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REPORT OF THE EIGHTEENTH SESSION OF THE
COMMITTEE OF THE WHOLE

(Buenos Aires, 21-23 August 1985)

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/A. ATTENDANCE

A. ATTENDANCE AND ORGANIZATION OF WORK

Place, date and purpose of meeting

1. The eighteenth session of the Committee of the Whole of the Economic Commission for Latin America and the Caribbean (ECLAC) was held in Buenos Aires, Argentina, from 21 to 23 August 1985. Pursuant to ECLAC resolution 457 (XX), the purpose of the meeting was to examine those aspects of long-term economic and social development policy which could serve as guidelines for dealing with the present crisis and the challenges posed to the countries of the region by the changes in the international economy. The Secretariat submitted the following documents for consideration by the Committee: "Crisis and development in Latin America and the Caribbean" (LC/L.333(Sem.22/6)/Rev.1) and "Report of the Expert Meeting on Crisis and Development in Latin America and the Caribbean" (LC/G.1351). The Committee of the Whole also considered the report of the tenth session of CEGAN (LC/G.1364(CEG.10/3)).

Attendance

2. Representatives of the following member States of the Economic Commission for Latin America and the Caribbean participated in the session: Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, Portugal, Suriname, Trinidad and Tobago, United Kingdom, United States of America, Uruguay and Venezuela.

3. A representative of the United States Virgin Islands, an Associate Member of ECLAC, also participated in the session.

4. The United Nations Secretariat was represented by officials of the Department of International Economic and Social Affairs and the United Nations Conference on Trade and Development (UNCTAD).

5. The United Nations Development Programme, an organization of the United Nations system, was also represented at the session.

6. The session was attended by representatives of the following United Nations specialized agencies: United Nations Food and Agriculture Organization (FAO), World Bank, World Health Organization/Pan-American Health Organization (WHO/PAHO).

7. Representatives of the following intergovernmental organizations attended the session: Caribbean Community (CARICOM), Central American Bank for Economic Integration (BCIE), Central American Economic Integration Secretariat (SIECA), Centre for Latin American Monetary Studies (CEMLA), Group of Latin American Sugar Exporting Countries (GEPLACEA), Institute for Latin American Integration (INTAL), Inter-American Development Bank (IDB), Inter-American Institute of Agricultural Sciences (IICA), Intergovernmental Committee for Migrations (CIM), Latin American Economic System (SELA), Latin American Energy Organization (OLADE), Latin American Integration Association (ALADI), Organization of American States (OAS), Organization of Eastern Caribbean States (OECS).

/Election of

Election of Officers */

8. The Committee of the Whole elected the following Officers:

Chairman: Argentina
First Vice-Chairman: Guatemala
Second Vice-Chairman: Cuba
Third Vice-Chairman: Netherlands
Rapporteur: Colombia

Agenda

9. The Committee of the Whole adopted the following agenda:

1. Election of Officers
2. Adoption of the agenda
3. Options open to Latin America and the Caribbean for dealing with the consequences of the present crisis, and consideration of the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy
4. Change of name of the Latin American Institute for Economic and Social Planning (ILPES)
5. Amendments to the Terms of Reference and Rules of Procedure of ECLAC
6. Place and date of the eleventh session of CEGAN
7. Other business
8. Consideration of the report of the meeting.

Opening meeting

10. At the opening meeting, held on Wednesday 21 August, statements were made by Mr. Norberto González, Executive Secretary of ECLAC, H.E. Ambassador Wilfred S. Naimool, Head of the delegation of Trinidad and Tobago, and H.E. Mr. Juan V. Sourrouille, Minister of the Economy of the Argentine Republic.

11. Mr. Norberto González, Executive Secretary of ECLAC, speaking on the crisis which had affected the region during the first part of the 1980s, began by pointing out that there was a disparity between the economic and social transformations which Latin America and the Caribbean had undergone and the persistence of structural heterogeneity in the region. Thus, for example, industry had grown and become diversified, but still depended heavily on the exterior, had demonstrated little endogenous creativity and had not managed to absorb sufficient labour. In agriculture, new production and marketing technologies had been adopted, but there had been no substantial improvement in productivity. Exports had been diversified, but still consisted mostly of commodities. The evolution of the social and occupational structure had allowed for the development of the middle strata and had led to an increase in education and skilled manpower without, however, bringing about an improvement in the distribution of income. Finally, industrialization and urbanization had facilitated greater participation by broad social sectors, through trade unions and political movements, but large sectors of the population still remained on the sidelines of economic and social progress.

*/ See paragraphs 81 and 82 of this report.

12. With regard to the dimensions and nature of the crisis affecting the region, he pointed out that the per capita product had fallen considerably, open unemployment had risen and the apparatus of production was underutilized due to the decline in domestic demand; all those problems were aggravated by rising inflation. Problems relating to poverty and marginality had thus been accentuated, leading to increased social tension. It was also important to note the magnitude of the debt service burden and the negative effect it had on the balance of payments and the countries' import capacity. The major role played by external factors in unleashing the crisis was reflected in the low prices of commodities, the deterioration of the terms of trade, the unprecedented rise in international interest rates, the low demand for export products and the protectionism of the developed countries. In the light of all those considerations, the countries were faced with three challenges: to gradually overcome the consequences of the crisis; to seek a more clear-cut solution to the elements of heterogeneity; and to make a careful appraisal of the possible implications for the region of future trends in the developed economies and the changes in the areas of technology and production which were taking place in those countries.

13. Priority should be given to harmonizing adjustment and stabilization policies with economic recovery and with the creation of sound bases for future economic and social development, and to finding a solution to the problem of the external debt. With regard to the latter, the Latin American countries wanted the international community to recognize that the debt could not be viewed merely as an economic problem, but that due account should also be taken of its economic, social and political implications. Adequate international co-operation, which should involve the participation of the international banks and of the developed countries, was therefore needed in order to make domestic adjustment more tolerable.

