of profitability for business activities that make an effort to strengthen competitiveness, regardless of the sector they operate in.

b) *Establishing policies to promote competition which go beyond mere trade openness*

The region has little or no experience in the application of policies designed to further competition, which may partly explain its technological lags even in times of rapid growth. In particular, when protection was reduced little attention was paid to the adverse effect exerted on competitiveness by the persistence of legal monopolies, the smallness of markets, the small number of competitors and the limited capacity for the international marketing of some products which were in fact only nominally tradeable. Policies to foster competition in the region must be aimed at preventing anti-competitive practices rather than combating certain market structures. The generally small size of the markets in the region could make a policy based on opposition to big business extremely inefficient; what is really needed is to prevent practices based on the power that accompanies relatively large size from being used to prevent the entry of new suppliers or suppliers of possible substitute products.

c) *Paying proper attention to supply, demand and linking agents*

A review of institutional experiences gives grounds for asserting that the policy lines proposed by ECLAC for developing the technological and human resources infrastructure (ECLAC, 1992) continue to be valid, especially as regards the need for an integrated approach that simultaneously takes account of the factors affecting the supply and demand of such services and the institutional agents which link them together. This would help to solve the contradiction between policy approaches which concentrate on the factors determining supply, while paying little attention to those that affect entrepreneurial demand, and others which consider demand almost exclusively, without giving proper attention to the strengthening of supply. The alternation between these approaches in the decision-making centres has led to a situation where there is only a small supply of technological and training services, but there is little or no demand by firms even for this limited supply.

d) *Improving the supply of systemic support for competitiveness*

This support, which includes the supply of electric power, telecommunications and transport infrastructure, is of growing importance because, as already noted, producers of inputs making intensive use of capital and economies of scale occupy an increasingly important place in the production and exports of the countries of the region. The supply of these services is obviously of the nature of a public good, due to the strong externalities they offer to production activities in general. The indivisibilities associated with the big volumes of investment involved mean that this supply takes place in conditions of increasing returns and with monopolistic or strongly oligopolistic structures of ownership and control. It is essential, then, to develop suitable regulatory frameworks which lay down rules for the dissemination of the systemic effects arising from the cost and rate of modernization of the infrastructure.

At the same time, the faster growth of investments in infrastructure, both to make up for the sharp drop in the 1980s and to reduce the gap in the per capita availability of services between the region on the one hand and the developed nations and some recently industrialized countries on the other, opens up substantial opportunities for furthering the national and intra-regional supply of the corresponding engineering services. This supply would have considerable secondary promotional effects on the industries producing inputs and capital goods for construction and heavy engineering.

e) *Supporting the formation of strategic alliances between major national firms and international leaders in technology*

Big firms (domestic and foreign) play a leadership role in industry in the region. Although governments have traditionally supported big domestic firms and eliminated most of the regulations which previously hindered foreign investment, only in a few cases have they given clear support to alliances between the two types of firms involving the transfer or development of technology. Recent experiences, such as those of Chile and Mexico, show the extreme importance of these alliances for shaping the industrial pattern which is to prevail in the future. A clear commitment by policy-makers to the task of promoting business alliances is one of the most important means for gaining a better place in the international market.

f) *Supporting entrepreneurs' efforts to modernize their associations*

Many of the business associations in the region developed at a time when their basic function was to guarantee their members high levels of protection and good access to decision-making bodies and public contracts. Their efficiency at lobbying was the fundamental criterion for measuring business representatives' success in the eyes of those they represented. In a new competitive context, however, characterized by greater trade openness and competition, such functions have lost importance and in some cases there has ceased to be any reason for some organizations' continued existence. Consequently, the most modern business associations have sought to turn themselves into suppliers of services for their members, especially in areas connected with the provision of information, consolidation of trade and transport efforts, and economic and corporate analysis. These activities are accompanied by important externalities, and must be supported because they promote higher levels of efficiency in the region. One mechanism which has shown itself to be particularly useful for achieving such purposes is the encouragement of mutual knowledge of modernization experiences among business leaders so that they can appraise options and gain access to suitable advisory assistance, as shown by the experience of some business associations in Venezuela.⁵ Moreover, as business organizations modernize themselves, they begin to engage in activities similar to those that modern competitiveness policies should seek to promote, so that they thus transform themselves into potential agents for the implementation of those policies.

