

CEPAL Review

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UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA
SANTIAGO, CHILE / AUGUST 1980

CEPAL Review

Number 11

August 1980

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Latin America and the New International Development Strategy

Projections Centre, CEPAL

This paper was prepared for the group of permanent representatives of Latin American countries at United Nations Headquarters in New York (GRULA).

It begins by examining the development of Latin America during the past decade in order to identify the nature and scope of the main problems facing the region on the threshold of the 1980s and studies some economic projections regarding this new decade.

This prospective analysis emphasizes Latin America's need to stimulate the transformation of its economies and sharply accelerate their economic growth rate in order to absorb the economically active population, and having shown the need for such advances it appraises their repercussions on the structure of production and the demands they will pose in terms of saving, investment, and the external resources related to financing and the need to increase exports. In this context it refers to the nature of the problems which should be dealt with in the new IDS as regards the restructuring of the world economy, and lays stress on the importance assumed by regional co-operation and co-operation with other developing areas or countries.

The final part of the paper deals, *inter alia*, with two aspects of special significance for the new Strategy. It suggests that the regional commissions should draw up and approve, through their governmental organs, regional action programmes for the instrumentation and application of the IDS adopted by the General Assembly, and it enumerates qualitative and quantitative targets and objectives which might be included in the appropriate chapter of the Strategy. Although it does not embark on an analysis of policy measures and does not lay down quantitative targets for Latin American development, it does provide excellent background information and technical data for discussion of these issues.

I.

Economic and social development in the 1970s: Experience and lessons

1. *Rate and structure of economic growth: upward and downward trends*

In the 1970s the economic evolution of the Latin American countries varied significantly and the rate and structure of their development underwent radical changes. This evolution acquired considerable dynamism in some countries and was slower in others, but in general the process developed from a period of accelerated growth to a particularly weak situation which gave way, in recent years, to a trend of moderate recovery, although at the same time the problems connected with the balance of payments, inflation and social tensions intensified in the majority of the countries.

The region attained an economic growth rate of approximately 6% per year, which is close to the minimum target established for the Second United Nations Development Decade. The population growth rate, however, remained relatively high (an average of 2.7%), so that the per capita product rose by 3.2% annually, thus falling short of the 3.5% growth rate which was a complementary target of the Strategy for this decade.

These global indicators conceal marked differences in the countries' development. Over half failed to attain an annual growth of 4.5% for their domestic product, and only six countries achieved a growth equal to or higher than the 6% target. Significant disparities also continued to be recorded in the countries' rates of population growth. Accordingly, marked changes took place at the regional level with respect to the countries' economic and demographic importance, stage of industrialization, and economic, financial and technological capacity.

The process of transformation of the agricultural economy continued to make progress, with increasing modernization and diversification of production and crops. Nevertheless, the average growth of production did not exceed its

historical trends. The levels attained by the region as a whole in 1978 show an average annual growth of slightly under 3.5% with respect to 1970, which is less than the 4% target established in the Strategy for the decade. Here, too, there were obvious differences in the countries' development, since while the majority fell short of the target, seven countries attained or even surpassed it.

Neither did the region as a whole attain the 8% target laid down for manufacturing production. The fluctuations in the growth rate of manufacturing—its expansion in the early 1970s and its slower growth in the last few years—were more marked than those recorded in overall growth.

The level of industrial production in 1979 represented an annual growth of only just over 6.5% with respect to 1970, and not more than three countries attained or exceeded the 8% target established in the Strategy for the Second United Nations Development Decade. Far more accelerated growth was recorded in the first four years of the decade—i.e., 8.6% annually, although this was heavily concentrated in two or three countries—but in the last four years the growth rate declined sharply. In short, if the trends throughout the period are reviewed, it may be concluded that the rate of industrial development was relatively slow in the majority of the countries, above all if account is taken of the present stage of Latin American development.

The dynamism and production and technological changes characterizing economic development in the post-war period are clearly seen from the rise in the consumption of energy and the changes in its primary sources. Over the long term (1950-1975) the total consumption of energy of the region as a whole grew at a rate of approximately 5.5% annually, i.e., similar to the gross domestic product. The consumption of commercial or modern energy, however, experienced a much more rapid increase than the domestic product, since its rate of growth was close to 7% annually. This was due to the important changes that took place in the sources of energy as a result of their own technological development, and particularly to the structural changes in production and domestic demand which have accompanied eco-

nomical development. In 1950, production from the traditional non-commercial sources for the region as a whole represented nearly 40% of total consumption, while in 1976 it represented only about 15%.

In contrast with what occurred in the case of consumption, the production of commercial energy grew by only 4% annually in the period 1950-1975. As a result of this uneven development, the region saw its exportable surpluses diminish in relative terms. Thus, in 1950 Latin America consumed in the form of petroleum products 27% of its petroleum production and 17% of its output of natural gas. In 1975, however, the proportions had risen to 57% and 43%, respectively. Accordingly, while the region continued to be a net exporter of fuels, the trend shows a rapid decline in its exportable margins, although later the situation changed somewhat, with the appearance of new exports flows, mainly from Mexico. The situation and prospects differ widely from one country to another, influenced in particular by the considerable share of hydrocarbons and the part played by imports in the supply of domestic needs.

The course of the world economy, and particularly the evolution of the industrial countries with which Latin America maintains the bulk of its external relations, especially influenced the rise and fall of the economic growth rate of the Latin American countries. The developments and serious problems affecting the world economy have marked effects and repercussions on the economic situation and prospects of the countries of the region. To recall this, even if only in brief outline, is of particular interest in order subsequently to present certain reflections concerning the preparation of the Strategy for the next decade.

In the first four years of the 1970s the economy grew at an accelerated pace and the region as a whole attained an annual rate of approximately 7.5%. Some singularly important dynamic factors were, on the one hand, the national policies directly aimed at stimulating economic growth and, on the other hand, the buoyant external demand deriving from the favourable evolution of the developed countries' economies up to 1973. Another factor contributing to this process was the improvement in the terms of trade and a more flexible availabili-

ty of external financing than that recorded in the previous decade.

In 1974 the Latin American economic situation and the evolution of the world economy changed substantially. The oil-exporting countries benefited from a further increase in prices, which was reflected in a rise in their real income and an increase in their external purchasing power. In contrast, the non-oil-exporting countries had to face weaker external demand due to the economic recession in the developed countries, while also suffering a deterioration in their terms of trade. During that year, however, they continued to expand their investment and domestic product, and further increased their imports, thus incurring a substantial deficit on the current accounts of their balances of payments which was partly covered from their monetary reserves and partly from external financing.

In 1975, the worsening of external conditions was reflected in a significant drop in the external purchasing power of the Latin American countries and, in spite of the contraction in imports, the balance-of-payments current account deficits rose above the previous year's figures. The rate of economic growth fell drastically to only 3%, i.e., practically the same as the population growth of the region as a whole.

The three-year period 1976-1978 was characterized by a process of recovery, but even so the economic growth rate of around 4.5%¹ annually was one of the lowest in the last three decades. Growth has been uneven in the various countries: there have been some situations of comparatively higher growth, contrasting with others showing a more unfavourable evolution.

During this period, many countries affected by balance-of-payments problems strove to adjust or control their domestic demand. They promoted and succeeded in appreciably increasing their exports, while they contained and even reduced the absolute levels of their imports in an attempt to diminish the external imbalance. These measures are now more difficult to implement, since they would have

more serious effects on the rate of investment and domestic production, while at the same time the balance-of-payments position has also become more inflexible because of the increase in financial services and the remittances of interest and profits on the cumulative debt and foreign investment, added to which is the higher cost of imports due to inflation in the industrial countries and the higher oil prices for importing countries.

In brief, the interrelationships and degree of dependence recorded by the Latin American economies with respect to the course of the world economy, and in particular that of the industrial countries, are to a certain extent reflected in the parallel evolution of the economic growth rate of Latin America and of the industrial countries as a whole, above all since the middle of the 1960s. The indicators of the domestic product coincide in showing for the industrial countries and for the various groups of Latin American countries a relative rise up to 1973, a sharp fall in 1975 and a subsequent recovery. The statement of this fact is not intended to suggest a simple and immediate causal relationship. Among other aspects, there are powerful autonomous forces and factors in the Latin American process and the structural conditions have changed considerably with respect to the past. This same comparative analysis shows in the context of those interrelationships the singular evolution of the oil-exporting countries, the deferment until 1975 of the impact of the unfavourable external factors on Latin America's economic growth rate, a smaller drop in the rate than might have been expected from past experience, and the fact that within the context of the fluctuations described, Latin America's rate of economic growth tended to remain at a higher level than that of the industrial countries, without any contractions in its absolute level.

