



BULLETIN

FAL

FACILITATION OF TRANSPORT AND TRADE IN LATIN AMERICA AND THE CARIBBEAN

Reflections on the need for a new discourse on development

Introduction

This issue of the *FAL bulletin* analyses the basic problems of economic growth including the transport system's role as a driver of sustainable social development. Written in the form of a personal reflection, this bulletin discusses the need to establish a new discourse encompassing economic development, social cohesion, regional integration and transport infrastructures in an environmentally friendly manner. Although the author bases his opinion on the latest events in Europe, in particular in Spain, many of his thoughts are relevant to the situation in Latin America.

I. The need for a new discourse on development

We need to place an integrated discourse on development back at the heart of academic, social and political debate. Such a discourse once existed, but we were unable to prevent it becoming gradually obsolete. We are not completely short of experiences today, but we need to recombine them into an articulated system. As Richard Florida would say, we should reset the whole discourse (Florida, Richard (2010), *The Great Reset*, New York, HarperCollins). In the midst of the Great Recession, it is a good time to try to regain the path of economic growth on stronger and better balanced foundations. It does not matter if we separate the root of the crisis from its consequences. We must, of course, thoroughly overhaul the international financial system; we must enable stronger and more effective technical and moral standards to operate within it. However, this will be of little use unless it is combined with an even more ambitious reform of the productive apparatus and an institutional system capable of underpinning a change in the course of world development—in order to contain the present crisis and prevent it from

This issue of the *FAL bulletin* reflects on the need to place a new discourse at the centre of the academic, social and political debate, in relation to developing infrastructure services in a sustainable way.

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being quickly followed by others. Even when the financial system was “working”, capitalism was already showing serious signs of imbalance, with serious implications for much of the world population.

II. Globalization and regional cooperation

By now it is high time to include environmental variables in development policies. There is still a pressing need to heal the remaining wounds of poverty, disease and the needless death of millions of people in the many poor countries in the world. Globalization must also pervade development policies and it may no longer be worthwhile creating plans for a single country. After all, the main thread running through the issue of development is the formation of a market which no longer has —nor will it ever again— national boundaries. In fact, it may never have had them at all.

This would represent a radical change from our nationally framed development theories. We must replace the petty goals of national market formation, which looked no further than the country level to drive growth against the forces of dependency and duality, with the objectives of the large economic spaces, if not the world as a whole. To start with, defining a new development policy should begin with regional cooperation plans —unless one is the size of China, which is like a regional bloc in itself. We must form supranational blocs that share governance, economic, social, legal and political principles. The eternal work in progress of the European Union, with its achievements and weaknesses, may serve as an illustrative experience for prospective integrationists.

III. Cohesion: a necessary condition and rationale for consensus-building

The ultimate goal of regional cooperation is not merely to create a regional market which has the strength and unity to hold a significant position in the world economy. The regional space is simply an instrument for improving living standards in the countries involved, by means of a production model capable of ensuring that this is achieved by design and not by accident.

Undoubtedly, regional cooperation must first increase wealth creation in the participating countries, both in terms of production and the resulting income. Production capacity must go hand in hand with people’s access to the benefits of production. It is not a matter of building sectors

in which cheap labour produces goods for export to areas barred to those same producers. It is not enough to have a burgeoning economy; society must also be able to enjoy greater well-being (and more freedom). In the preface to Roberto Petrini’s Spanish-language book, *Proceso a los economistas*, Loretta Napoleoni states that the wealth of nations lies in the harmony which prevails in them, not the money they possess (Petrini, R. (2010) *Proceso a los economistas*, Madrid, Alianza).

This harmony must extend to all aspects of real life. The most specific and feasible way of achieving and measuring it is by setting social cohesion, economic, territorial and even cultural objectives among the citizens of all the countries involved. Achieving more and better cohesion is in itself a worthwhile objective. From an economic point of view, the grouping must have criteria for wealth distribution (even if only in terms of per capita income) within the supranational framework, which, again, is a radical change from our former ways of thinking.

