EXPORT DIVERSIFICATION AND THE NEW PROTECTIONISM

Edited by Werner Baer and Malcolm Gillis

Baer & Gillis
Editors

EXPORT DIVERSIFICATION AND THE NEW PROTECTIONISM: The Experiences of Latin America

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The Experiences of Latin America

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The Bureau of Economic and Business Research
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Articles and Authors

Exports and Policy in Latin-American Countries: Prospects for the World Economy and for Latin-American Exports, 1980–90, by *Donald B. Keesing.*

Prospects for the world economy and for Latin-American exports from the present to 1990 are discussed and a framework of facts is presented; but the chief concern is the trade policy alternatives confronting the individual countries of Latin America today. The country level is where the policy choices are meaningful.

Mr. Keesing is at the World Bank in Washington.

Commodity Exports and NIEO Proposals for Buffer Stocks and Compensatory Finance: Implications for Latin America, by *F. G. Adams, J. R. Behrman,* and *M. Lasaga.*

The authors examine UNCTAD-types of price stabilization programs for nonfuel primary products. They conclude that these are not likely to solve Latin America's trade problems. Comparing the gains with the costs, they found that the net positive impact is very slight. They present an integrated econometric model designed to explore the impact of the commodity problem on goal attainment in one particular country, using copper in Chile as a case study.

Mr. Adams is professor of economics and consultant for the Wharton Econometric Forecasting Association (WEFA) at the University of Pennsylvania.

Mr. Behrman is also professor of economics and consultant for the WEFA at the University of Pennsylvania.

Mr. Lasaga is an economist at the WEFA at the University of Pennsylvania.

Effects of Changes in Consumption and Trade Patterns in Agricultural Development in Latin America, by *Adolfo Figueroa.*

One of the main features of economic development in Latin America is the continuous decline in the share of agriculture in GDP. The usual explanation given for this decline is Engel's law for food consumption. This paper shows that changes in consumption patterns (created by the process of concentration in income distribution that accompanies economic growth in Latin America) and changes in the patterns of international trade are factors that also work against a more dynamic rural economy. The consequent change in the role of agriculture in the process of economic development in Latin America is then discussed.

Mr. Figueroa is professor of economics at the Catholic University of Lima. He was visiting professor in the Economics Department of the University of Illinois, Urbana-Champaign, in the calendar year 1980.

State-Owned Enterprises in Latin-American Exports, by *Raymond Vernon.*

Analysis of the role of Latin-American state-owned enterprises in oil and mining during the 1980s suggests that their policies will increase the volatility of prices. The subsidies associated with the promotion of exports of products fabricated from raw materials will add to the tensions, probably generating countervailing measures. As a rule, state-owned enterprises suffer from certain handicaps as exporters, especially in the sale of nonstandardized products. In pursuing their export strategies, whether in raw materials or manufactured products, some state-owned enterprises will integrate vertically across international borders. But governments will be loath to allow their state-owned enterprises to follow such policies broadly, lest they lose control over such enterprises.

Mr. Vernon is Clarence Dillon Professor of International Relations at Harvard University. He was formerly the Johnson Professor of International Business at the Harvard Business School. He is the author of *Storm Over the Multinationals* and *Sovereignty at Bay.*

The Mexican Oil Syndrome: Early Symptoms, Preventive Efforts, and Prognosis, by *Abel Beltran del Rio.*

By analyzing the economic experience of the big oil exporters during the 1980s, the author derives a set of common symptoms that appeared in their extreme form in the Persian Gulf countries. He asserts, then, that in a mild form they can be detected in Mexico in 1978–79. In his 1980–90 projections, he finds that they are going to become gradually more pronounced, in spite of efforts by the Mexican authorities to avoid them.

Mr. del Rio is vice-president of Latin American Projects, the Wharton Econometric Forecasting Associates, Inc. He was president and founder of the Instituto Chihuahuense de Estudios Sociales, A.C. and was founder of the School of Business Administration at the University of Chihuahua, Mexico.

Policy Responses to External Shocks in Latin-American Countries, by *Bela Balassa.*

This paper examines the economic effects of external shocks, and of policy measures taken in response to these shocks in Brazil, Mexico, and Uruguay during the 1973–78 period. It is shown that Uruguay was able to surmount these shocks, without increased reliance on external debt, by turning toward greater outward orientation. Brazil, in turn, promoted import substitution and substantially increased its external debt, with the proceeds used largely for consumption and for investments of often doubtful social profitability. Finally, with increased petroleum production, Mexico suffered less from external shocks but nevertheless increased reliance on foreign loans to finance its expansionary policies.

Mr. Balassa is on the faculty of the Johns Hopkins University and on the staff of the World Bank.