14. Other important tasks facing the region were those pertaining to capital formation through an increase in domestic savings, and job creation through increased use of chemical and biological inputs in agriculture and the promotion of small and medium-sized enterprises in industry. Also, in order to improve the region's comparative advantages, it was important to identify those processes of production which made intensive use of labour and natural resources, and to adapt technologies brought in from the exterior to local conditions.

15. With regard to regional co-operation, he stressed that regional trade could increase economic activity and employment without having a negative effect on the balance of payments. Efforts to promote economic integration and scientific and technological co-operation in the region should therefore be intensified. International co-operation, especially on the part of the developed countries, was necessary in order to improve the region's terms of trade and increase the rate of growth of its exports.

16. In conclusion, he said that the success of any strategy for surmounting the crisis and embarking upon future development would depend on the degree of consensus that was achieved. Participation must be harmonized with social discipline through the strengthening of democratic processes and of mechanisms for achieving social concertation.

/17. Mr.

17. Mr. Wilfred S. Naimool, the representative of Trinidad and Tobago, speaking on behalf of the participating delegations, laid special stress on the peculiar problems of the Caribbean countries and the vulnerability of their economies to external events, especially in the case of the smallest island developing countries. He said that the decided collaboration of each and every one of the countries of Latin America and the Caribbean, together with the understanding that was hoped for from the developed countries, was needed in order to make a significant contribution to overcoming differences and solving the serious economic problems currently facing the region.

18. Mr. Juan V. Sourrouille, Minister of the Economy of the Argentine Republic, welcomed the participating delegations and said that his Government was striving to strengthen its relations with all countries of the world: both with the other developing countries, with a view to promoting integration and co-operation, and with the developed countries, with the aim of advancing further in the laborious bilateral negotiations needed in order to reach agreements with the creditor banks and international finance institutions.

19. The task to which the Argentine Government had assigned priority was that of checking hyperinflation within a framework of respect for democratic standards and institutions. For that purpose, it had been necessary to put order into the domestic accounts by reducing the fiscal deficit and to attack the problem of the external debt by seeking to sign agreements on its servicing. Inflation in Argentina had reached levels of the order of 40% per month, and achieving progress in those conditions was an impossible task. In June, the Government had therefore begun an economic reform plan, and in its first month of operation there had been practically no variation in prices. The Government was carrying out a monetary reform which had made it possible to break the impetus of inflation and reduce inflationary expectations. Furthermore, it had put into practice a de-indexing system designed to put an end to the implicit indexing stemming from agreements signed before the new plan began to be applied. That process was accompanied by the freezing of prices and wages all over the country, but the backbone of the plan was not so much that freeze as the measures taken to put the fiscal accounts on a sound basis and strengthen the external accounts. On those much firmer bases, it was now possible to begin the work of economic recovery, leaving behind a long period of inflation. The road ahead was fraught with many difficulties, but it also held out great hopes for the future.

Consideration and approval of the final report

20. At its last plenary meeting, the Committee of the Whole approved by consensus the draft report of the meeting submitted by the Rapporteur.

Closing meeting

21. The Executive Secretary thanked the Argentine Government for the support given to the holding of the eighteenth session of the Committee of the Whole and also expressed his appreciation to participants for their contributions to the debates.

22. After expressing his satisfaction at the work accomplished and thanking the participants for their contributions, the Chairman declared the session closed.

/B. SUMMARY

B. SUMMARY OF DEBATES

Options open to Latin America and the Caribbean for dealing with the consequences of the present crisis, and consideration of the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy (item 3 of the agenda)

23. In dealing with this item, the Committee had before it the following documents: "Crisis and development in Latin America and the Caribbean" (LC/L.333(Sem.22/6)/Rev.1); "Report of the Expert Meeting on Crisis and Development in Latin America and the Caribbean" (LC/G.1351), and the report of the tenth session of CEGAN (Conference Room Paper CEGAN 4/Rev.1 and Add.1 (LC/G.1364(CEG.10/3))).

24. The meeting began with a statement by the Rapporteur of the tenth session of the Committee of High-Level Government Experts (CEGAN), held on 19 and 20 August 1985. He referred to the main points dealt with in the CEGAN report and drew attention to the resolutions and the Position Paper adopted. After summarizing the main ideas set forth in the Position Paper, he said that, in his view, CEGAN had achieved two positive results: it had shown the possibility of reiterating some of the principles of the pan-American tradition and had facilitated an exchange of ideas and an analysis of the current situation of the region. He also noted that, in his view, there were still some shortcomings as regards the formulation of specific proposals for action to be taken in connection with the problem.

25. The co-ordinator of the Working Group which had been responsible for drafting the Position Paper */ summarized the text of the document and said that it reflected a dedication to the cause of integration, a firm determination to achieve the best that was possible within the context of the difficulties currently faced by the region, and a willingness to work for the benefit of the majority sectors of the population as part of the difficult process of surmounting the crisis. Finally, he referred to the contents of the draft resolutions **/ adopted by CEGAN.

Statements by countries and organizations

26. The representative of Bolivia said that the external debt was a problem that should be dealt with through joint regionally concerted action at the political level and through policies at the economic level which did not adversely affect the countries' possibilities of economic growth and development. He repeated his country's support for regional forums, including ECLAC, where a topic of particular interest was that of preferential treatment for small countries. With regard to trade, he condemned the neo-protectionist policies of the developed countries and supported common action at the regional level. He observed that it was possible that the region's efforts might not have the desired results if the central countries and international financial bodies failed to assume the shared responsibility called for in the present situation, and said that that could imperil the survival of democratic governments.

*/ See item 2 c) of section C and the annex.

**/ See LC/G.1364(CEG.10/3).

27. The representative of Brazil said that at the present crucial moment for the continent, against the background of the recovery of democracy by many countries of the region, it would be particularly desirable to have a free and open discussion on solutions which set aside merely technocratic formulas and could thus correct the errors of the past. He then reviewed the present international situation and its excessively negative results for the countries of the region, which had led to a crisis in the links between them and to greater dependence as regards the markets of the developing countries. In that respect he emphasized the importance of regional linkages in an international economic process which had resulted in the marginalization of those countries.