2. Changes in the structure of external economic relations

During the 1970s there were radical changes in Latin America's form of integration in the world economy and the process of internationalization and closer links with industrial market-economy countries has been intensified.

¹ It should be noted that the gross domestic product for 1979 is expected to increase by around 6.5%.

Transnational corporations have played a predominant role in this process, as also have private international banks, owing to the importance they have attained as a source of external financing for the Latin American countries. Governments, for their part, have promoted policies of opening up to the exterior in the various economic, financial and technological aspects. Specific expressions of the new structural relations are found in the rate and composition of exports and imports, which represent significant changes in the structure of economic growth, changes in the sources of financing, and in the high levels of external indebtedness.

Transnational corporations play an important part in manufacturing production. They predominate in the more dynamic key sectors which are also making more rapid technological progress, in particular in the chemical, basic metals, metal manufactures and machinery and motor-vehicle industries. They have less participation in the traditional industries, where national enterprises play a more important role. Their operations are mainly directed towards the domestic market and to a lesser extent towards exports. A significant proportion of the imports, external financing and absorption of technology by the countries of the region is channelled through the transnational enterprises sector.

It is estimated that in 1975 the cumulative investment of the Organisation for Economic Co-operation and Development (OECD) countries in Latin America was close to 40 billion dollars and sales by transnational corporations represented some 80 billion dollars.

The growth rate of exports has tended to rise since the middle of the 1960s, partly as a result of the deliberate promotion policies of the Latin American governments and in particular because of the course of external demand. Nevertheless, the region as a whole was far from achieving in the 1970s the target of slightly over 7% established for the Second Development Decade.

Exports experienced a dual process of diversification. Exports of manufactured products increased and for the region as a whole came to represent 20% of total exports, although this was not a uniform trend and tended to be concentrated in the large and some of the

medium-sized countries. This was accompanied by a process of diversification of the individual countries' exports of basic commodities or the establishment of new flows of agricultural and mining products which have gradually acquired considerable importance. Thus the effects of industrialization and of the production changes which have been taking place in the national economies for some time past have begun to yield results in terms of Latin American exports.

A movement towards greater liberalization of imports has been observable since the end of the 1960s, and in many countries this constitutes a new phase of economic policy, clearly different from that prevailing in the 1950s and the early 1960s. Imports grew vigorously and their coefficient with respect to the domestic product tended to increase. These trends were interrupted in recent years owing to the serious balance-of-payments problems.

The composition of imports shows characteristics which are of special significance for prospective analyses. First the major proportion comprises intermediate products, fuels and capital goods: thus, total demand for imports is closely linked with the course of domestic production and investment. Secondly, the value of imports of fuels, lubricants and other petroleum products has risen appreciably in most countries as a result of increased external supplies and higher costs, and absorbs an increasing proportion of current foreign exchange receipts.

In the inflationary context dominating the world economy, the evolution of prices of basic commodities and manufactures has been far from uniform among the various items and branches composing them: thus, the changes in the terms of trade have had effects of varying intensity and notably different results in the countries of the region. It is a well-known fact that during this decade the oil-exporting countries have raised their average terms of trade above the markedly depressed levels recorded in the 1960s. The non-oil-exporting countries, for their part, have shown diverse trends. The terms of trade have been distinctly unfavourable for some medium-sized and small countries and less unfavourable for others. If the whole group of non-oil-exporting countries is

considered, it will be seen that the improvement in the terms of trade favoured them for a relatively short period, particularly in the two years 1972-1973, but the position of this group of countries subsequently deteriorated and the index of the terms of trade in goods and services recorded a level very similar to the average for the 1960s, which in its turn represented a deterioration with respect to the levels of the previous decade.

Far-reaching changes have taken place in Latin America's external financing. This refers to the amount and composition of financing according to its sources. The balance-of-payments current account deficit for the group of non-oil-exporting countries has increased considerably, reaching an average for the 1970s of 3.2% of the gross domestic product: a much higher proportion than the average of 1.9% recorded in the previous decade.² The inflow of external funds, however, tended to exceed the current account deficit in many countries and contributed to the growth of foreign exchange reserves.

The other notable fact is the transcendental change that has taken place in the sources of financing. In the 1950s and the early 1960s, most of the funds entering Latin America consisted of official long-term capital and, in part, direct investment; in recent years, however, a large proportion has consisted of short- and medium-term loans from private banking and commercial sources, at increasing rates of interest. The level of commitment represented by external financial services with respect to national income and the current value of exports has therefore risen.

The nature of these financial flows and the situations of indebtedness created constitute factors of uncertainty and instability as regards their future prospects, above all if it is taken into account that they have so far made it possible to cover import needs which would otherwise have been more restricted, with an ultimate impact on the rate of economic growth and investment.

The result of this process has been an appreciable increase in the external debt, which

rose from some 10 billion dollars in 1965 to about 100 billion at the beginning of 1979. In short, a situation of external vulnerability has gradually arisen, which has special significance in the analysis of development policy prospects and guidelines.

Although the economic integration agreements, with the exception of the Andean Group, have met with difficulties and in the majority of cases have failed to achieve the established goals and objectives, important progress has been made in multinational infrastructure investment, particularly in the energy field, as well as in the expansion and diversification of intra-regional trade.

The proportion of total exports destined to other countries of the region has increased. Reciprocal trade has a bigger content of industrial goods, especially intermediate products and capital goods, and in some sectors these flows represent an important growth factor.

Certain technological flows have also been promoted between countries of the region, although this is far from representing a substantial change in their heavy technological dependence on the industrial countries.

3. Persistence of social problems

In most countries the high rate of population growth was maintained through the 1970s, although it tended to diminish in the latter years. In contrast, the growth of the labour force accelerated as a result of the population trends in previous decades and the greater participation of women in economic activities. The process of rural emigration continued and urban concentration was intensified, with its immediate effects in terms of the availability of manpower and increased pressure on the physical and social infrastructure of the cities.

The heterogeneity which has characterized the structure and development of the Latin American economies, and particularly the structure of the industrialization process, does not seem to have diminished during the decade. The incorporation of modern technology appreciably helped to increase production but had a limited spread, so that in this stage of Latin American development the differences in productivity between various segments of production have persisted or even increased.

²Percentages estimated on the basis of figures expressed in dollars at 1975 prices.

To this heterogeneity inherent in the urban area has been added a growing differentiation in the productivity of the rural area. Here, the development of modern agricultural enterprises, in a setting where the traditional rural economy changes slowly, has been reflected in marked inequalities in the productivity of the various systems of farming, with income distribution implications which may easily be imagined.

In the context of this economic and social process, employment problems and the magnitude of the poverty situations have not been attenuated either: in fact, everything seems to indicate that they may have been aggravated, particularly as a result of the slowing down of the economic growth rate recorded in many countries in the last few years. Various studies around 1970 indicate that the total underutilization of manpower may be estimated at the equivalent of about 30% of the total economically active population, and that one-fifth of such underutilization represents open unemployment. Furthermore, there are impressive differences in household income between the various social sectors, the share of a large mass of the population in national income being minimal.

This brings out the magnitude of the poverty situation, since estimates (also for the beginning of the decade) indicate that —with substantial differences between countries— the region as a whole records 40% of all families as affected by situations of extreme poverty, and nearly half of them could be regarded as indigent.

The evaluation of the social process prevailing in Latin America could therefore be summarized in the following concepts expressed in resolution 386 adopted at the eighteenth session of CEPAL: "The far-reaching social changes which have accompanied the prevailing process of economic growth in the region have helped to shape societies which are unjust and highly polarized, with increasing social differentiation and extremely unequal distribution of the benefits of growth".

4. Final considerations

The review of economic and social development in Latin America, some of whose salient

features have been set forth briefly above, stimulates certain reflections which it is useful to note in connexion with the discussion being held on important aspects of the new International Development Strategy. In this schematic document, special reference is made to the economic growth potential, the need for the expansion of trade, essential aspects of the region's external vulnerability and, finally, the equitability and social content of the development process.

The region as a whole showed itself to possess real growth capacity which enabled it to expand at an average rate of 7.4% in the period 1970-1974, although it must be recognized that considerable differences existed between one country and another. If it is taken into account, however, that many countries grew at low rates which were undoubtedly lower than they might have attained, it would seem safe to say that the region has a considerable economic growth potential.