The Burden of Exchange Rate Adjustment in Brazil, by *Eliana A. Cardoso.*

In this paper, external disequilibrium in Brazil is sketched, the 1979 maxidevaluation is discussed, and a well-known result of open macroeconomic theory is restated, that is, that the cost of a successful devaluation is a reduction in real wages. A model is built for an economy where an imported intermediate is used for production of a good that is consumed at home and abroad. Demand for exports is less than infinitely elastic. Nonskilled labor is less than fully employed and relative wages are sticky. It is argued that if there is no possibility of substitution between the two kinds of labor, the level of output is determined by full employment of the skilled labor force and a devaluation simply transfers income from nonskilled to skilled labor, leaving the trade deficit unchanged.

Ms. Cardoso is assistant professor in the Boston University Department of Economics and is research assistant at the Center for Latin American Development Studies. She has held positions at the Instituto de Pesquisa e Planejamento Economico, Rio de Janeiro, and at the University of Brasilia.

Colombia and the Andean Group: Economic and Political Determinants of Regional Integration Policy, by *Miguel Urrutia M.*

An attempt is made to identify the economic, political, and bureaucratic forces that determine Colombian policy towards the Andean Group. The analysis of this area of policymaking is used as a case study in decision-making in Colombia, and of the limits that exist to the influence special interest groups can exert on policymaking. The analysis also helps to explain the diminishing level of support by Colombia for an ambitious economic integration effort in the Andean Group.

Mr. Urrutia M. is executive director of FEDESARROLLO. He was formerly minister of energy and director of the National Planning Department of Colombia.

Challenges and Opportunities Posed by Asia's Superexporters: Implications for Manufactured Exports from Latin America, by *Gustav Ranis.*

In this paper the recently emerging middle tier of developing countries and the newly industrializing countries (or NICs) are examined from the point of view of their own development performance and their relations with the developed world. The author tries to demonstrate that there really exist two rather different subcategories of NICs, that is, the East Asian and the Latin-American variety, differing not only in their initial conditions but also in the nature of the policy choices made. Comparative analysis permits the conclusion not only that the East Asian superexporters are posing an increasing "threat" to their Latin-American counterparts but also that their own growth has been faster and more equally distributed.

Mr. Ranis is professor of economics at Yale University and formerly was director of the Economic Growth Center there. He has held positions at the Agency for International Development; at the Institute of Development Economics, Pakistan; and was chief of the ILO Comprehensive Strategy Mission to the Philippines in 1973.

Gains to Latin America from Trade Liberalization in Developed and Developing Nations, by *Rachel McCulloch.*

This paper addresses the role of international trade policies of developed and developing nations in promoting or retarding growth and development in Latin America. The analysis focuses on three related issues: the importance of trade policy as a determinant of economic development prospects in Latin America, the consequences for Latin America of recent and prospective changes in the world trading environment, and the potential gains to Latin America from alternative strategies in future negotiations. Emphasis is given to three key developments affecting Latin American trade: implementation of the Generalized System of Preferences, conclusion of the Tokyo Round, and emergence of new protectionist pressures in the major industrial nations.

Ms. McCulloch is associate professor at the University of Wisconsin-Madison. Previously she was a member of the faculty at the University of Chicago and at Harvard University. She is the author of *Research and Development as a Determinant of U.S. International Competitiveness* and *Economic and Political Issues in the New International Economic Order.*

The Industry-Country Incidence of "Less Than Fair Value" Cases in US Import Trade, by *J. M. Finger.*

From 1975 through 1979, antidumping or countervailing duty petitions were filed against 32 percent of manufactured imports from developed, and 4 percent of manufactured imports from developing countries. Affirmative findings covered 2 percent of manufactured imports from each country group. The uncertainty generated by these petitions had a detectable impact on imports, but the penalties imposed in affirmative cases did not. Such cases seem not to be influenced by political pressure. The cross-industry proportion of imports covered by affirmative cases is not significantly related to the intensity of complaints or to such proxies for political power as industry size (output or employment) and concentration.

Mr. Finger is senior economist and member of the *World Development Report, 1981* Core Group, World Bank. Prior to this position, he was director of the Office of Trade Research of the US Treasury Department.

External Debt and the Trade Imperative in Latin America, by *Millard F. Long.*

Since 1973 there have been repeated shocks of unprecedented magnitude in world trade. For many Latin-American countries this has meant more costly imports, higher interest rates on external debt, and in some cases lower quantities of exports. Rather than adjust solely through reducing import quantities, the non-oil Latin-American countries have borrowed extensively abroad. The first section of the paper attempts to assess by country how much the debt has increased in nominal terms, in real terms, and in net of increases in foreign asset holdings. The second contains an analysis of the changes that have taken place in each country's balance of payments, and the third section uses the material in the first two sections to consider what might happen to external debt in the future.

Mr. Long is professor of economics at Boston University. Previously he was an associate at the Harvard Institute of International Development and served on the University of Chicago faculty and that of Vanderbilt University.