IV. The economic underpinnings of cooperation

Once the principles of the grouping have been agreed we can define at least some of the practicalities of cooperation. For example, when the grouping is properly institutionalized, that is to say, with bodies and specific procedures for decision-making (which should ideally, one day, be independent of national influences, but this has yet to happen in any real-world experience), it must have its own financial resources from taxes paid by the citizens of the participating countries. The grouping must also have the capacity to establish budget schedules favouring the primary objective of wealth redistribution. The principle aim of governance is to achieve a level playing field that favours cohesion. The system which is used for distributing powers between the national governments (and where applicable those at subnational level) and the regional government must give the latter responsibility for common policies which best define the cohesion objectives. All these policies will inevitably carry budgetary implications, which in itself is another source of cohesion because it strengthens the sense of belonging within the grouping.

The European experience is useful in this respect too. Its cohesion funds system, designed to finance all or much of national projects carried out in pursuit of European cohesion objectives, has yielded significant results, notwithstanding many errors, deviations and amendments (a large body of literature is available on the original Lisbon Strategy its amendment).

V. The transport system as a core element of cohesion policies

In Spain, as in other countries in the European Union, these benefits are particularly evident in the modernization of the transport system. A significant part of the community funds which Spain has received since 1986 when it joined the European Union have been allocated to transport projects: road-building, upgrading airports and air navigation services, expansion of existing ports or construction of new ones, and modernization of the railway system. The Spanish programme to lay the high-speed train network stands out among these projects and is one of the biggest in the world.

Spain's large and sustained European-funded investments in modernizing the transport system have produced an interesting multiplier effect. First, they have helped to integrate different geographical areas in Spain thereby reducing the distances between people, production centres and major routes used for transporting goods or work-related travel. Second, investments have generated a larger range of more skilled jobs (and hence wages and revenues). Third, these large and continued investments helped to capitalize the firms involved in building the systems (primarily building firms, but also manufacturers of equipment and means of transport), which absorbed every available innovation into their production processes, thereby generating even further demand for technology, engineering and management. As a result, the transport system upgrading also drove the modernization of building firms, manufacturers and technology in Spain. The results are evident today as Spain is one of the world's most competitive countries in this field. Just a few decades ago this was unthinkable.

Modernization of the transport system has undoubtedly helped to deepen integration in national markets and Europe as a whole, thereby fulfilling one of the basic principles of a development policy. What is more, it has produced evident benefits from the point of view of cohesion. Transport system upgrading has therefore served a dual purpose, which suggests that affording it priority does not mean sidelining other priorities: on the contrary, it helps to drive them forward. It has helped to achieve something that is no mean feat: setting down a roadmap between the declaration of general principles and the implementation of policies in practice. Far too often we become mired in discussion of the principles and never get as far as the practice.

Allow me to make one final observation. Although the process of building the European Union goes back a long

time, little progress was made until ways were found to proceed on the basis of specific policies, rather than declarations of principles. Some of the key milestones in the history of the European Union include the establishment of the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM), BENELUX and the Organization for Economic Cooperation and Development (OECD) —originally to govern funds relating to the Marshall Plan— and, in my opinion, the creation of cohesion funds and their application as part of the Lisbon Strategy. The agreement to create a single currency to operate (although this is not entirely the case) within the single market was the icing on the cake. The point is that these decisions were highly practical in nature. Perhaps for this reason the progress made is irreversible. I would also therefore add the principle of practicality to the new discourse on development.

VI. Concluding remarks

I have yet to refer to the conditions which the new discourse on development must observe. This is not because I forgot, but rather because I take them for granted. In this day and age, I do not consider it necessary to remind anyone that any economic discourse cannot and must not be formulated without considering environmental sustainability. It comes up in relation to every topic and it is hardly necessary to repeat it. It can be taken as given. It is the stamp of sustainability that must be on the front of every project.

My point is that I have tried to establish the main points for a debate, which, without a doubt, has many avenues. All of them should be explored, but we must not lose our way among them.

By way of conclusion, my proposal is that we reform our discourse on development on the basis of the following assumptions:

- In the context of globalization, development must be defined on the basis of regional cooperation.
- The rule of thumb which makes a cooperation project durable is its linkage with cohesion objectives.
- Cohesion-building policies should be governed by the grouping's central institutions and priority should be afforded to those with a more practical application.

As a dual-purpose policy, transport system upgrading meets a number of these requirements, because it is practical, it helps to create jobs and income, it renews technology and builds human capital, it capitalizes industrial sectors and, ultimately, it is crucial for increasing the potential of the productive economy and the generation of wealth.