Experience during this period showed that when external conditions are favourable the region is capable of promoting a dynamic and large-scale process of investment and economic growth. This is not a new feature, but it acquires special significance in this new stage of economic development attained by Latin America, because of the projections it may have within the framework of a new structure of the world economy, and because of its capacity to give greater weight to the social aspects of the development process.

The nature and extent of the effects produced by the evolution of the world economy and particularly the growth rate of the industrial countries on the economic growth of the countries of the region was evident. This is explained by the important role played in the context of the structure and factors of economic growth by external demand, the terms of trade, the supply of essential products required for economic growth and the availability of financing for increasing external purchasing power. It is therefore suggested that clear objectives be established in this connexion, and experience has shown the need to provide the international machinery necessary to take care of situations created by unfavourable external factors beyond the countries' control, such as the

adverse effects of recession and fluctuations in the world economy. The Strategy for the Second Development Decade did not consider this aspect because it was based essentially on the premise of sustained growth of the world economy.

It is clear that the region needs expanded external trade and financing in consonance with its economic development goals. Within the context of the structure of external relations, particular importance attaches to the development of active trade with the developed countries, with which the region currently conducts two-thirds of its trade. It depends on these countries for supplies of basic inputs, capital goods and technology, which are essential for carrying on the process of production changes and, in particular, industrialization plans. Accordingly, access under satisfactory conditions to the developed countries' markets which will facilitate the growth of exports of basic commodities, semi-manufactures and manufactures is an essential requisite for accelerating growth. Of course, regional co-operation and the expansion of reciprocal trade are also essential requisites, but they cannot be considered as substitutes for the first. Both strategies should be envisaged as complementary objectives, above all in the period covered by the 1980s.

These objectives, which are consistent with the national policies that have gradually been consolidated in the sense of promoting a development strategy with an increasing degree of openness to the exterior, come up against opposing or decidedly unfavourable trends and policies on the international scene, particularly in the central industrial countries. These are widespread inflation and unstable commodity prices, which ultimately lead to a deterioration in the terms of trade to the extent that they are not counteracted by rises in Latin

America's export prices; the restrictive policies and prospects of recession or slow economic growth in the industrial countries, which limit external demand; and the resurgence of protectionist measures which hamper or impede proper access to those countries' markets, added to which is the rise in the prices of fuels for importing countries.

This situation becomes even more complex because many countries of the region have accumulated substantial amounts of external indebtedness and the servicing of this represents high proportions of the value of exports, so that in some cases it will be difficult to exceed certain limits in respect of the debt unless current export earnings increase appreciably. It is clear, therefore, that the acceleration of Latin America's economic development is likely to face serious difficulties if such trends persist in the world economic situation. In these circumstances, the need for a vigorous regional co-operation policy once again arises in a new context.

The government appraisals made in CEPAL (Quito, Chaguaramas, Guatemala and La Paz) repeatedly make two fundamental comments on the styles of development prevailing in the region. One is that the development process fails to incorporate the whole mass of the population, and the other is that the benefits of economic growth are not equitably distributed. This situation will tend to get worse with the acceleration in the growth of the labour force. It will therefore be necessary to suggest strategies and policies on a more integrated basis and to promote structural and institutional changes which will lead to a new orientation of the development process, with a view to giving this wider social repercussions, increasing employment, improving income distribution and eradicating situations of extreme poverty within a reasonable period.

II

Economic development projections for the 1980s: the growth rate and the external sector

1. Growth in population and in the labour force and the need for more rapid economic growth

Future changes in the population, its composition and location and their repercussions on the labour force are of special importance in examining the basic objectives of the development strategy, especially because of the magnitude of unemployment and underemployment, the extent of poverty and the highly unequal distribution of income which prevails in the countries of the region.

The rate of population growth has accelerated in the past three decades, reaching a peak at the beginning of the 1970s. In recent years a decline in the high rate of population growth has begun, and has become quite substantial in some countries. This is the result of the economic and social changes and transformations characteristic of this stage of Latin American development, which are taking place at the same time that more favourable official and private attitudes to the adoption of population policies are developing. It is estimated that the present population growth rate of 2.7% a year will gradually decline, with an accentuation of this trend towards the end of the century, though even then the rate will still remain relatively high, probably slightly over 2% a year. In this way, it may be expected that the population of the region will increase by more than 100 million in the 1980s, from 360 million to 470 million, reaching a figure of around 580 million by the year 2000, according to available estimates.

In the next twenty years the marked differences in demographic processes which have been observed between the countries of the region will make themselves felt even more strongly. A group of countries comprising Argentina, Chile, Cuba and Uruguay will continue to record a decline in their population

growth, and their population will increase by between 0.9% and 1.5% a year. The absolute totals for the rural population will fall, while the labour force will expand substantially faster than the total population, tending to decline towards the year 2000.

Another group of countries, comprising Ecuador, Mexico and the majority of the countries of Central America, will maintain vigorous population growth, with annual rates of 3% or more for the total population, even though in some of them these rates will be lower than those of recent years. These countries will continue to experience strong growth in the urban and rural population, and the labour force will grow more rapidly than the total population.

Finally, a third group of countries, which includes Brazil and Colombia, among the countries with larger populations, show trends of an intermediate type. There will be appreciable drops in their population growth rates, but on the other hand growth of the labour force will rise to around 3% a year or even more.

The spatial distribution of the population will continue to change rapidly, and both individual population centres and the structure of Latin American societies will acquire new features. The growth rate of the rural population will tend to fall, and in the demographically less dynamic countries the rural population will contract in absolute terms. By the year 2000, about 80% of the population of the region as a whole will be urban, and two-thirds of the total population will live in towns of over 20,000 inhabitants. In all the countries the rural population will make up less than half of the total, and the degree of urbanization will be much higher than the average in the southern countries.

This growth in the population and change in its distribution will have serious economic, social and political repercussions. Firstly, there

will be a considerable expansion of potential and actual demand for goods and services, especially if efforts are made to achieve specific objectives as regards improving the living conditions of all sectors of society and reducing or eradicating situations of poverty and indigence within a reasonable period of time. Secondly, the spatial changes in the population will lead to profound changes in the form, size and relative importance of the urban and rural strata of Latin American societies; in particular, the growth of the urban population will exert strong pressure on the physical and social infrastructure. Thirdly, there will be a shift in the problems of unemployment and underemployment from the rural areas, with increased impact on underemployment and marginal or low-productivity occupations in the urban areas, to the extent that development strategies and policies do not satisfactorily tackle these problems. Fourthly, it is also clear that this population increase could broaden and diversify the markets of the Latin American economies if success is achieved in promoting a dynamic process of absorption of the labour force in production, raising per capita income and improving income distribution.

The explosive growth which will take place in the economically active population undoubtedly represents an exceptional challenge for development strategies and policies. Annual growth rates in the labour force of around 3% or even more, deriving from the age structure of the population and the greater participation of women—factors which will not be modified in the immediate future even if the decline in population growth is greater than expected—are extremely high, and give rise to an employment problem which is very difficult to solve and which is aggravated by the high levels of present unemployment and underemployment of the active population.

There will be a need, accordingly, for a form of economic development which is substantially more dynamic than that recorded in the region as a whole in the past, and much more so, of course, than that which has been achieved in recent years. It should not be forgotten that as economic growth accelerates, so does the increase in the product per employed person, because of the progress which

must be recorded in the introduction of new or modified forms of production. As is well known, there is a trend towards an increase in the capital required per person employed, as well as a sharp rise in the volume of output which is needed to absorb the same quantity of labour.

2. *The requirements posed by more rapid economic growth*

(a) *Scenarios of Latin American economic growth. The saving and investment requirements and the sectoral structure*

In order to pursue its analysis of development strategies and policies, CEPAL is carrying out a programme of prospective studies covering the 1980s and, as far as some aspects are concerned, extending to the year 2000. At this stage the study is being carried out on the basis of a macroeconomic analysis covering most of the countries of the region. The analysis examines three economic growth scenarios: one based on historical trends, one on moderate acceleration and the third on increasing acceleration.

For the region as a whole these scenarios give economic growth rates ranging from 6.3% to 8% per year. It must be clearly understood that these are not forecasts, but form part of a study whose basic aim is to supply inputs for the analysis of the problems and the clarification of certain aspects related to the nature and magnitude of the objectives which must be pursued by development strategies in relation to the acceleration of the growth rate for the next decade.

