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Comments to the document

“The Impact of Globalization: Opportunities and Challenges for Glocal Development in Europe, Latin America and the Caribbean”

by Giovanni Bressi

I would like to organise my comments on this very interesting paper by posing the following questions:

- (i) Does the paper provide an adequate strategy for economic growth and human development for the Latin American and Caribbean region?
- (ii) Does it provide a practical guide to policy interventions, even of a partial nature?
- (iii) Is the European experience in Glocal development transferable to the Latin America and the Caribbean region?
- (iv) Can a multilateral institution serve as a catalyst to Glocal development?

1. Can Glocal development be adequate as a development strategy?

Here we should note the recent growth experience of the Latin America and Caribbean region as shown in the latest report by ECLAC for 2002:

Economic activity in the region was down by 0.5% in 2002. As a result, per capita GDP growth for the Latin America and Caribbean region as a whole was negative (-1.9%) for the second year in a row. The hardest hit economies have been Argentina, Uruguay and Venezuela, while per capita GDP growth has stagnated in the rest of the region. This result rounds off five years of sluggish growth (-0.3% average annual per capita GDP growth since 1998) within an adverse international economic environment. Social conditions in the region have deteriorated in line with these trends.

<http://www.cepal.cl/publicaciones/DesarrolloEconomico/3/LCG2153PI/Introduction.pdf>

The Report goes on to say that “The external events that have had the strongest impact on the region include the deterioration in international financial conditions, the slacker pace of economic activity in the United States and the steady decline in the non-oil-exporting countries’ terms of trade”. With regard to international finance, net external resource transfers for Latin Americas as a whole were negative for 2002 (-US\$39 B or -2.4% of GDP), one half corresponding to Argentina. Regarding the terms of trade, these have been deteriorating since 1998 and the countries posting the sharpest cumulative decreases in external relative prices have been Peru (-21%), Chile (-19%) and Brazil (-4%). In 2002 Brazil, Bolivia and Honduras suffered the most, and deteriorating terms of trade “had a string effect on the performance of most of the Central American economies and on some regionally important sectors, most notably the coffee industry”.

The question here is how far does the strategy for Glocal development proposed by Bressi relate to the difficulties experienced by the Latin America and Caribbean region that arise out of the structural features of the Latin American and Caribbean’s relationship with the world economy in finance, trade and technology. Issues of international finance are not addressed by the Glocal strategy at all. It is also silent on the impact of the terms of trade and other trade issues including market access and tariff escalation that affect the ability of Latin America and Caribbean firms to move up the value chain in commodity circuits.

To my mind these are major weaknesses as there is a close inter-relationship between trade, finance and technology, and progress in one area can easily be defeated by reversals in another. For example, ability of the government to provide firm-level supports for Glocal development could be undermined by a difficult fiscal situation and the constraints of external indebtedness, which remains a major problem in the Latin America and Caribbean region. Or advances in export diversification resulting from Glocal strategies could be arrested by deteriorating terms of trade or obstacles to market access.

2. The Glocal strategy as a guide to policy interventions

It would be useful for Bressi to be give some indications of the industries, products and “clusters” which he believes have potential for networks and local-transnational firm alliances as part of Glocal development. By way of illustration, the attached table shows the composition of exports of the member states of the Association of Caribbean States (ACS), B category and ACS sub-group (Annex I). Export composition is shown by Primary Goods, Industrialised goods and Other goods. Primary and Industrialised goods are further broken down into various sub-categories. We are particularly interested in the sub-groups of the Caricom and the Central American Common Market (MCCA) and the potential for

export expansion in industry “clusters” where alliances between local firms and transnational firms (networking) may be relevant.

A reading of Bressi’s article suggests that small industries, craft products, food products and the like are likely areas. In terms of the categories used in the table, this might correspond to Primary agricultural goods, traditional industrialised goods, durable goods and disseminators of technical progress. One assumes that the energy sector and goods with high economies of scale are not likely candidates, but he may wish to edify us on this point.