28. He then referred to the elements of the new international economic order which was taking shape, placing special emphasis on the relation between a new technological era, in which information processing was of fundamental importance, and the transnationalization of services. He said that this meant that a new international division of labour was growing up in which there was a dichotomy between generators and consumers of information, which would in turn give rise to new forms of dependence. In that connection, he noted that the liberalization process being promoted by the great transnational corporations for the services sector was aimed at further reducing the countries' leeway for action in those matters. In that context, he made a further reference to the importance of regional co-operation --this time in the field of science and technology-- as a means of preserving autonomy.

29. He said that the international economic order which had been taking shape in recent years had been based on the application of unrestrained power politics, which did nothing to further the international climate of mutual trust, dialogue and co-operation needed in order to overcome the present crisis.

30. With regard to the challenges at the domestic level, he mentioned three crippling constraints: the external debt (whose political aspect he emphasized), the public sector imbalance, and inflation. Finally, he emphasized the need to resume economic growth, mentioning the priority that his Government gave to social aspects and to promotion of the well-being of the most under-privileged groups.

31. The representative of Canada said that although the repercussions of the crisis in Latin America and the Caribbean had brought with them a number of problems and regressive trends, there had also been some progress, which was not reflected in the paper prepared by CEGAN. He said that his country felt that it was essential that the developing countries should apply appropriate adjustment policies, with the close co-operation of the developed countries and the international financing bodies, and that within this framework of co-operation the problem of indebtedness should be dealt with on a case-by-case basis.

32. The representative of Ecuador, expressing his Government's views with respect to the process of renegotiating the external debt, said that Ecuador's renegotiations were carried out on a pluriannual basis, with periodical reviews being made. Negotiations were directed at gaining greater flexibility as regards the terms of payment, through grace periods, reduction of interest rates and other measures; contracts for new loans would take into account the conditions prevailing in the country and its potential for economic recovery. He stressed the need for a

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reduction in the prevailing protectionism and for the developed countries to respect their commercial commitments with the developing countries. Referring to his own country's economic system, he stressed his Government's intention to achieve greater efficiency in public policies, to guide the economy towards reactivation and to promote industrialization, with the selective participation of foreign investment. In conclusion, he underlined the importance of integration processes and the need for a political dialogue between debtor and creditor countries.

33. The United States delegation recognized that political and social tensions could result from the painful but necessary adjustment process in the countries of the region and that the democratically expressed interest of the population would determine the collective participation to overcome the crisis. It considered, however, that the present environment was now more favourable, because interest rates had gone down and the industrialized countries were continuing their non-inflationary growth, and because of the real efforts made toward adjustment by countries in the region.

34. With regard to the external debt, the delegation noted that the strategy followed by the United States in co-ordination with other creditor nations was flexible and evolutionary and emphasized adjustment supported by the international financial community, both private and official, while at the same time encouraging greater reliance on private investment, in support of strong domestic adjustment programmes.

35. The representative of France, expressing his interest in the conclusions reached by the expert meeting and in the documents prepared by the Secretariat for the current meeting, said that, in the view of his country, the debt problem should be approached pragmatically and on a case-by-case basis. So far, that approach had proved effective; it had worked, for example, in the Paris Club and in the IMF. What was needed was a joint effort on the part of the developing countries, which should adopt adjustment policies, and of the developed countries, which should refrain from applying protectionist measures and try to ensure that financial flows were suited to the needs of the developing countries. He stressed the importance of a dialogue concerning the question of the debt and said that his country maintained bilateral contacts with all the countries of the region in order to keep abreast of their legitimate claims.

36. The representative of Mexico said that in order to face up to the consequences of the world economic depression it was necessary to bear in mind the high degree of interdependence existing between the economies of the developing countries and those of the developed nations, as well as the interrelationship between indebtedness and trade, with its concomitant ills of protectionism and deterioration in the terms of trade. Within that context of interdependence, domestic policies must take account of the situation of the international economy, since the external environment played an important part in the general economic evolution of the Latin American countries.

37. He said that it was necessary to continue examining the future development of the region in the light of the Regional Programme of Action, which itself required a new appraisal and updating that should include the topic of the external debt. Greater efforts should be devoted to the search for new alternatives and policies to be followed by the region, rather than continuing to stress the

/evolution of

evolution of development in the last few years. It was necessary to continue working on long-term possibilities, with the idea of designing a model that would incorporate development policies for the 1990s and would thoroughly review the postulates of the developmentalist model and the present adjustment schemes proposed by the International Monetary Fund. As far as the role of foreign investment was concerned, he noted that in that system of capital movements it should be the recipient country which defined and selected the most suitable areas, in a selective, dynamic and diversified manner. Finally, he emphasized that Mexico had applied strong domestic adjustment policies in order to adapt to the present conditions.

38. The representative of the Netherlands endorsed the views expressed by the Canadian representative and said that the debt problem was a financial and economic issue. In the view of his Government, the origins of the debt problem were to be found both in the debtor countries and in the banks and creditor countries and should be discussed in various suitable fora. The debt could be managed over the medium term if there was growth in the developed countries, if restraints on international trade were removed and if the debtor countries applied adequate domestic policies.

39. The representative of Paraguay, emphasizing the importance of the debt problem, said that despite the adjustment efforts made by the countries of the region, the protectionist measures and monetary and credit policies applied by the creditor countries had greatly hindered efforts to find a solution. Both the debtor and the creditor countries should contribute towards solving the problem and assume collective responsibility for applying such measures as might be necessary. Paraguay was particularly affected by the protectionism and restrictive measures applied in reciprocal trade by countries within the region, inasmuch as more than 60% of its trade was intra-regional in nature. In conclusion, he said he endorsed the position paper prepared by CEGAN.