The scenario based on past trends (6.3%) represents a weighted average of the historical rates of growth of the gross domestic product recorded by each of the Latin American countries since the war. The most dynamic scenario (8%), for its part, has been designed to examine first and foremost the requirements in terms of economic growth and transformation of production which would be implied by the Lima industrialization target³ and greater ab-

³“Lima Declaration and Plan of Action on Industrial Development and Co-operation”, Second General Conference of the United Nations Industrial Development Organization, Lima, March 1975.

sorption of the labour force. In this context, the "moderate acceleration" scenario falls in an intermediate position. This is the scenario which is studied below.

For the region as a whole this scenario implies a growth rate in the gross product of about 7.5% a year. Consequently, it represents higher growth than the scenario based on long-term historical trends, for each of the countries considered, but as a whole would mean relative economic growth roughly equal to that recorded by Latin America in the first four years of the 1970s. However, it should be emphasized that during that period growth was principally concentrated in two or three countries, while the scenario under consideration assumes a more rapid growth rate in all the countries.

Achievement of this growth target would require a high level of dynamism of investment, the coefficient of which in relation to the product would have to rise to over 25%. In principle it is estimated that this would not represent an insurmountable obstacle, because the region has, especially in its boom period, provided evidence of its capacity to promote a very substantial investment process. Domestic saving would have to rise appreciably if—as would be desirable—external financing were limited to reasonable proportions *vis-à-vis* investment, the product and exports.

However, it should be noted that the conditions and performances outlined in this scenario vary from one country to another, and there are many cases where a more rapid growth rate calls for much greater relative increases in investment and domestic saving—and, accordingly, a more intensive effort—than in other cases. It is also evident that the relative importance of external financing compared with the levels of the product and of investment would likewise be substantially different from one country to another.

In this growth scenario, industrialization would acquire a relatively high level of dynamism and its annual growth rate would be slightly over 8.5%. This implies a much more rapid and thoroughgoing process of industrialization than in the past. It will be necessary to include new activities with higher technological content and greater investment of capital in

the essential intermediate products and capital goods branches. In this new stage, industrialization will have to take place in the best possible conditions of economic efficiency, since the achievement of this growth scenario calls for substantial expansion of trade in manufactured products among the countries of the region and exports to the markets of the developed countries and other developing areas.

The agricultural sector will also have to expand more rapidly. The macroeconomic projections drawn up on the basis of the historical ratios observed in the various countries between the product of the agricultural sector and the gross domestic product indicate, for the region as a whole, an annual agricultural growth rate of about 4.2%. More specific and detailed studies carried out in the Joint CEPAL/FAO Division, using the methodology and technical information supplied by FAO, give a similar rate of 4.3% per year, on the basis of a growth rate in the domestic product of about 7.5% and specific assumptions concerning external trade in agricultural products.

Project 2000 drawn up by FAO presents a normative scenario of economic development for Latin America which implies for the region as a whole a 6.9% growth rate in the product in the 1980s and a rise of 4.1% in gross agricultural output. Naturally, this rate would be slightly higher using an economic growth scenario with greater dynamism, such as the one considered in this document.

It is not easy to indicate accurately the degree of comparability between the projections produced by the macroeconomic model and the other two projections referred to, which relate to gross sectoral output. However, they all agree that the (gross) growth rate in agricultural output consistent with the economic development scenario under consideration would have to be somewhat over 4% a year. This implies a fairly substantial degree of acceleration over the historical trends and over the trends of the present decade, which, according to national accounts statistics, reflect growth of about 3.5% a year. The FAO series on gross output indicate slower growth: the 1978 levels of output imply an annual cumulative rate of 2.9% compared with the average for the three years 1969-1971.

This increase in agricultural output in the region is essential to meet the growth in domestic demand resulting from the expected growth in income—which would be still further intensified if targets were laid down for the eradication of extreme poverty or situations of indigence—and the need to meet at the same time the objectives of increasing exports of agricultural products and reducing imports from outside the region.

Various studies provide data which demonstrate the feasibility of more rapid growth in agricultural output. The greater dynamism would have to be achieved through greater recourse than in the past to raising the productivity of the cultivated land; however, increases in area will continue to be an important factor in raising output from this sector.

Analysis of energy requirements is a problem of special concern, because of the major impact they have on the technological and economic policy strategies of the development process. In present circumstances energy is of course a key aspect which must even be taken into account in assessing the feasibility of the scenarios themselves, in view of the basic and complementary nature of energy as a factor in the production of goods and services, to such a point that it is one of the defining features of the style of development of this industrial age.

Naturally, this examination must refer to the concrete situations in each of the Latin American countries. In this regard there are few comprehensive prospective studies of a technological and economic nature, and the overall analyses of projections which the secretariat has undertaken are still being prepared. However, a few general observations can be made to illustrate the nature and magnitude of the energy problem in relation to Latin American economic growth.

As was explained in the previous chapter, total energy consumption measured in terms of the use of primary sources increased over the postwar period at an average rate of about 5.5% a year; in other words, for the region as a whole energy requirements grew at the same rate as the domestic product. Much greater growth was recorded in commercial energy (almost 7% a year), because of the replacement of traditional sources.

As a result of the increases currently occurring in the real prices of hydrocarbons, which for the region as a whole make up more than 60% of total energy supplies, it may be expected that the elasticity of demand *vis-à-vis* the product will tend to fall and that deliberate policies will be applied to restrain energy consumption in specific sectors or for specific purposes. At the same time, however, it is clear that the rate of economic growth and the dynamism of the productive and technological transformation which would accompany the economic development scenario under consideration in fact imply an appreciable increase in the product per person employed and a greater input of energy, in line with familiar technological patterns. As a result, unless other styles or scenarios of development are conceived, it may be assumed that, despite any economies which may be achieved, energy needs will rise faster than in the past and will tend to double within 10 to 12 years under the economic growth hypothesis of 7.5% a year.

In view of the uncertain prospects ahead as far as energy supplies are concerned, it is worth analysing whether the conditions prevailing in the countries of the region in this regard will make it possible to meet the requirements referred to. Only a few general aspects of this issue will be mentioned here.

It should be noted that the region as a whole is a net exporter of energy to the rest of the world. However, as was pointed out in chapter I, the exportable balances have been declining. In recent years this situation has tended to change somewhat with new flows of exports, principally from Mexico. The studies on this subject must be updated, since there is much uncertainty concerning the evaluations. At present no more than five countries are genuine net exporters of hydrocarbons, while all the others are net importers, although they display widely varying degrees of external dependence.

A variety of situations exist at the national level. On the one hand, the oil-exporting countries have strengthened their financing capacity and, as their terms of trade continue to improve, their opportunities for more rapid economic growth will broaden still further. On the other hand, the non-oil-exporting countries

face a variety of prospects. In some, the importance of external fuel supplies in relation to projections of total demand, and the size of fuel costs compared with current income in foreign exchange, are relatively small. Their demand for imports of hydrocarbons will tend to grow at different rates depending on the development of domestic production and the results of the energy measures and policies adopted. Their balance-of-payments problems may worsen, but they are very unlikely to prove an insurmountable obstacle or to do any more than other factors to hamper progress towards the target of more rapid economic growth. In contrast, there is another large group of countries of various sizes where the degree of dependence and the relative importance of the cost of imports are much greater, and constantly growing. In this group there are many cases where the energy problem is becoming extremely important, and where economic growth scenarios cannot be considered independently of energy prospects and programmes. In these countries, economy in the use of energy, the replacement of hydrocarbons by other conventional and non-conventional energy sources, the reduction of dependence on petroleum imports and the expansion of exports in order to increase external purchasing power must be regarded as inescapable objectives of the development strategies and policies. The need to tackle, within a framework of regional co-operation, the problems of the balance of payments and of access to a stable supply of energy which are facing the countries most seriously affected by the energy shortages was recognized by the Extraordinary Meeting of Ministers of OLADE (Costa Rica, 6-8 July 1979) in the "Declaration of San José": "A lasting solution to the present crisis calls for immediate and continuing efforts to increase the supply and diversify the sources of energy, and to rationalize demand. However, because of the specific characteristics of the sector, these actions can only bear fruit in the medium and long term. Accordingly, it is urgently necessary to seek machinery to guarantee in the short term a stable supply of energy to the developing countries which at present import it".⁴

⁴Paragraph 6 of the Declaration of San José.