For the MCCA, some 62.7% of exports fall into the above categories while for Caricom the proportion is 38.1%. The difference between the two sub-regions is attributable to the weight of coffee and of light manufactures (including “maquila” goods) in the exports of the MCCA and of energy-based industries in the exports of Caricom. On the face of it therefore, the primarily agricultural and light manufacturing economies of Central America have some potential for Glocal development that could be further investigated. Within Caricom, the export composition is somewhat distorted by the weight of Trinidad and Tobago and its energy-based exports in the total. Primary agricultural goods and light manufactures are important in the economies of several other countries, for example those of the Organisation of East Caribbean States (OECS), Jamaica, Barbados and Guyana.

The following two tables give some further indication of the types of products that presently account for the bulk of intra-regional (i.e, intra-ACS) trade for the MCCA and Caricom. In the MCCA, it can be seen where food products and light manufactures predominate in intra-regional trade. These are also significant for Caricom but for this sub-group petroleum and petrochemical products are very important in value terms (Annex II).

Another aspect that needs to be explored is services. During the 1990s, the smaller economies of the Latin America and Caribbean region increased their specialisation in the export of services especially tourism and international financial services. The overall weighted average of services in the GDP increased from 39.1% to 46.6% from 1990 to 2000 for Caricom as a whole¹. In the year 2000, 15 countries of the island Caribbean were net exporters of services to the tune of US\$5.4 billion. It has been suggested that a feasible strategy for this sub-region is the development of high-technology activities and at service industry "clusters". Banking, insurance and tourism, for instance, have close links with construction, telecommunications, transport and electricity. And educational and health services, the basis

of human capital formation, are critical for the development of high-technology goods and service industries. The development of industries supplying the tourist sector, within the context of the Sustainable Tourism Zone of the Caribbean (STZC) could be one such cluster in which local/transnational alliances may be likely.

It should be noted that securing investment in high-technology activities will require far more than fiscal incentives. Governments will need to make strong investments in human capital in order to provide a well-educated and productive labour force. Local infrastructure services such as electricity and telecommunications will also need to be made more efficient and cost-competitive. Unfortunately, in these areas, privatisation has frequently had the opposite effect to the intended, due to limited competition, persistence of monopolies and small market size.

3. How far is the European experience in Glocal development transferable to the Latin America Region?

I found Bressi's historical discussion of the European experience quite interesting, particularly as it relates to the crucial role of local and intermediate level institutions in European development. I am curious to know if this interpretation of the European experience is universally shared or if any major critiques of this narrative have been made and from what perspective.

The issue of the transferability of the European experience to the Latin America and Caribbean region is bound to be contentious. It is generally held that Latin America and Caribbean societies evolved as highly centralised, authoritarian and oligarchic structures in which participatory, local and intermediate institutions of the type considered by Bressi were weak or non-existent. Clearly there were regional variations, for instance in the regions of extensive European settlement such as Argentina, Chile, parts of Brazil and Costa Rica it is likely that local institutions stood a better chance of developing. Further, the processes of urbanisation, industrialisation, modernisation and democratisation in the past century and in more recent decades would have impacted strongly on institutional development and the culture of governance. However, it is possible that the processes of modernisation and democratisation have been "top down" and that deep-seated problems remain.

Can Glocal development be introduced where there are widespread structural deficiencies at the local level? We need more empirical and analytical studies to determine the extent of development of the

¹ ECLA C, *Globalization and Development* (2002) p. 337

“local” level regulatory and management institutions and industrial districts before we could make such a determination. For example, within the Caribbean it is generally agreed that the governance systems inherited from colonial rule are overly centralised and have become more so since independence. The system of local government has suffered sustained erosion over the past decades, now experiencing total fiscal dependence on the central government and alienation from the citizens they are supposed to serve. Policies of structural adjustment and privatisation have also gutted the state. Hence it is difficult to envisage Glocal type development occurring without a thorough overhaul of the system.

4. Can a multilateral institution serve as a catalyst to Glocal development?

I would argue that there is a fundamental contradiction between the model of Glocal development advocated in the paper and the proposal that MLIs play a major catalytic role. Can an international bureaucracy that is accountable to its shareholders be the catalyst for bottom up development? The dangers here are of paternalism, undermining of local initiative and intrusion of the values and interests of the international bureaucracy into the programmes of beneficiaries. My own view is that the only viable route to this is by means of local initiative. In other words citizens groups, NGOs and small local enterprises must be the driving force for local empowerment. What an MLI can do is to be supportive of local initiative, which is quite a different thing.