40. The representative of Peru said that up to the end of the previous administration, the country had operated under conditions that were the result of an increasingly unrealistic diagnosis --with a central role being attributed to excess domestic demand, when there was obviously idle production capacity-- which had given rise to economic policies that had aggravated the overall situation of the country and had prevented it from seeking more effective alternatives. Despite the obviously deteriorating situation, the international financial agencies had continued to insist on the essential elements of that diagnosis and had imposed conditions on the previous government which had obliged it to follow a policy that had only worsened an already bad situation.

41. The new government had decided not to follow the previous approach and had established a policy which gave priority to social action directed at the rural areas and the underprivileged urban areas, while at the same time setting priorities for agricultural and industrial development. It had set precise limits to the amount that was to be paid for the service of the debt and had taken very harsh measures to combat inflation that were based on the containment of increases in domestic costs.

42. He then explained the views of the new Government of his country with regard to the economic crisis and particularly the external debt, stressing that the points he mentioned should be considered within a global context and not in isolation from each other. His country was assuming responsibility for its debt; it was not repudiating it, but it did consider the debt to be unfair. Historical and political solutions could only be achieved through joint action at the Latin American level in order to gain recognition of the principle of the co-responsibility of creditors and debtors with a view to modifying the terms of external indebtedness. He reiterated his country's support for the Cartagena Consensus and said that the conflict raised by the external debt was a North-South conflict, not an East-West one. His Government was in favour of dealing directly with creditor banks without any intermediation by the International Monetary Fund, so that countries need not be subject to IMF conditionality. In order to put the economy of his country on a sounder basis, economic and social changes would have to be made which were aimed at achieving true development; the concept of development should not be limited to mere economic growth. Finally, he said that his country would limit the amount it paid for the service of its external debt to 10% of its total export income; if the creditor countries co-operated by opening up their markets, that 10% could cover a larger share of the total debt service commitments. His Government had decided on the figure of 10% in order to be able to reactivate the economy and meet the most pressing social needs of the population; that figure would not be paid forthwith, but after negotiation.

43. The United Kingdom delegation recognized that the adjustment process had had a regrettably high social cost for the region, but it felt that without short-term adjustment the achievement of long-term growth might prove elusive. It also felt that the most positive contribution the developed countries could make to the efforts of the countries of the region was to create suitable conditions for sustained non-inflationary growth; it recognized the need to bring down interest rates. The countries of the region, for their part, should give priority to bringing down inflation, reducing the public sector deficit, and reappraising the role of the State. Finally, the delegation noted that the United Kingdom strategy with regard to the external debt was based on a case-by-case approach and that the most appropriate forums for dealing with that issue were the relevant international organizations.

44. The representative of Trinidad and Tobago, referring to some of the statements made by other delegations, said that it was important to realize that the countries of the region had made progress in implementing adjustment policies, in so far as that had been possible in the light of past and present circumstances, and the developed countries should realize that any further accentuation of existing tensions could entail great risks. Moreover, it was necessary to give concrete expression to the statements made regarding the reduction of protectionism, lowering of interest rates, etc.

45. The representative of Uruguay stressed the effort that his Government had made to reduce the enormous fiscal deficit it had inherited from the previous administration, as a way of consolidating the foundations for its reactivation policy and strengthening the recently initiated democratic process.

46. At the same time, since it had begun its work, the new Government had been carrying out a programme aimed at strengthening the country's presence before the international financial agencies, in an effort to ensure that they did not impose conditions on the granting of new loans that would entail further sacrifices for the population and make adjustment policies even harsher. It was also trying to ensure that those agencies would be even-handed in applying criteria relating to the analysis of similar issues, such as that of fiscal deficits.

47. Uruguay considered it essential to strengthen mechanisms, such as the Cartagena Consensus, for establishing common criteria for negotiating the debt and placing the dialogue with creditors on a level that would make it possible to find new options for managing not only the debt but the crisis as a whole.

48. Finally, it was urgent that debtor and creditor countries should hold discussions on the problem in order to tackle it jointly.

49. After thanking the Chairman for permitting him to make a statement, the observer from the Organization of Eastern Caribbean States (OECS) said that the CEGAN Position Paper generally reflected the position of the OECS member countries, although it inevitably needed to be more fully developed in terms of the special needs and characteristics of those nations, bearing in mind the heterogeneity of the countries which the document was designed to cover. The OECS countries had peculiar problems deriving from their very small size and very small populations, and they suffered from structural weaknesses, dependent underdevelopment, insufficient industrialization, and very narrow resource bases. The latter shortcoming led, in particular, to serious budgetary problems. The task facing them was one of structural adjustment and long-term planning for economic development. The OECS members were not as advanced as larger Latin American countries either from the point of view of development or from that of their experience in structural adjustment. The Caribbean nations in general and the OECS countries in particular were just beginning to come to grips with the concept and implications of such adjustment. In the case of the OECS member countries, structural adjustment could involve six elements: a) promotion of exports and investment; b) appropriate macroeconomic policies, including an examination of appropriate exchange rates; c) the regional dimension, involving such matters as protective tariffs and the scope for efficient import substitution at the national and regional levels; d) fiscal reform, including fiscal incentives; e) reforms in public administration, and f) re-examination of the structural (sectoral) foundations of their economies. Within that framework, discussions were proceeding with the World Bank, the key questions being the cost of the adjustment and the lessons to be learnt from the adjustment experiences of the other Caribbean countries. In that context, discussions were also in progress with the World Bank regarding the premature exclusion of the OECS countries, on the grounds of graduation criteria, from the concessionary resources of the International Development Association and the possibility of establishing a Special Development Facility to assist the structural adjustment efforts of those countries. ECLAC had a role to play in that connection, in helping the countries to examine their adjustment options and possibilities, and a process of consultation had already begun between the OECS and ECLAC/CDCC Secretariats. In conclusion, the OECS observer thanked the Committee of the Whole for the opportunity to place before it the special problems of the very small OECS nations.

50. The representative of the United Nations Development Programme said that the execution of the Regional Programme for Latin America and the Caribbean had suffered considerably on account of the severe budgetary restrictions affecting the organization, which had led to the fragmentation or atomization of projects and had thus reduced their effectiveness and delayed their results.