"In the short term, there is an urgent need to deal with the problems arising from the serious balance-of-payments situation being experienced by some oil-importing countries of the region. However, this should not mean ignoring long-term programmes to attack the structural roots of the present situation: basically the poor progress made in the exploitation of local energy sources both in relatively less developed countries and in countries at an intermediate level."⁵

This growth scenario implies a substantial sectoral and technological transformation of the economies of the Latin American countries. According to it, the share of the agricultural sector will fall appreciably, while that of the manufacturing sector will rise. The dynamism of this process and the levels of the indexes of the sectoral breakdown of the product will vary between countries, and these will continue to record substantial differences in degrees of development over the next 20 years.

This scenario is also characterized by a sharp increase in the product per person employed, which indicates the strong process of technological transformation which would spread through the national economies. This aspect applies to almost all the various groups of countries. It is more intense in the manufacturing sector compared with the agricultural sector and the economy as a whole. This disparity in the growth of productivity between and within the economic sectors raises serious problems which will have to be taken into account in formulating policies to improve the distribution of income.

Despite the rise in the productivity indexes, the greater dynamism of the economy will be reflected in a higher level of absorption of the labour force, which, for the region as a whole, could actually equal the increase in the economically active population. Even so, however, this would not solve the problem of unemployment in a relatively short period, because of the extent of underemployment and open unemployment. Nevertheless, improved levels of productivity and income would be promoted for that segment of the population. The structure of employment would have to

⁵Paragraph 19 of the Declaration of San José.

undergo substantial changes, not only as regards its sectoral distribution, but also as regards its breakdown in terms of the nature of the occupations and their degree of skill. This raises the question of the training needs of the economically active population, which must also be examined.

(b) Import requirements

In most of the countries of the region, from the end of the 1960s up to 1974 the volume of imports grew rapidly, and faster than the domestic product. This occurred in the context of structural changes in the direction of more open relations with foreign countries, the diversification of exports, greater use of external financing, and active participation by the transnational corporations in the economies of the countries of the region. In contrast, in the last four years, as a result of the serious balance-of-payments problems in the non-oil-exporting countries, the dynamism of imports has fallen so much that in some cases there has even been a fall in absolute levels, particularly in the most important countries of the region.

These prospective studies examine the possible future trend of imports in the context of a dynamic process of growth, taking into account various factors concerning the characteristics of this process, especially its relations with the product and investment. This analysis shows that the import requirements will tend to grow for almost all the countries, and for the region as a whole, slightly faster than the domestic product. Thus in the scenario under consideration imports would grow at a rate of 8.0% per year in the 1980s. In this way the value of imports of goods and services in 1990, at constant 1975 prices, would be 2.6 times higher than the average recorded in recent years (1976-1978). The predominance of intermediate products and capital goods would continue, and the greatest relative increase would occur in imports of capital goods.

(c) Export requirements and the balance-of-payments problem

It is clear, therefore, that the external purchasing power of the Latin American countries will have to grow much more than in the past in

order to satisfy this demand for imports of goods and services. This growth will depend on three principal sources: (i) volume and diversification of exports; (ii) evolution of the terms of trade; and (iii) possible extend of external investment and financing. Thus, for example, if it is assumed that the terms of trade will remain at their 1976 levels, and that the ratio between net external financing—equivalent to the deficit on the current account of the balance of payments—and the domestic product will remain similar during the 1980s to that recorded by the countries during the past decade, then for the region as a whole revenue from exports of goods and services should increase at a rate similar to that of imports (8% annually during the 1980s), while net external financing will represent an average of 2.8% of the gross domestic product, and about one-fifth of exports of goods and services by 1990. Obviously, export needs will be lower if there is more net external financing, and the same would apply if the terms of trade improved. It has therefore been calculated that the required exports of goods and services will grow at 7% per year, if net external financing increases still further during the 1980s to reach 4.4% of the gross domestic product by 1990. This coefficient will be even higher in the following decade if exports continue to grow at the same rate. Thus, servicing and profits of foreign debt and investment would tend to reach very high levels with respect to current export earnings, leading to situations which it would be difficult to manage in practice; this would also imply a structure of economic growth in which the domestic saving coefficient would tend to decline as economic growth accelerated. Naturally, this structure could improve appreciably with favourable changes in the terms and conditions of the transfer of real resources to the developing countries. In any event, it is clear that the growth of exports and the improvement of the terms of trade are basic factors in this economic growth scenario.

This raises the problem of examining the projections of the external demand required to satisfy Latin America's export needs and the nature and scope of the structural changes which should be encouraged in the international order so as to boost the growth of the

trade of the developing countries. There are various projections based on different hypotheses concerning world economic growth and in particular the growth rate of the industrial countries.

The secretariat too has studied this question, and its basic global findings are broadly in agreement with other projections if the comparisons are made in similar conditions. One study, essentially based on historical trends, gives the following results: if world trade grows in the 1980s at a rate of 7% or slightly more and the region follows past trends, the growth rates of exports will also be similar to those in the past: around 5% per year. This implies a continuing decline in the region's share of the trade in primary commodities and fuels, while manufactured products would increase at a rate similar to that of world trade (8% to 9% annually).⁶

As was pointed out above, however, in the course of the 1970s the Latin American countries made great efforts to change past trends by means of deliberate policies to promote and diversify exports, and the trends have undergone a number of important changes. It is interesting to note that in the last three years (1977-1979) Latin American exports (excluding Venezuela) grew at an annual rate of nearly 10%.

The projections thus reflect a great difference between the growth rates of exports and those of imports, leading to a large and increasing deficit in the trade balance. However, it is necessary to recall what was said earlier about the fact that these results stem from projecting the slow growth rate of primary exports and their declining share of world trade; the trends

of fuel exports, which may now change considerably with Mexico's new position as an oil exporter; and past trends in Latin America's share of manufacturing exports. This structural picture will necessarily change in line with the larger size and altered conditions of production and supply of the Latin American economies, as assumed in the scenario under consideration, and with the structural changes which must be encouraged in the world economy with a view to the establishment of a new international economic order.

A number of quantitative studies have been made of the possibilities and policies for reducing this potential trade account deficit, and of its effects on the economic growth rate. It is quite clear that external financing cannot be the main means of covering this deficit, which is aggravated by the outflows stemming from payments of profits and servicing on foreign investment and debt. This would not be viable because of the size of the deficit, and would not be sensible because of the reasons given above in connexion with the significance of the deficit and the adverse effects which a policy of that kind would have on domestic saving.

Broadly speaking, the complementary global aspects which should be taken into account are: (i) the growth and diversification of exports surpassing the results of the trend projections; (ii) the improvement of the terms of trade; (iii) the possibilities of holding down imports below projected levels; and (iv) the use of more external financing than is proposed in the prospective studies.

The growth of exports should be considered from the standpoint of their composition and markets. With regard to the growth rate and structure, it was pointed out in chapter I that the process of diversification of exports underway since the end of the 1960s was stepped up during the 1970s and that this occurred both in the case of primary commodities and thanks to higher exports of manufactured goods. Nevertheless, for the region as a whole exports of manufactures only represent about 20% of the total, and are concentrated in the large and some medium-sized countries. Naturally, this export structure must change in favour of a higher share of manufactures, including branches with more advanced technology content,

⁶In the quantitative prospective studies prepared by the Department of International Economic and Social Affairs (DIESA) at Headquarters on the basis of trends in a more recent period, the highest growth variant (4) projects an annual growth rate of 5.7% for Latin American and Caribbean exports of goods and services. The World Bank, in its *World Development Report, 1979*, publishes the results of three projections of the growth of the world economy during the coming decade, defined as "base", "high" and "low", respectively. In the base projection, world trade in goods grows by 6% and exports of the developing countries by 6.5%; in the high variant, these figures are 7.3% and 7.6%, respectively. It should be noted that the growth rates of the gross domestic product of the industrialized countries are 4.2% and 4.9% for the same variants.

all of this in keeping with the transformation of production and technology which accompanies the economic development process, and with a development strategy aimed at maintaining a certain degree of external openness in order to favour the most efficient allocation of resources and the growth of productivity. The same reasoning, particularly in relation to resource endowment, applies to the greater growth which should be achieved in exports of primary commodities with an increasing degree of processing: in this case there is also the fact that these branches account for a large part of the total exports of the region, particularly in the medium-sized and small countries.

The substantial increase required in Latin American exports for the coming decade should therefore include the various branches of primary commodities with a higher degree of processing, new export flows and the growth and diversification of manufactures, which are the fastest growing international trade flows. It is well known that Latin America's share in world trade in primary commodities has been declining. These quantitative studies show that if the region maintained a specific share of that world trade and were allowed access to the markets of the industrial countries, this would suffice to permit its exports as a whole to increase at a significantly higher rate than in the past. In any event, manufactures should become the most dynamic Latin American export flows.