g) *Taking action in the light of the impact of the regional and subregional integration processes currently under way*

Evaluations of the possible effects of the agreements in question have tended to concentrate on those deriving from expected changes in trade flows. There are analytical results, however, which show that in certain circumstances the technological innovation and modernization efforts of a country may seize up when it enters an integration scheme,

especially if the country in question is small and has an abundant supply of unskilled labour (Grossman and Helpmann, 1992). In such cases, the concentration of the benefits of the spread of technology in a particular country prevents an overall increase in the available stock of knowledge and may hinder innovation in the other member countries of the scheme. Consequently, the policy formulated should explicitly take account of the integration factor, as well as the coordination of policies on technology and intellectual property rights which limit the spread of those benefits, with a possibly severe impact on some sectors of production. In this respect, it is vital that every effort should be made, in pre-integration negotiations, to ensure that there is a balanced distribution of intellectual rights among the member countries of the scheme.

2. Lines of action

The foregoing guidelines can outline a broad set of policy actions in the areas of technology, human resources development, export promotion, and development of the infrastructure.⁶

The difference in total factor productivity between the average production practices of the region and those prevailing in the developed countries is so great⁷ that in actions designed to strengthen the average technological competitiveness of the region's firms, the spread of technology has a more important role to play than the generation of new technologies (ECLAC, 1994). A number of actions are listed below which could be carried out in the current economic and ideological context of the region in order to promote innovation and the spread of new technologies: two essential areas for improving business competitiveness.

a) *Implementing programmes for expediting and generalizing the spread of state-of-the-art technology*

As was done in the European reconstruction process effected with the aid of the Marshall Plan technical assistance programme, it would be desirable to establish programmes for co-financing

⁵ A successful example of such exchanges in the region is the modernization effort made by the Association of Industrialists of the State of Carabobo (CIEC) and the Venezuelan Association of Plastics Industries (AVIPLA). For an analysis of these efforts, see León, 1993.

⁶ Guerguil, Macario and Peres (1993) and Macario (1993) present detailed action proposals for training and human resources development, export promotion, and development of the infrastructure.

⁷ The difference is approximately 2.5:1 (Hofman, 1993).

medium-length visits (four to eight weeks) by businessmen, engineers, supervisors and trade union leaders from the various sectors of production to plants in other countries which use the best available technologies, so that they can later share what they have learnt with the other firms in their countries.⁸ In the case of Europe, productivity increases of between 25% and 50% were obtained with very little extra investment,⁹ at a very low cost (about US\$20 million per country, at today's prices, for sending between 20 and 40 persons from each of 50 sectors). Similar or even greater increases could be expected if such a programme were carried out for the countries of the region, since the difference between total factor productivity in the developed countries and in the region may well be greater than that which existed between the United States and Europe in the late 1940s.

Since it is of low cost and favours increases in productivity, this type of programme has a high benefit/cost ratio. Furthermore, it can have a massive impact, because with the same multiplier as in the Marshall Plan¹⁰ the knowledge obtained abroad would be passed on to between 5 000 and 10 000 firms in each country.

b) *Continuing to seek improvements in technological information systems and networks and in technological management*

The existence of efficient information systems which are of low cost to users is an indispensable complement to the efforts to improve and modernize management attitudes. It is also essential to develop an information infrastructure which permits the ongoing execution of sectoral studies to keep abreast of

the changes taking place on the international technological frontier. Consistently providing the producers of the region with the information available at the international level helps them to keep in contact with the experience of firms using the best available technology and fits in with the proposal made in the previous section.

c) *Improving the arrangements for financing the technological development of production firms*