51. The representative of UNCTAD said that her organization had conducted detailed studies on the problem of indebtedness, in connection with the subject of interdependence among countries. She hoped that the conclusions of the current meeting would be discussed at the forthcoming meeting of UNCTAD, which would be held in September 1985.

Other statements

52. Dr. Raúl Prebisch said it was evident that the indebtedness problem was a political one which had been caused by political decisions such as those responsible for the emergence of the Eurodollar market. The credit transactions which had been carried out in that framework had clearly been made possible by a convergence of irresponsibilities that was due to a total lack of regulation; the theory that the free play of international market forces would bring about a wise allocation of resources had been disproved in practice. Moreover, the policy of issuing currency --rather than of making adjustments-- followed by the United States in order to deal with the rise in oil prices had had the effect of multiplying inflation.

53. With regard to the current situation, which was characterized by heavy indebtedness, high interest rates, low demand for the region's products and a recrudescence of protectionism, he noted that so far no one had shown the imagination and political will that were necessary to study it seriously and propose innovative solutions. A clear distinction should be made between payment of the debt, on the one hand, and the transfer of international dollar resources for its payment, on the other. One political arrangement towards which negotiations might be directed was for the countries to pay the total amount of the debt service, but to transfer only part of the funds; the remainder would be deposited in the country in funds which would be made available for foreign private investment, with the actual assignment of such funds being negotiated with the banks.

54. Finally, he stressed that it was essential that the North and South should reach an agreement on the issue of the debt. If a political solution was not found, the problem might assume unforeseeable dimensions.

55. One delegation requested that Dr. Prebisch's statement be distributed as a document of the meeting, given its great importance.

56. The delegation of Argentina submitted a draft resolution, on behalf of the delegations of the Latin American Group, on the Latin American external debt: implications and prospects. This draft resolution was approved by consensus (see resolution 475 (PLEN.18) in section C of this report).

/57. The

57. The delegation of Canada entered the following reservations regarding the draft resolution:

"The Canadian delegation is pleased to be in a position to support this resolution, and we congratulate the sponsors for their ability to accommodate a range of viewpoints in arriving at a satisfactory consensus. On the substance of the operative paragraphs, my delegation has no difficulty in anticipating full discussion of the debt issue at future meetings of the Commission, in keeping with the broad economic mandate of ECLAC. At the same time, there are other venues for dialogue on this issue, both bilaterally and multilaterally, and discussion at ECLAC should be seen as complementary to the efforts at seeking solutions to a grave and burdensome problem at all levels and in all of its dimensions. With respect to the preambular paragraphs, we have certain reservations with respect to some of the phraseology of paragraphs two and three, and with the precise inclusion of a reference to a new international economic order. But these reservations should not be seen in any way as detracting from our support of the operative paragraphs of the text. Let me once again express, on behalf of the Canadian delegation, our appreciation to the sponsoring delegations for their accommodation in meeting the viewpoints of those delegations who had not participated in the preparation of the initial draft text."

58. The United States delegation requested the inclusion in the report of the following reservation:

"In a spirit of consensus, the United States has not opposed adoption of this resolution. We associate with the observations of the representatives of the EEC and Canada. In addition, however, I would like to point out that the preambular paragraphs reflect the views of Latin American countries and not necessarily of the United States. It is the position of the United States that debt issues must be handled on a case-by-case basis and through international institutions such as the IMF and the World Bank, founded on sound economic analysis and the need for positive adjustment efforts in order to redress serious balance of payments difficulties."

"We do not believe that a global solution (or regional solutions) to the issue of debt is possible, since causes of debts vary from country to country. Therefore, the United States would like to place on record our reservations regarding the preambular paragraphs."

59. The representative of the Netherlands, speaking on behalf of the members of the European Economic Community, said that the delegations of those countries had made notable efforts to arrive at a text which the governments represented at the present meeting could accept as a whole.

60. Those delegations welcomed the fact that it had been possible to reach a consensus on the amended text prepared at the CEGAN meeting held in the previous two days. It had thus been possible to maintain one of the most positive traditions of ECLAC, which was to reconcile the very diverse but constructive views expressed during the debates.

/61. On

61. On behalf of the delegations from the EEC countries present at the meeting, and also on behalf of the delegation of Portugal, which was to become a member of the EEC on 1 January 1986, he wished to observe, with regard to the draft resolution, that the issue referred to in the second preambular paragraph had been debated at length in the various forums of the United Nations, and without wishing to go into details on the matter he merely wished to note that the position of the EEC member countries in that respect was widely known. With regard to the fourth preambular paragraph, for its part, it was necessary to bear in mind that the problem of the external debt continued to be primarily a financial and economic issue which should be dealt with as such, and in order to seek a concrete solution to it, a case-by-case analysis in the appropriate forums was therefore called for.

62. The delegation of Argentina, on behalf of the Latin American Group, submitted a draft resolution on peculiar economic problems of Caribbean island developing countries, especially the States of the Organization of Eastern Caribbean States (OECS).

63. This draft resolution was approved by consensus (see resolution 473 (PLEN.18) in section C of this report).

Change of name of the Latin American Institute for Economic and Social Planning
(item 4 of the agenda)

64. The debate on this agenda item was based on a draft resolution submitted by the delegation of Mexico, in its capacity as Chairman of the Technical Committee of ILPES, and co-sponsored by the delegations of Argentina, Colombia, Cuba, Guatemala, Haiti, Trinidad and Tobago and the United States Virgin Islands.

65. The representative of ILPES said that the draft resolution recommended that the Institute's name should be changed on the one hand in order to bring it into line with the new name of its parent organization, ECLAC, and on the other in order to reflect the greater attention being given by ILPES to the Caribbean subregion. The draft resolution fully reflected the recommendation adopted at the meeting of the ILPES Technical Committee, the supreme governing body of the Institute, which was made up of the Ministers and Heads of Planning of the 37 countries of the region.