In recent years, about two-thirds of the value of total Latin American exports has been absorbed by the developed countries, as opposed to a little under 20% by the Latin American countries themselves, a little under 10% by the socialist countries and 4% by the other developing areas. In these circumstances, it is obvious that the achievement of the export targets required by the economic growth of the region will depend heavily, especially in the first stage, on their access and increased flows to the industrial countries which currently absorb such a high proportion of them, as indicated above. In turn this will depend on the growth of those countries' external demand, and in particular on deliberate policies aimed at removing the notorious restrictions of all kinds which limit access to their markets, and

on policies to restructure their domestic economic activity and bring about the basic conditions for a new, expanding place for the developing countries in the world economy.

These studies also show very clearly that despite the positive results which may be achieved in increasing and diversifying exports to the developed countries, the growth of intra-regional trade also appears to be a necessary condition for accelerating the development of the Latin American countries. This trade has been growing faster than trade with the rest of the world. At the beginning of the 1960s, exports to the region represented only 8% of the total, as against 17% today;⁷ furthermore, the composition of these flows of exports of goods is different from that of trade with the rest of the world, since they predominantly consist of new branches of intermediate manufactures and capital goods.

It is likewise clear that growth of trade with the socialist countries and other developing areas should be another complementary objective, in order to make use of the enormous potential of those areas. Besides, these objectives are included in national policies and CEPAL is carrying out basic studies in this field.

The fluctuations and deteriorations of the external terms of trade have major effects—favourable and unfavourable—on the balance of payments and the course of investment and real income in the Latin American countries. These prospective studies assume constant terms of trade at the 1976 level. An account of the relative position of the indexes during the 1970s was given in chapter I above. It may be noted that the terms of trade tended to improve in 1977 with respect to 1976, but worsened in 1978 and 1979. The outlook for the terms of trade is far from encouraging, particularly in the short and medium run, due to the increasing cost of imports from the industrial countries, the higher prices of fuels, and the instability and uncertainty regarding the prices of primary commodities. To the extent that the terms of trade deteriorate, the balance-of-payments problems will also worsen. Hence the crucial

⁷These figures do not include the countries and territories of the Caribbean, with the exception of Haiti and the Dominican Republic.

importance attached by Latin America and the developing countries to achieving stable and remunerative real prices for commodities in international markets.

The model used in these economic development scenarios assumes that imports will grow relatively faster than the domestic product. The product-elasticity of the projected imports is lower than was actually the case in the first years of the 1970s; however, the models present a relatively open growth structure in comparison with what occurred in past decades when the import substitution model prevailed.

The question which arises with regard to the potential deficit under examination is whether it would not be possible to secure the proposed economic growth with an import elasticity less than that resulting from these studies. This is a crucial question at a time of growing protectionism and resistance on the part of the developed countries to the idea of adopting effective measures to expand trade with the developing areas in the framework of the restructuring of the world economy. While it would be impossible to give an exact technical answer on the basis of the global analysis under consideration, some general remarks should be made on this point. In the first place, there are a number of reasons for believing that within the framework of the prevailing style of development, the import elasticity resulting from the quantitative studies may be considered reasonable from the standpoint of a given structure of economic efficiency. However, another relatively less open growth structure could be imagined, which would involve a somewhat lower import coefficient, and along these lines it might be considered that at least the large and some medium-sized countries are in a better position than

in the past, due to the industrial capacity they have acquired and their larger domestic markets, to advance in the substitution of imports of essential intermediate and capital goods, and thus achieve an overall relative contraction of their import needs.

The experience of the contraction or slow growth of imports in the last four years could be taken as an indication of their "excessive" growth in earlier years and of the feasibility of holding down the import coefficient at least in the next stage of economic development. Obviously, however, the experience of this period is relatively short, and has been marked by special situations, so that it does not permit conclusions to be drawn about the longer-term results of that kind of policy. In addition, a policy of this kind should unquestionably be considered in the context of the growth of intra-regional trade, since this would favour a more efficient solution than a contraction of the import coefficient at the national level.

Finally, this discussion of the possible reduction of imports below the projected levels also calls for a mention of the effects of essential changes in the development strategies, leading to income redistribution and social policies very different from those which currently prevail. It is usually believed that in such situations import needs could decline in relation to specific global economic growth rates, but this would undoubtedly have to be the result of substantial changes in development and life styles. Further study should be made of this point in relation to concrete situations, because it may also be supposed that development strategies differing from the prevailing ones would mainly lead to major changes in the composition of imports and their social destination, rather than in their total volume.

III

Goals and objectives of Latin American development and the new IDS

1. *The preliminary outline of the new Strategy and the need to incorporate regional machinery for its implementation*

(a) *The preliminary outline of the new Strategy*

Resolution 33/193 provides that as far as its conceptual content is concerned, the new Strategy "should be formulated within the framework of the New International Economic Order", and indicates the fundamental objectives the Strategy should pursue at the world level and at the levels of international economic co-operation, co-operation among developing countries, and the economic and social development of the developing countries.

Although agreement has not yet been reached on the outline of the Strategy and both the formal and conceptual aspects are the subject of intensive discussions and negotiations of a technical and political nature, the following preliminary outline may be taken as a guide:

- I. Preamble
- II. Goals and objectives
- III. Policy measures
- IV. Machinery for the implementation of the Strategy
- V. Review and appraisal of objectives and policy measures
- VI. Mobilization of public opinion.

At its last meeting the Preparatory Committee discussed a preliminary outline of the preamble, but important conceptual aspects of the new Strategy have yet to be approved. It is not easy to establish a clear criterion for deciding what goals and objectives should be included in section II without partially repeating the proposals which might be considered in section III on policy measures and institutional reforms, and these difficulties arise above all when the objectives are expressed more in a qualitative manner. The present document will suggest a pragmatic solution, taking as a refer-

ence experience with the Strategy for the past decade and the provisions of resolution 33/193.

Section IV proposes for consideration three basic instruments for the implementation of the Strategy, namely: (i) regional programmes of action for the implementation of the Strategy; (ii) the negotiations which it has been proposed to carry out in the United Nations, the specialized agencies and other bodies, and (iii) national development plans or programmes. Section V deals with the machinery which will be established for the periodic review and appraisal of the objectives and policy measures; this is a subject which will have to be examined in the light of the experience of the past decade, in order to ensure the greatest possible practical effectiveness. Finally, it is felt that since the mobilization of public opinion is of the greatest importance, it should be highlighted in a special chapter.

The present document will deal with the targets and objectives from the Latin American standpoint, and make a number of suggestions about new aspects of the implementation referred to in section III. It will begin with this section, since the ideas put forward have implications for all the other issues, and particularly the identification and formulation of the targets and objectives.

(b) *Three basic mechanisms for the instrumentation and implementation of the Strategy*

The interesting question has been raised of the consideration which should be given in the new IDS to specific aspects and issues of the regions and countries, above all in relation to social development, regional co-operation, co-operation between different developing countries or areas, mobilization of national resources, regional or subregional infrastructure plans and problems linked with the protection of the environment. This is particularly impor-

tant bearing in mind that the previous Strategy was rightly criticized for the global nature of its targets and objectives and the general character of its proposals and policies. As a result, many aspects of it are very difficult to implement in practice, and in many cases it fails to provide adequate reference points for carrying out the periodic review and appraisal of its implementation, due to the variety of situations and perspectives existing in the countries and regions of the developing world.

A practical solution, and one which would represent a considerable step forward in comparison with the previous Strategy, would be that once the new Strategy has been approved by the General Assembly the regional economic commissions should prepare regional programmes of action to implement it in their region. Thus the regional economic commissions, working at the level of their governmental bodies, could expand the general proposals and make them more specific, taking into account the particular conditions and the priorities of each region, particularly as concerns national development policies, objectives and basic targets, regional co-operation and co-operation with other developing areas, and other issues considered worthy of inclusion. The regional economic commissions could also consider major regional or subregional projects.

In this connexion, it is very important to recall the attitude of the Committee for Development Planning as set forth in paragraph 117 of the report of its fifteenth meeting (March-April 1979), which states that "the adoption of an International Development Strategy for the Third United Nations Development Decade by the General Assembly in 1980 should not be an isolated act. Rather, it should be followed by a continuing evolution of regional and subregional strategies to elaborate more specific goals and measures of policy in relation to regional needs and circumstances. The dialogues conducted among governments for this purpose in regional and subregional forums should pave the way for enhanced economic and technical co-operation among members of the relevant regional or subregional bodies. The inter-governmental forums of the United Nations regional commissions are already available for this purpose. They should serve as one of the

main instruments for designing and implementing regional and subregional programmes of action, thereby enhancing the operational content of the Third Development Decade".⁸ The Committee for Development Planning also stresses the need to select a limited number of major regional and subregional projects, with the participation of the regional economic commissions.