In most of the countries of the region, funds for the promotion of technological development do not have significant resources compared with the total requirements for the modernization of production. Even so, they can have a demonstration effect and show the profit potential that financing of investments in technology can have for the private banks, as well as serving to learn and teach how to appraise technological risk. The financing terms must clearly indicate their support for the external economies deriving from technological development. It is necessary to make an appraisal of the advantages and disadvantages of granting preferential terms as regards interest rates, on the one hand, or assuming all or part of the technological risk, on the other. At the same time, the intermediation spread charged by the commercial banks on technological credit operations should be reduced, since its high level reduces the demand for credit on the part of the business sector. In addition, the traditional mechanisms for financing prototypes and pilot plants should be strengthened so as to facilitate the transition by businesses from the pre-competitive research stage to that of the installation and operation of plants, with special attention to the needs and limitations of small and medium-scale firms.

d) *Providing direct fiscal incentives for the research and development activities of firms which make innovations*

One type of programme which has been successfully tried in Singapore (Lim, 1993) gives incentives to the first firms to introduce significantly new technologies in their line of business (whether to reduce costs or improve quality). This is because, in the final analysis, the firm which is the first to apply a new and appropriate form of technology in a country is in fact an innovator and generates externalities which the other firms can enjoy without having to pay the same costs or run the same risks.

⁸ This idea is taken from a proposal made by Carl Dahlman of the World Bank (based on Silberman and Weiss, 1992), for the restructuring of the production sector of the former Soviet republics. In ECLAC, such a policy has been advocated primarily by Joseph Ramos, Director of the Division of Production, Productivity and Management.

⁹ The co-financing could mean, for example, that firms would continue to pay the salaries of their workers while they are making the visits and preparing the corresponding reports, and the Government would finance the travel and subsistence and pay the administrative costs of the programme.

¹⁰ In the case of the Marshall Plan, each member of the study mission passed on his experience to between five and ten firms in his home country.

- e) *Promoting alliances between firms by simplifying the necessary formalities, facilitating access to information, and providing fiscal incentives*

The first two of these mechanisms are obvious choices if it is desired to promote a strategy of inter-firm alliances. With regard to the third mechanism, there is by no means general agreement, but it would nevertheless appear to be desirable as a signal that such a strategy is considered to be a priority means of modernization and that there is a willingness to make some sacrifices in terms of public expenditure, in view of its importance.

- f) *Transferring to the operational level the experience accumulated by institutions backstopping the technological activities of firms in the region*

As already noted, extensive experience has been built up in this field, and although it is well known to experts on technological matters, it has not yet fully reached the policy-making bodies, especially in medium-sized and small countries. The real impact of industry-level technology centres, technological "nurseries", technology parks, forms of linkages between universities and business firms and alternative means of financing has not yet been well enough appraised or become sufficiently widespread to influence the taking of decisions. Out of all these activities, each country can select the elements that fit in with its resources, its capacity to absorb new technologies, its previous experience with each of these instruments, and the business climate and practices prevailing in the various sectors.

III

Elements for future discussion

The policy outlines set forth above may largely meet with general acceptance in the decision-making circles of the region. However, they are a long way from exhausting the possible scope of policies for promoting competitiveness, whose content could be further enriched by analytical efforts to devise new instruments and forms of action and by the acceptance in the future of lines of action which are used in other contexts but have not yet been accepted in the region for ideological reasons or because they run counter to the interests of some sectors. In the following paragraphs, some relatively controversial elements are mentioned on which the countries of the region are implicitly or explicitly taking a position or will need to do so.

Firstly, it would appear that many countries of the region do not have the instruments and still less the capacity to apply policies that will enable them to face up in a competitive manner to the challenges of a phenomenon as great as what has been called the "Third Industrial Revolution". Paradoxically, for example –though this is explained to some extent by the shortage of available resources– they announce their intention of giving financial support to the development and dissemination of new technologies, but state that this support will be given at interest rates two or three per cent lower than those charged

to firms in their everyday operations, or else they say that they are going to allocate resources for these purposes which often amount to only a tiny fraction of the national product. Quite apart from the insufficiency in absolute terms of the resources allocated for improving business competitiveness, these procedures show a lack of any real commitment to the announced objectives, and this does not go unnoticed by businessmen.