66. In order to give concrete expression to the greater attention that ILPES was devoting to the Caribbean subregion, and in order to take care of the greater activity involved, as from September 1985 ILES would be establishing an ILPES/ECLAC Unit for the Caribbean, attached to the ECLAC Subregional Headquarters for the Caribbean in Port of Spain.

67. The draft resolution was approved by consensus (see resolution 474 (PLEN.18) in section C of this report).

Amendments to the Terms of Reference and Rules of Procedure of ECLAC (agenda item 5)

68. The Secretariat presented the amendments which it was proposed to make to the Terms of Reference and Rules of Procedure of ECLAC, as set forth in document LC/L.338(PLEN.18/3). It was explained that what was involved was the

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introduction into the text of the changes made necessary by the adoption by ECLAC of resolutions 452 (XX) on the admission of Portugal as a member of ECLAC and 455 (XX) on the change of name of ECLAC, as well as Economic and Social Council resolution 1984/67.

69. The amendments were unanimously approved (see item 2 a) of section C of this report).

Place and date of the eleventh session of CEGAN (agenda item 6)

70. The representative of Colombia offered the city of Bogotá, Colombia, as the site of the eleventh session of CEGAN.

71. Referring to that invitation, the Secretariat reported that the Government of Colombia had indicated that it intended to make a special contribution for the eleventh session by providing conference rooms, office space and the necessary support staff and equipment to hold the meeting, in accordance with the draft Headquarters agreement that had been submitted to it. Since the budget for the biennium 1986-1987 included provision for CEGAN to hold a session in 1986, the costs envisaged could be covered with resources available in ECLAC's regular budget.

72. The Secretariat also reported that it was envisaged that the CEGAN session should be held during the week beginning 3 March 1986.

73. The Committee of the Whole decided by consensus that the eleventh session of CEGAN should be held in Bogotá, Colombia (see item 2 b) of section C of this report).

Other business (agenda item 7)

a) Resolutions approved by the Caribbean Development and Co-operation Committee at its ninth session.

74. The Director of the ECLAC Subregional Headquarters for the Caribbean referred to document LC/L.345 entitled "Resolutions approved by the Caribbean Development and Co-operation Committee (CDCC) at its ninth session". He stated that the three resolutions cited in that document: 18 (IX), Programme of support for small island developing countries; 19 (IX), Establishment of CDCC Review Committee, and 20 (IX), Future action of the CDCC, were adopted by the CDCC at its ninth session, held in Port of Spain from 29 May to 5 June 1985.

75. He noted that the CDCC had the status of a permanent subsidiary body of ECLAC, to which it reported. Accordingly, the presentation of the resolutions for the information of the Committee of the Whole was in conformity with that requirement. It was stated that the resolutions, as approved by the CDCC, had implications relative to action by ECLAC, but they did not involve any financial commitments.

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76. The representative of the United States Virgin Islands asked the Committee to give the resolutions its favourable consideration.

77. The Committee of the Whole thereupon decided to take note of CDCC resolutions 18 (IX), 19 (IX) and 20 (IX) (see item 2 c) of section C of this report).

b) Proposal by the delegation of Chile for the inclusion in the work programme of ECLAC of certain topics in the field of international trade and development finance.

78. In view of the fact that there will probably be a new round of multilateral trade negotiations, the delegation of Chile suggested to the ECLAC Secretariat that in its programme of work on international trade and development finance (programme 16) it should, so far as possible, include the execution of studies on the following topics: a) questions relating to the liberalization of international trade through negotiations; b) normative aspects of the introduction, strengthening or improvement of multilateral disciplines; c) the features of a global negotiation strategy; d) study of the situation in specific branches of activity, and e) analysis of new matters such as services, high-technology products and falsified goods.

79. The Executive Secretary of ECLAC thanked the Chilean delegation for its suggestion and said that it would be taken into consideration. The activities in question would not involve the need for new budgetary resources or the postponement of other activities.

80. The delegation of Mexico suggested that the work done by the ECLAC Secretariat on international trade and development finance should be co-ordinated with that effected by other regional and subregional bodies.

c) Observation by the United States delegation.

81. The United States delegation requested the following observation to be entered as a matter of record:

"The United States takes exception to the selection of the representative of Cuba as Second Vice-Chairman of these proceedings. The Government of Cuba has attempted to politicize for its own purposes an issue which is of serious concern to all. It has demonstrated a total lack of objectivity which should be a fundamental characteristic of a member of the Chair. The United States believes it is a serious error to reward such behaviour and appear to give credence and support to a position which all responsible governments in this Hemisphere have chosen to reject."

82. With regard to this matter, the Latin American and Caribbean countries requested that the following statement be included in the report: "The Latin American and Caribbean countries wish to place on record their vigorous rejection of the declaration made by the United States delegation, since Cuba is a full member of the Commission and of the United Nations and such a declaration constitutes an unacceptable value judgement on the sovereign positions adopted by member States on matters contained in the agenda".

C. RESOLUTIONS, DECISIONS AND RECOMMENDATIONS ADOPTED BY THE
COMMITTEE OF THE WHOLE OF THE ECONOMIC COMMISSION
FOR LATIN AMERICA AND THE CARIBBEAN AT ITS
EIGHTEENTH SESSION

1. Resolutions

473 (PLEN.18) PECULIAR ECONOMIC PROBLEMS OF CARIBBEAN ISLAND
DEVELOPING COUNTRIES, ESPECIALLY THE STATES OF THE
ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS)

The Committee of the Whole of the Economic Commission for Latin America
and the Caribbean,

Recognizing that the Caribbean member countries of ECLAC, and in particular the eight members of the Organization of Eastern Caribbean States, have peculiar economic problems deriving from their very small size and the narrowness of their resource bases,

Cognizant of the fact that by virtue of their per capita income levels, Caribbean and in particular the OECS countries are being graduated out of eligibility for the concessionary financial resources of international agencies such as the World Bank and its affiliate, the International Development Association,

Noting that these countries' per capita income levels, while comparing favourably with the per capita income levels of other developing countries, serve only to mask their fragile economic structures, a fragility which emphasizes the harshness of such graduation,

Recalling resolution 18 (IX) of the Caribbean Development and Co-operation Committee of ECLAC on a Programme of Support for Small Island Developing Countries,

1. Affirms that the international community has a responsibility to support the development and structural adjustment efforts of the Caribbean countries ;

2. Supports the World Bank's efforts at reconsideration of the issue of graduation and recognizes as urgent the development assistance needs of the Caribbean countries, especially the very small States.