Annex I

Table 11
ACS: COMPOSITION OF EXPORTS OF GOODS BY DESTINATIONS
AND CATEGORIES RESPECTIVELY, 1999
(By percentage)

Categories / Destinations	G-3	MCCA	CARICOM	ACS	Latin America & Caribbean	USA	Japan	European Union	Others	World
	By Destinations									
Primary goods	0.8	1.7	1.1	5.5	8.9	64.3	1.7	10.5	15.0	100.0
Agricultural	1.5	2.2	0.3	4.0	4.5	62.9	2.8	19.7	11.4	100.0
Mining	1.5	1.4	1.1	4.3	10.0	35.4	16.7	17.7	22.6	100.0
Energy	0.5	1.6	1.5	6.2	10.6	65.4	0.9	6.7	16.3	100.0
Industrialised goods	2.2	2.7	0.9	6.6	8.5	82.6	0.6	4.1	5.5	100.0
Traditional	3.3	5.6	1.7	11.9	13.9	78.7	0.4	3.3	4.4	100.0
Foodstuffs, drink, tobacco	7.8	13.3	5.1	28.9	32.7	47.6	1.7	10.1	9.3	100.0
Other traditional	2.4	4.1	1.0	8.6	10.2	84.8	0.2	2.0	3.4	100.0
With high economies of scale	6.7	7.1	3.8	20.0	26.8	56.7	2.0	6.7	9.5	100.0
Durables	0.6	0.4	0.1	1.4	1.9	90.1	0.3	4.6	3.3	100.0
Disseminators of technical progress	1.1	1.0	0.1	2.7	3.9	88.0	0.4	3.5	6.2	100.0
Other goods	1.0	1.2	1.1	3.7	5.6	13.2	0.5	4.0	77.2	100.0
Total	1.8	2.5	1.0	6.4	8.6	78.2	0.8	5.6	7.8	100.0
	By categories									
Primary goods	10.0	16.6	27.5	20.3	24.2	19.2	47.5	43.9	44.8	23.3
Agricultural	5.2	5.8	1.8	4.1	3.4	5.3	22.5	23.1	9.5	6.5
Mining	0.2	0.2	0.3	0.2	0.3	0.1	6.1	0.9	0.9	0.3
Energy	4.6	10.7	25.4	16.0	20.5	13.8	19.0	19.9	34.4	16.5
Industrialised goods	89.9	83.3	72.3	79.6	75.7	80.8	52.4	55.9	53.4	76.5
Traditional	31.9	40.7	31.0	33.6	29.0	18.0	9.3	10.6	10.0	17.9
Foodstuffs, drink, tobacco	12.5	16.0	15.7	13.4	11.2	1.8	6.1	5.3	3.5	2.9
Other traditional	19.4	24.8	15.3	20.2	17.8	16.2	3.2	5.3	6.5	15.0
With high economies of scale	33.1	26.3	35.9	28.6	28.5	6.6	22.1	10.9	11.1	9.1
Durables	6.2	3.1	1.6	4.0	4.0	21.0	6.9	14.9	7.8	18.3
Disseminators of technical progress	18.6	13.1	3.7	13.3	14.1	35.1	14.1	19.5	24.6	31.2
Other goods	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.1	1.8	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ECLAC, based on official figures.

Annex II

Table 13

**MCCA: MAIN EXPORT PRODUCTS WITHIN THE MCCA AND THEIR PARTICIPATION IN
EXPORTS TO THE WORLD, 1999**
(Millions of dollars and percentages)