A very controversial aspect which is nevertheless closely linked with the foregoing is the question of whether the State can or should occupy or recover a strategic leadership position. Although there is far from being general agreement as to whether such State leadership is possible or desirable, in a number of countries there are broad business sectors which clamour for the State to play a more active role in defining priorities, although this does not mean greater direct intervention at the production level. Such an attitude is to be seen, for example, in the repeated declarations of Brazilian business groups that the country needs a "national project", or the demands in Jamaica (likewise by business groups) that an industrial policy should be formulated and applied in 1994. In addition, there are the cases where the State plays a leading part in negotiating integration agreements which involve conditions that

will affect the competitiveness of given sectors in various ways for a considerable length of time. All this shows that the debate on the scope of State action is by no means over in the region, especially in circumstances which make it urgently necessary to narrow the big gap between the productivity of the countries of the region and that of their international competitors who are making effective use of such State action.

With regard to the foregoing, it is also important to note that many of the countries of the region do not seem to have made a serious analysis of the real extent to which it is possible to give active support to business competitiveness. Although it does not seem politically or economically feasible for the countries of Latin America and the Caribbean to use mechanisms like those of the European Union for agriculture, or those of Japan and Korea with regard to the domestic market in general, it is by no means certain that all the available instruments are being used with the maximum "internationally acceptable" intensity. Indeed, there are few countries which are fully aware of the direct economic support for production activities provided in many developed countries through their provincial or local authorities.¹¹ Decisions in this respect will naturally have a direct impact on business competitiveness, especially of firms operating in branches that do not have major competitive advantages.

Although it was noted earlier that political decision-makers in the region have increasingly tended to center their attention on the activities with the greatest comparative advantages, it does not seem reasonable to put off concern for the creation of new sectors or new comparative advantages until such time as the present advantages have been fully exploited or even exhausted. That would be a particularly serious error in view of the current rapid pace of technological development. The failure of past policies should teach us to design better policies (more realistic, simpler and more operational) for generating comparative advantages, rather than abandoning public action in this field.

An equally crucial issue which should be given more attention in the debate is the relationship between productivity, employment and the evolution of informal-sector activities. In the past, industrial analysis in the region has often accepted Kaldor's thesis that for every percentage point that industry grows, half a point is due to increased productivity and the other half to an increase in employment (Kaldor, 1966). The economic recovery of the region has taken place in the course of a process of technological modernization which has broken this relationship, however. The increases in productivity in the formal sector of the economy are often enormous, whereas the growth of employment is insignificant or even negative. This is because the modernization of formal-sector firms has often been accompanied by de-verticalization and subcontracting of work to the informal sector, or has even consisted of little else. The consequent increase in unemployment, informal activities or underemployment provides only a shaky base for the development of systemic conditions favouring increased productivity (education, health, housing and nutrition of labour), and in the medium term it may bring to nothing the results of the current efforts.

Finally, it would appear to be important to acknowledge the effects of the paradoxical form of development that can take place in many sectors of production and to prepare to counter it effectively. An express objective of policy-makers in many countries of the region—shared by broad sectors of the business community—is to progress towards a product mix with greater added value and more dynamic technological and market aspects. This means turning towards sectors of production which make intensive use of technology and human capital and in which rising yields and externalities are of prime importance. If this objective is reached, the composition of the product of the countries of the region will involve more market flaws. Some of those flaws, especially those deriving from growing yields, could be offset through increased international competition and inter-firm rivalry. The imperfections due to externalities in general, and public goods in particular, however, will very likely tend to increase. In this context, competitiveness policies which include instruments to offset and correct market flaws, or which even simulate them when they do not exist, will undoubtedly enjoy even more acceptance than in the present-day world.

(Original: Spanish)

¹¹ See, for example, the case of the Canadian province of Ontario (Ontario, Premier's Council, 1988) and the overview of the developed countries in general given in OECD (1992) and Chudnovsky (1993). The latter study also contains an analysis of South Korea and Taiwan.

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