474 (PLEN.18) CHANGE OF NAME OF THE LATIN AMERICAN INSTITUTE
FOR ECONOMIC AND SOCIAL PLANNING

The Committee of the Whole of the Economic Commission for Latin America and the Caribbean,

Considering that the Latin American Institute for Economic and Social Planning (ILPES) is a permanent body of the United Nations and part of the ECLAC system,

Recalling ECLAC resolution 455 (XX), adopted at the twentieth session of the Commission, on the change of name of the Commission,

Recalling also paragraph I-1 of United Nations Economic and Social Council resolution 1984/67, endorsing the aforementioned ECLAC resolution,

Bearing in mind the programmes and activities carried out by the Latin American Institute for Economic and Social Planning in the Caribbean countries and the fact that ILPES, together with ECLAC, serves as the technical secretariat of the Caribbean planning system which operates within the framework of the Caribbean Development and Co-operation Committee (CDCC).

Bearing in mind also the decision to establish an ECLAC/ILPES Unit for the Caribbean,

Noting that at its sixth meeting, the Technical Committee of ILPES (Mexico City, 16 April 1985) unanimously endorsed the proposal concerning the change of name of ILPES approved at the seventh meeting of the Technical Sub-Committee of ILPES (Brasilia, 3-4 December 1984), as well as the proposal to maintain the acronym ILPES,

Endorses the recommendation made by the Technical Committee of ILPES at its sixth meeting, as follows:

1. To change the name of the Latin American Institute for Economic and Social Planning to Latin American and Caribbean Institute for Economic and Social Planning;
2. To maintain the acronym ILPES as the abbreviation for the name of the Institute, considering that it is generally used in all languages and that the Institute is known by this acronym throughout the region.

475 (PLEN.18) THE LATIN AMERICAN EXTERNAL DEBT:
IMPLICATIONS AND PROSPECTS

The Committee of the Whole of the Economic Commission for Latin America
and the Caribbean,

Recognizing that Latin America and the Caribbean are currently going through the most serious economic and social crisis in their history and that the situation is becoming increasingly dramatic, because of the effect on their peoples of the high cost of living, inflation and widespread poverty,

Seriously alarmed by the fact that the economic crisis of the region has in most cases halted the development of national and per capita production and in many cases has even meant a return to levels below those of the 1970s, all of which clearly points to the urgent need for the establishment of a New International Economic Order,

Deeply concerned about the gigantic external debt which has accumulated in respect of the Latin American countries and which draws off a large share of what they receive from their ever-declining exports, without being offset by any flow of real resources which might truly contribute to development,

Asserting that the problem of the Latin American and Caribbean external debt should also be dealt with as a political issue, and stressing the urgent need for a dialogue between debtor and creditor countries in order to tackle this problem jointly,

1. Requests the Executive Secretary of ECLAC to include the question of the Latin American and Caribbean external debt in the agendas of both the eleventh session of the Committee of High-Level Government Experts (CEGAN) and the twenty-first session of ECLAC, so as to permit an exchange of views among the member countries of the Commission in order to advance discussions on how to overcome this important and pressing regional problem;

2. Also requests the Executive Secretary of ECLAC to prepare, for this purpose, a study on the implications of the Latin American and Caribbean external debt for the economies of these countries and the likely prospects in this regard, and to submit this study both to CEGAN and to the twenty-first session of ECLAC as a background paper for the Governments of member countries to refer to in their study of the topic.

2. Decisions and recommendations

a) Amendments to the Terms of Reference and Rules of Procedure of ECLAC

The Committee of the Whole approved the following amendments to the Terms of Reference and Rules of Procedure of ECLAC:

a) Where the words "Economic Commission for Latin America" appear, they should be replaced by "Economic Commission for Latin America and the Caribbean" (Article 1).

b) Wherever the words "Latin America" appear, they should be replaced by "Latin America and the Caribbean" (Articles 1a), 1b), 1e), 2 and 15).

c) The text of Article 3 should read: a) Membership of the Commission shall be open to the Members of the United Nations in North, Central and South America, and in the Caribbean area, and to France, the Netherlands, Portugal, Spain and the United Kingdom ...

d) The text of Article 4 should read: 4. The geographical scope of the Commission's work comprises the Latin American and Caribbean States Members of the United Nations and participating territories in Central America and the Caribbean.

e) The text of Article 9 should read: 9. The Commission shall co-operate with and take the necessary measures to co-ordinate its activities with the appropriate organs of the Inter-American System in order to avoid any unnecessary duplication of effort between those organs and itself; to this end the Commission is empowered to, and shall seek to, make working arrangements with the appropriate organs of the Inter-American System regarding the joint or independent study of economic problems within its competence and ways of solving them and the fullest exchange of information necessary for the co-ordination of efforts in the economic field. The Commission shall invite the Organization of American States and other regional bodies to nominate a representative to attend meetings of the Commission in a consultative capacity.

b) Place and date of the eleventh session of the Committee of High-Level Government Experts (CEGAN)

The Committee of the Whole approved by consensus the holding of the eleventh session of CEGAN in Bogotá, Colombia,

c) Position Paper contained in the report of the tenth session of CEGAN

The Committee of the Whole decided to take note of the Position Paper contained in the report of the tenth session of CEGAN and to include it as an annex in the present report. The comments of the member States of ECLAC on this Paper are given in section B of this report.

d) Resolutions approved by the CDCC

The Committee of the Whole decided by consensus to take note of resolutions 18 (IX), 19 (IX) and 20 (IX) approved by the CDCC at its ninth session.