Products (Cuci Rev.2 TO 3 DIGITS)	Intra MCCA				ACS		World
	value	%	%	% over	value	% sobre	value
		MCCA	Acum.	World		World	
1 098 EDIBLE PRODUCTS,PREPS NES	143	6.2	6.2	75.1	155	81.8	190
2 541 MEDICINAL,PHARM PRODUCTS	121	5.3	11.5	52.0	166	71.3	232
3 554 SOAP,CLEANSING ETC PREPS	110	4.8	16.3	72.1	123	80.2	153
4 642 PAPER,ETC,PRECUT,ARTS OF	103	4.5	20.8	72.5	109	76.5	142
5 048 CEREAL ETC PREPARATIONS	99	4.3	25.2	79.1	106	85.2	125
6 893 ARTICLES OF PLASTIC NES	86	3.7	28.9	66.9	98	76.3	128
7 674 IRN,STL UNIV,PLATE,SHEET	77	3.3	32.2	94.8	78	96.1	81
8 054 VEG ETC FRSH,SMPLY PRSVD	66	2.9	35.1	35.1	67	35.8	189
9 553 PERFUMERY,COSMETICS,ETC	55	2.4	37.5	86.1	55	86.8	64
10 591 PESTICIDES,DISINFECTANTS	54	2.4	39.9	64.1	68	80.9	85
11 583 POLYMERIZATION ETC PRODS	42	1.8	41.7	78.0	48	89.1	54
12 011 MEAT FRESH,CHILLD,FROZEN	40	1.8	43.5	47.5	41	49.1	85
13 334 PETROLEUM PRODUCTS,REFIN	40	1.7	45.2	48.1	43	52.1	82
14 665 GLASSWARE	39	1.7	46.9	72.0	52	94.6	55
15 653 WOVN MAN-MADE FIB FABRIC	38	1.7	48.6	78.3	44	90.8	49
16 673 IRON,STEEL SHAPES ETC	33	1.4	50.0	97.1	33	97.4	34
Other products	1,144	50.0	100.0		1,515	16.1	9,428
TOTAL TRADE	2,289	100.0		20.5	2,802	25.1	11,175

Source: ECLAC, based on official figures

Table 14

**CARICOM: MAIN EXPORT PRODUCTS WITHIN CARICOM AND THEIR PARTICIPATION IN
EXPORTS TO THE WORLD, 1999**

(Millions of dollars and percentages)

Productos (Cuci Rev.2 to 3 digits)	Intra CARICOM				ACS		World
	value	%	%	% over	value	% over	value
		CARICOM	Acum.	World		World	
1 334 PETROLEUM PRODUCTS,REFIN	289	33.2	33.2	42.8	384	57.0	674
2 642 PAPER,ETC,PRECUT,ARTS OF	47	5.4	38.7	77.5	52	85.3	61
3 554 SOAP,CLEANSING ETC PREPS	47	5.4	44.0	93.7	47	93.8	50
4 048 CEREAL ETC PREPARATIONS	35	4.1	48.1	79.8	36	80.8	44
5 111 NON-ALCOHL BEVERAGES NES	35	4.1	52.2	82.6	35	83.0	43
6 661 LIME,CEMENT,BLDG PRODS	24	2.7	54.9	92.2	24	92.8	26
7 098 EDIBLE PRODCTS,PREPS NES	22	2.5	57.4	49.6	34	76.3	44
8 673 IRON,STEEL SHAPES ETC	21	2.5	59.9	11.3	87	46.2	189
9 333 CRUDE PETROLEUM	20	2.3	62.2	4.3	20	4.3	470
10 893 ARTICLES OF PLASTIC NES	16	1.9	64.1	78.1	17	80.1	21
11 533 PIGMENTS,PAINTS,ETC	14	1.6	65.7	97.0	14	97.5	14
12 112 ALCOHOLIC BEVERAGES	14	1.6	67.3	14.5	23	23.7	97
13 046 WHEAT ETC MEAL OR FLOUR	14	1.6	68.9	99.8	14	99.8	14
14 341 GAS,NATURAL AND MANUFCTD	13	1.5	70.4	20.4	36	57.5	62
15 058 FRUIT PRESERVED,PREPARED	11	1.3	71.7	21.4	11	21.6	52
16 042 RICE	11	1.2	72.9	23.9	11	23.9	44
17 553 PERFUMERY,COSMETICS,ETC	11	1.2	74.1	75.0	11	76.8	14
18 562 FERTILIZERS,MANUFACTURED	10	1.2	75.2	11.8	28	32.3	85
19 591 PESTICIDES,DISINFECTANTS	10	1.1	76.4	85.4	10	87.0	12
20 635 WOOD MANUFACTURES NES	10	1.1	77.5	77.5	10	78.8	13
21 892 PRINTED MATTER	9	1.1	78.6	57.5	10	61.1	16
22 081 FEEDING STUFF FOR ANIMLS	9	1.1	79.7	56.1	11	67.0	17
23 091 MARGARINE AND SHORTENING	9	1.1	80.7	95.2	9	95.2	10
Other products	168	19.3	100.0	5.3	253	8.0	3,166
TOTAL	869	100.0		16.6	1,187	22.7	5,238