

Plenary Session 4

New global economic geography: the role of natural resources and TNCs

The perception that the terms of trade are unfavorable to the suppliers of natural resources supported industrializing economic policies after the second world war of the twentieth century. Under such view, national economies specialized on exploitation of natural resources would be condemned, at best, to stagnation. In the most dramatic cases, these economies would experience the misfortune of the "natural resources curse" (the most notorious example being oil exporting countries). In Latin America, this perception has been used as a justification to extract rents from natural resources to subsidize industrialization through import substitution.

The end of the Soviet Union, the economic crisis in OECD countries and the political destabilization in the Middle East are clear signs that the global economic order, structured after the second world war of the twentieth century, ran out of steam. The dynamic poles of the global economy have shifted to so-called emerging countries, particularly some Asian countries (such as China and India, etc.) but also Latin American ones (as Brazil and Argentina). A new global economic order is emerging, even it is not possible yet to accurately define its configuration.

The present trade dynamics suggests a new international division of labor in which the consumption of goods in OECD countries would be supplied by Asian industrial sector and natural resources by Latin American economies (potentially, also by African economies). To some analysts, the substantial improvement in the terms of trade of the last decade is not a cyclical phenomenon, providing a solid path for the integration of Latin American economies in the new global economic order under favorable conditions. For others, this insertion path embeds high risks, because the terms of trade tend to deteriorate, as has happened in the past. When that happens, economies with development policies based on natural resources will again face the same dilemmas of the second quartile of the twentieth century.

At the same time the awareness about the growing importance of developing countries both in terms of investment opportunities and consumption market have led to a renewed interest of Latin American economies by TNCs firms, particularly the non-financial ones.

The Plenary **New global economic geography: the role of natural resources and TNCs** aims at discussing these two related points: the specialization pattern of Latin American economies in the new global context and the role of knowledge and capacity of local firms and strategies of TNCs.

Guiding Questions:

1. What is the most plausible trajectory for the evolution of terms of trade?
2. What kind of policies should be adopted for the domestic development of natural resources?
3. How to articulate such policy with broader industrial development policies?
4. Which science and technology policies should be adopted for natural resources?
5. What is the role of local and transnational capital?
6. What are the technological and innovation strategies of non-financial transnational corporations and what function they give to Latin American countries?