/Annex

Annex

POSITION PAPER

1. During the 1970s, the profound changes which occurred in the international economy adversely affected the region as a whole. As the region also suffered from long-standing structural lags and inadequacies, the significant progress in the area of economic growth and change which most of the Latin American countries had made during the first three decades following World War II was thus limited. The countries were able to delay the most pernicious effects of this set of factors through a high level of external indebtedness. Nevertheless, the persistence of the international recession which began in the early 1980s, and the sharp contraction in the availability of external resources from 1982 onwards, forced the countries of the region to adopt, quite rapidly, a series of adjustment and stabilization policies. All this has plunged Latin America and the Caribbean into the most profound and prolonged economic recession since the Great Depression of the 1930s.
2. The consequences of the national adjustment policies varied from one country to another, but generally speaking were extremely negative. Outstanding among these effects were considerable drops in the per capita product, significant increases in open unemployment and underemployment, acute declines in real wages, and the acceleration of inflationary processes. Some other less prominent structural effects were just as important or even more so, however. Among these were the disinvestment in many branches of production, the disarticulation of the productive and financial systems, the reduction or impairment of the operational capacity of the public sector, and the narrowing of the leeway for the application of economic policy. In addition, the crisis has often given rise to greater inequality in income distribution, due to unjust distribution of its costs, and growing social disarticulation.
3. The serious economic upsets suffered by the Latin American and Caribbean societies, together with the magnitude and rapidity of the adjustment processes applied, have increased political tensions and even given rise to situations of violence. In this connection, it should be noted that many countries have made an effort to face the crisis through solutions of consensus and participation within the framework of democratic and pluralist political systems. However, the noteworthy efforts made by the region to face up to the crisis, reflected in the serious economic, social and political consequences which it is now undergoing, have proved to be largely fruitless, and this may jeopardize the consolidation of the democratic processes of some countries.
4. The governments of the region have shouldered their responsibility to seek suitable responses to the problems affecting them. However, the persistence of unfavourable external conditions and the consequent impossibility, for most of the countries, of restoring economic growth and reducing inflation in the present circumstances have given rise to social and economic situations which make it urgently necessary for the international community, and especially the governments of the industrialized countries, to recognize that the solution of the Latin American crisis calls for profound changes with a view to establishing a juster world economic system. Since the negative external trade, financial and monetary

/conditions originate

conditions originate in the developed countries, they demand solutions based on co-responsibility for the indebtedness accumulated and equitable sharing of the burdens of the adjustment.

5. In this respect, both the ideas contained in the Quito Plan of Action and the guidelines offered by the Consensus of Cartagena and other Latin American initiatives represent important advances towards the formulation of a coherent proposal and plan of action for Latin America and the Caribbean.

6. The solutions adopted should take account of the structural changes which have taken place in the world economy in the last fifteen years. The growing return to bilateralism in trade and financial relations, the changes in the relative economic importance of different countries and groups of countries, the sharp fluctuations in the main currencies, the persistent trade protectionism in the main markets, the constant deterioration in the terms of trade, the intensification of the practice of dumping, the disproportionate increase in interest rates, the growing transnationalization of enterprises in the fields of trade, industry and finance, and the adoption of coercive economic measures against countries of the region for political reasons, raise new problems whose solution calls for new approaches and policies. The innovations taking place in the fields of technology and production in the more advanced countries combine with the above-mentioned structural changes to form new challenges for the countries of the region. It is necessary to propose concrete and effective actions both to attain an urgent and effective solution of the debt problem of Latin America and the Caribbean and to secure the full implementation of the measures contained in the Declaration and Programme of Action on the Establishment of a New International Economic Order.

7. For all the above reasons, the region's insertion into the international economy must be redefined in two ways. Firstly, in order to be able to deal with the current international situation, the region must organize and exercise joint bargaining power at the international level so as to protect its autonomy and interests more effectively. This approach should be used both in considering current financial and commercial problems, as well as in examining other areas which concern the developed countries, such as services, high-technology goods and investments.

8. Secondly, it is important to realize that it is not advisable to hold high expectations that the presumed dynamic growth of the international economy will, in itself, facilitate the reactivation of the Latin American and Caribbean economies. That is why the countries of the region must adjust their productive apparatus in order to take better advantage of the incentives offered by national, subregional and regional demand and why it is more vital than ever to strengthen and develop the regional co-operation and integration processes.

9. Finding a solution for the debt problem and taking the necessary decisions to achieve the establishment of the New International Economic Order should be understood as a complementary part of an overall policy aimed at restoring the region's capacity for development. It is essential to carry out a strategy which will, from the outset, reconcile adjustment with the reactivation and reorientation of the economies.

10. The attainment of this objective will require a major realignment of the economy. Among other things, this will involve adjusting the structure of production to the new composition of consumption, transforming external financial and commercial relations in order to ensure that they foster this process, and considerably increasing the domestic accumulation of capital, which should be used to further these strategic objectives.
11. An essential objective of such a strategy is the satisfaction of the needs of the broad social groups most affected by the crisis. This objective will vary from country to country, depending on the situation prevailing in each case, the priorities the country may establish, and its potentialities. In every case, however, a profound and extended effort will have to be made in order to deal successfully with the serious economic and social problems involved. This effort will succeed only if there is organized co-operation on the part of society as a whole, including the government and State institutions, economic groups and associations, political parties and social movements. The political experience of the region has made it evident, on repeated occasions, that without this co-operation even the best-designed strategy will fail.
12. There is a dual need to promote collective participation --a vital task in a time of crisis and change-- and to ensure that this action is in keeping with the democratically expressed desires and interests of the population, within the political context which each society considers most desirable, viable and effective. In this connection, mention should be made of the central role that can be played by renewed systems of planning as instruments for the implementation of State action which articulate the main executing bodies and entities of economic and social policy. Actions must be carried out which are designed, inter alia, to strengthen and perfect the operational capacity of the public sector, both in providing social services and running productive activities and in planning and designing investment projects and executing public works. In this way it will be possible to secure the necessary improvement both in the effectiveness of the public sector within the economy and in capital formation.