For its part, CEPAL has already taken decisions on this question at its most recent session. Resolution 386 (XVIII) on the preparations and contributions by CEPAL for the new Strategy formulates a number of recommendations to governments and entrusts the secretariat with various tasks which include in particular the following:

(a) The secretariat should prepare a regional action programme aimed at instrumenting the implementation of the Strategy to be adopted by the General Assembly;

(b) CEGAN should be convened before the end of 1979 and during 1980 to evaluate the progress made in the preparatory activities for the new Strategy carried out by the Preparatory Committee, and also the work of the CEPAL secretariat in this field;

(c) The member governments of the developing countries of the region should prepare plans and programmes which include the formulation of economic and social development objectives and goals for the forthcoming decade, together with their relevant strategies and policies, suitably linked with the instrumentation and implementation of the Strategy as far as the Latin American countries are concerned;

(d) At the nineteenth session of the Commission, which will be held early in 1981, a regional action programme for the instrumentation and implementation of the new International Development Strategy to be adopted by the General Assembly should be considered, and the development decade for the countries of Latin America be proclaimed.

To the extent that some degree of compatibility can be achieved between the International Development Strategy at the world lev-

⁸E/1979/37.

el, the programme of action at the regional level, and the programmes or plans of governments at the national level, highly effective practical machinery will have been set up. It would unquestionably be very useful to examine the implications of regional programmes of action and the programmes or plans to be adopted by governments, in order to secure this compatibility between the three levels.

In addition, it is suggested that this chapter of the Strategy should include the decisions adopted on the programme of negotiations under consideration by the General Assembly in accordance with the draft resolution of the Group of 77. In brief, there seem to be three important elements, *inter alia*, which would serve for the implementation of the Strategy and the formulation of its periodic reviews, namely: (i) the programme of negotiations; (ii) the regional plans of action prepared by the regional economic commissions; and (iii) the national development plans or programmes. If the new Strategy is conceived in this context, the technical and political discussions within the General Assembly could certainly be simplified and facilitated.

2. Preliminary statement of goals and objectives of the new Strategy in relation to Latin American development

(a) The problem of determining goals and objectives

Given the interrelationships among the different topics to be covered by the IDS, it is difficult to find a clear criterion for identifying what should be included in the chapter on goals and objectives as against what should be covered by the chapter on policy measures. Thus, for example, it may be considered that the fundamental objective of the IDS is to accelerate economic development and increase the social welfare of the entire population of the developing countries and that everything else, such as investment, saving, sectoral production, foreign trade, the transfer of resources, and so forth, represents constraints which should be taken into account or means, instruments or agencies needed to achieve this basic goal. Obviously, proposals at this level of ab-

straction would undermine the practical usefulness of the Strategy, since it is essential to establish targets and objectives of different levels or dimensions which serve the triple purpose of indicating the scope of the transformation and growth to be achieved, suggesting the nature of the policy measures and institutional reforms to be introduced, and providing as coherent an outline as possible for appraising the progress made and evaluating the effectiveness of the proposed policy measures.

The relevant section of the Strategy for the past decade sets forth two classes of targets and objectives: (i) quantitative targets for the developing countries as a whole regarding the growth of the global and per capita domestic product, agricultural output, manufacturing output, domestic saving and exports and imports; (ii) qualitative objectives of social development relating to the distribution of income and wealth, employment, education, nutrition, housing, child welfare, the participation of young people and the integration of women. It thus appears that the approach adopted was to consider only targets and objectives relating to economic and social issues which should characterize the growth and transformation sought for the developing countries. Other targets and objectives such as, for example, the quantitative target for the transfer of resources, appear in the major chapter on policy measures.

Various possible solutions may therefore be considered: one would be to devote this section exclusively to quantitative economic growth targets and social development objectives of the developing countries, introducing where necessary other targets and objectives of a quantitative or qualitative nature concerning other subjects in the chapter dealing with policy measures. Another possibility would be to choose the most important aspects of the Strategy at the world, regional and national levels, for which purpose it would be necessary to define these targets and objectives to serve the three purposes described in the preceding paragraph. This is certainly the most appropriate procedure, especially in the present circumstances, where the Strategy is attempting to introduce structural and institutional reforms aimed at shaping a new international economic order. This represents a fundamental

difference in comparison with the Strategy for the second decade, which was conceived as a programme of action to be carried into practice within the framework of the existing order.

In keeping with this broader view of the significance of the targets and objectives, and taking into account the experience of the past decade and particularly the provisions of resolution 33/193, there follows an outline of the different areas for which it is thought desirable to define quantitative targets or qualitative objectives in the new Strategy. Six areas are identified, namely: (i) economic development; (ii) social and human development; (iii) self-reliance and mobilization of national resources; (iv) restructuring of the world economy; (v) regional co-operation, and (vi) co-operation among developing areas and countries.

The economic development targets and objectives are mainly quantitative and in principle concern well-known areas as described below. It is suggested that they should include objectives or targets for energy, in view of the enormous importance of this sector for the growth and structure of the social and economic process. This objective might refer to the various aspects of production, conservation and economy and the need to promote new energy sources. The possibility should be considered of establishing quantitative targets which could refer to the forthcoming decade in some aspects and to the longer term in others.

With regard to social and human development, five kinds of proposals are suggested: (i) a global objective concerning the social aims of economic development, and the social changes and improvement of income distribution to be achieved; (ii) an objective concerning the elimination of extreme poverty; (iii) specific objectives for employment, nutrition, education, health and housing; (iv) objectives for child welfare, the participation of young people and the integration of women; and (v) objectives for the conservation of the environment.

Naturally, these are areas for which it is difficult to establish quantitative targets of a practical nature for the entire developing world, given the diversity of situations and outlooks and the great differences in the national strategies and policies followed in this field. The strategy should certainly indicate the ob-

jective or goal to be pursued in each of these areas and establish in general terms the period within which the proposed aims should be attained. It should also be explicitly stated that in their plans and programmes the regional economic commissions, in co-operation with the specialized agencies and above all the countries, should define more precisely the conceptual content of the objectives and the time period for achieving them. Very broad proposals regarding objectives in this field have been put forward at regional and international conferences, and they all coincide in referring to the achievement of these objectives within the forthcoming decade and the 1990s. Despite their general nature, these proposals have the enormous virtue of indicating the orientation which should guide action to attain the essential goals of development.

With regard to self-reliance and the mobilization of national resources, the following is suggested: (i) a qualitative objective regarding cultural identity and the development of endogenous life-styles; (ii) the full mobilization of human and material resources; (iii) the acceleration of investment and formation of the infrastructure and perhaps a target for the domestic investment coefficient with respect to the product; (iv) the objective of improving productivity in the economy, restraining consumerism and increasing saving in order to promote accumulation, which could also be expressed as a target for the saving coefficient or changes in this coefficient.

The proposals on targets and objectives in relation to the restructuring of the world economy have been formulated in order to round off the picture in line with the proposed criterion and include in this section most of the provisions of resolution 33/193 regarding objectives. Thus, in principle, proposals are suggested on the following issues: (i) the need to restructure the world economy in keeping with the goals described below; (ii) the international trade of the developing countries, establishing targets for their exports and imports and objectives for the diversification of exports and in relation to improving and stabilizing the real prices of commodities; (iii) the transfer of resources to the developing countries, and (iv) the transfer of technology, another topic referred to in res-

olution 33/193. Obviously, this question and others such as transnational corporations and the international monetary system could be dealt with entirely in the chapter on policy measures.

Regional co-operation and co-operation among developing areas and countries should play a very important role in the implementation of the new Strategy. Dynamic progress in this area will make an important contribution to the shaping of a new international economic order. As explained in chapter II of this document, the expansion of Latin American trade and economic co-operation both within the region and with other developing areas is a necessary condition for more rapid economic development. Resolution 33/193 emphasizes that the new IDS "should contribute to the promotion of the objective of national and collective self-reliance of the developing countries, especially through the promotion and support of economic and technical co-operation among themselves". These issues will undoubtedly be considered in the section of the Strategy covering policy measures, but because of their importance and their direct link with the regional action programmes which have been proposed, it is considered desirable to incorporate qualitative objectives of a general nature, without prejudice to the indication and possible establishment in the regional plans of action of quantitative targets, such as, for example, targets relating to the expansion of intra-regional or subregional trade.

(b) *Outline of targets and objectives*

Concerning economic development:

(i) general objective concerning more rapid economic growth and greater social welfare for the whole population;

(ii) growth targets for the overall and per capita gross domestic product of the developing countries as a group;

(iii) special economic growth target for the relatively less developed countries;

(iv) general objective concerning the diversification and transformation of the economies of the developing countries;

(v) target for agricultural output;

(vi) target for manufacturing output, and
(vii) energy objectives: energy production, conservation and saving, and diversification of energy sources. Possible determination of quantitative targets.

Concerning social and human development:

(i) general objective concerning social development, indicating the essential aims of economic growth: greater social welfare for the entire population and full participation of the latter in the development process. Improvement of the distribution of income and wealth;

(ii) objective concerning eradication of situations of extreme poverty and indigence;

(iii) specific objectives on employment, nutrition, education, health and housing;

(iv) objectives concerning the welfare of children, the participation of young people and the integration of women, and

(v) objectives concerning protection of the environment.

Concerning self-reliance and mobilization of national resources:

(i) general qualitative objective concerning cultural identity and the development of endogenous styles and ways of life;

(ii) general objective concerning the full mobilization of national human and material resources as the principal basis of support for endogenous growth;

(iii) objective concerning the acceleration of investment and formation of infrastructure, with possible indication of a quantitative target in terms of the domestic investment coefficient, and

(iv) general objective concerning the raising of productivity, the restraining of consumerism and the expansion of saving to stimulate accumulation. Possible establishment of a target for growth in the savings coefficient or concerning the magnitude it should reach by the end of the decade.

Concerning the restructuring of the world economy:

(i) proposals of general scope concerning the need to restructure the world economy, indicating objectives and goals, namely:

- changes in the structure of production and raising of the share of the developing countries;

- reduction of differences in per capita income between developed and developing countries;

- structural modification of the trade relations between developed and developing countries;

- dynamism and stability of the world economy;

- guaranteeing sustained growth in the developing countries;

(ii) proposals concerning the external trade of the developing countries, covering the following aspects:

- target for the developing countries' imports;

- target for the developing countries' exports;

- general objective concerning necessary diversification and changes in the flows of exports of the developing countries;

- general objective concerning the improvement of the real prices of primary commodities and their stabilization at remunerative levels;

(iii) proposals concerning the transfer of resources to the developing countries:

- general objective concerning the need to achieve a genuine transfer of resources to contribute to the growth and transformation of the structure of production of the developing countries, without prejudice to recognition of the special situations which may arise in working towards other essential needs of the population;

- indication of quantitative targets;

- (iv) general objective concerning the transfer of technology (this issue might be referred to, in all its aspects, in the chapter on policy measures).

Concerning regional co-operation:

The IDS might indicate the fundamental objectives which should be achieved as regards economic co-operation, revitalization of the regional and subregional integration processes, multinational projects, expansion of reciprocal trade, and financial, scientific and technologi-

cal co-operation. The regional action programmes to be prepared by the regional economic commissions would specify more precisely targets and objectives of a qualitative and quantitative nature in accordance with the specific circumstances of each region.

Concerning co-operation between developing areas and countries:

In general terms, the same pattern might be followed as that indicated for regional co-operation.

3. Final comments on the targets of the development scenarios for the forthcoming decade

Before outlining some main conclusions regarding the economic development targets which can be drawn from the studies on the development scenarios for the forthcoming decade, two important clarifications should be made: (i) the purpose of the studies contained in this document is not to establish here and now the growth target to be fixed for Latin America for the coming decade, but rather to contribute information and technical analysis to the discussion currently underway and very tentatively suggest some reference points in a number of areas so as to provide orders of magnitude or constraints for the quantitative targets and objectives; and (ii) every global target given in the Strategy for the region as a whole or for the developing world as a whole is necessarily a weighted average of widely differing situations and outlooks, and thus an aggregate target in principle assumes the existence of countries or groups of countries above or below the target.

Of the three economic growth scenarios studied by the secretariat the intermediate growth scenario assuming a growth of nearly 7.5% for the region as a whole was used for the more detailed prospective analysis in chapter II of this document. It was felt that this scenario could provide an illustrative framework shedding light on the nature of the changes and the scope of the policies needed at the national and international levels to step up economic development, as well as supplying useful technical information for when the normative economic

growth targets are discussed. It is therefore worth outlining some aspects of the quantitative analysis so as to be able to appreciate the implications of the scenario:

(i) The scenario represents an intensification of the growth and economic and technological transformation of the economy of the region in comparison with trend projections, which give an annual growth rate of the gross domestic product of 6.3% for the region as a whole. It should also be borne in mind that the growth rate assumed in the scenario (7.5%) was actually achieved by the region as a whole in the first four years of the present decade, and while it is true that this was largely accounted for by only a few countries, whose present prospects are less favourable than at that time, it is nonetheless true that the outlook for other countries has considerably improved;

(ii) The national development plans of 15 countries of the region prepared in the mid-1970s set growth targets for the gross domestic product which give a simple arithmetic average of 7.6% annually and a weighted average growth rate of 8.8% per year;

(iii) A target growth rate of 7.5% seems necessary to increase employment at the same rate as the growth of the economically active population, again for the region as a whole. This is the outcome of projections of the dynamic trends currently to be observed in the transformation of technology and production in the region. In other words, in these circumstances the problem of unemployment cannot be solved within a reasonable period, given the high rates of unemployment and underemployment of labour;

(iv) To achieve the growth target of this scenario for the region as a whole would involve a considerable effort on the part of many countries, especially in view of the unfavourable circumstances prevailing in recent years, which have led to slower economic growth. Furthermore, as was pointed out in chapter II, major structural changes must take place in the international economy in order to allow significant growth of income from exports of goods and services;

(v) On the basis of the preliminary results of the quantitative studies carried out by the Department of International Economic and So-

cial Affairs (DIESA) at Headquarters, the Committee for Development Planning proposed in its *Report on the sixteenth session* (7-16 January 1980) an average annual rate of growth of the gross domestic product of approximately 7% per year for the developing countries as a whole and approximately 6% per year for the group of lower-income countries, so that the per capita income of the latter would double by the end of the century. Although the corresponding analysis has not been carried out, it is highly likely that the 7.5% rate for Latin America falls near the upper limit that could be attained by groups of developing countries.

The normative growth target for the Latin American agricultural sector seems to be a little over 4%, or around 4% in value-added terms. This would seem to be the preliminary conclusion of the prospective studies carried out by CEPAL and FAO. The report of the Committee for Development Planning proposes a target of approximately 4% per year for gross output in the 1980s, both for the lower-income countries and the other developing countries.

Manufacturing industry in the region should grow at a rate of 8.5% according to provisional estimates. This represents a considerable acceleration from the trend projections, which give an estimated rate of 7.3%. The Committee for Development Planning proposes an acceleration of the rate.

In the region as a whole it will be necessary to invest a little over one-quarter of the gross domestic product. This proportion is similar to what is found in the national accounts of the region as a whole in recent years. It should be noted, however, that in many countries, especially the medium-sized and small ones, this calls for a very large increase in the domestic investment coefficient.

The gross domestic saving coefficient will be about 23% of the product for the region as a whole if the relationship between net external financing and the gross domestic product recorded during the past decade continues to hold good. Here again, of course, many countries will have to make a considerable effort to raise their saving coefficients.

Imports of goods and services will have to grow faster than the product. For the region as a whole an annual growth rate of a little over 8%

is estimated on the basis of provisional calculations. It is thus easy to infer that the growth of exports of goods and services must be very dynamic. If the coefficient of net external financing in relation to the gross domestic product recorded on average during the past decade holds good during the 1980s, exports of goods and services will have to grow by about 8% annually. Obviously, this increase will be smaller if the share of external financing increases, but this would not be a viable solution for many countries unless the terms and conditions of the financing undergo an appreciable change. At all events, exports of goods and services will have to grow much more than in the past. In this

connexion it is worth stressing the notable recovery in the growth rate of exports in the period 1976-1979. These prospective studies clearly show the problem of the external sector in relation to the acceleration of the growth rate for Latin America. What is particularly clear is the need to restructure the international economy in order to broaden and diversify access to the markets of the developed countries and expand trade with other non-traditional areas and, especially, the enormous importance of economic co-operation and the growth of reciprocal trade within the Latin American area and with other developing areas and countries.