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REPORT OF THE EXPERT MEETING ON CRISIS AND DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN

(Santiago, Chile, 29 April-3 May 1985)

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/I. ATTENDANCE

I. ATTENDANCE AND ORGANIZATION OF WORK

1. Place and date

1. The Expert Meeting on Crisis and Development in Latin America and the Caribbean was held at ECLAC Headquarters in Santiago, Chile, from 29 April to 3 May 1985. It was organized by ECLAC in pursuance of the mandate given to the Commission by its Member States at the twentieth session, held in Lima, Peru, in April 1984.

2. The main objective of the meeting was to help understand the socio-economic evolution of the Latin American countries and of the world scene, to examine options for dealing with the consequences of the crisis, and to consider long-term economic and social development policies which could be applied by the Latin American and Caribbean countries, bearing in mind the changes that have occurred in the international economy.

3. In accordance with the mandate received, the results of the meeting will be presented at the next meeting of the Committee of the Whole, to be held in Buenos Aires in the second half of 1985.

2. Attendance */

4. The meeting was attended, in a personal capacity, by experts connected with the public and private sectors, with academic and labour circles, and with international and regional organizations. Two former Executive Secretaries of ECLAC, Dr. Raúl Prebisch, currently Director of CEPAL Review, and Mr. Enrique V. Iglesias, Minister of Foreign Affairs of the Oriental Republic of Uruguay, were present as specially invited guests, as were Mr. Altaf Gauhar, Secretary-General of the Third World Foundation, and Mr. Robert Hourcaillou, Representative of France to ECLAC.

3. Agenda

5. The meeting had the following agenda:

1. The nature, depth and scope of the crisis
   Moderator: Donald Mills

2. The onset of the crisis and the economic policy response: effects and options
   Moderator: Julio C. Gil-García

3. The conceptual framework for the reorientation of Latin American development
   Moderator: Sebastián Alegrett

*/ See list of participants in annex 1.

/4. Changes

4. Changes in relations between the centre and the periphery: limitations and opportunities for Latin America and the Caribbean
Moderator: Joseph Grünwald

5. Changes in the production system with technological development
Moderator: Manuel Ulloa

6. Changes in the State, social agents and political systems
Moderator: Altaf Gauhar

4. Documents of the Meeting

6. The participants had before them four working papers, grouped under the title Crisis and development: the present situation and future prospects of Latin America and the Caribbean; volume I, Change and crisis: Latin America and the Caribbean 1950-1984; volume II, The onset of the crisis and the economic policy response: effects and options; volume III, Challenges and options for future development, and an analytical summary (documents LC/L.332, LC/L.332 Add.1 and Add.2, and LC/L.333). The documents entitled A view of the Caribbean (LC/L.327) and Central America: bases for reactivation and development (LC/L.331) were also used as working papers. The Meeting also had before it a number of papers presented by participants. The complete list of documents is provided in annex 2.*/

5. Organization of work

7. Seven working meetings were held; six were devoted to consideration of the agenda items and the last one to discussions of the analytical summary.

6. Opening Meeting

8. In opening the meeting, Mr. Norberto González, Executive Secretary of ECLAC, thanked the distinguished participating experts for attending the meeting and stated that the dialogue had been organized in order to undertake a global analysis of the challenges and options facing the countries of the region and thus contribute as far as possible to discussions to be held on those topics later in the year by countries members of the Commission. He hoped it would serve to draw forth valuable ideas and approaches which would allow the Secretariat to improve its contribution to the clarification of some of the main issues involved in defining and applying development strategies as well as economic and social policies.

9. The crisis affecting most of the countries of Latin America and the Caribbean made it necessary to re-examine ideas and proposals in depth. The contrasts between change and heterogeneity which had characterized the region's development over the past forty years must be taken into account when designing development strategies and economic and social policies for the years to come. Such strategies and policies would have to combine economic, social and political elements. It is essential to advance towards greater democratization and participation, while maintaining the social discipline required to achieve the accumulation of capital needed for growth; to attain greater autonomy with respect to the exterior while also transforming the structures of production; to normalize the functioning of the region's economies by applying adjustment and stabilization policies, while at the

*/ See the list of Secretariat documents and contributions by the participating experts in annex 2.

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same time bringing about an economic reactivation and laying the foundations for dynamic development; and, finally, to introduce an ethical element into efforts to overcome the present crisis and distribute the burdens and benefits of that process equitably.

10. The countries of the region would have to face three challenges in coming years: firstly, gradually overcoming the consequences of the crisis, reconciling adjustment and stabilization policies with the attention that would have to be given to the reactivation of the economies and the expansion of the apparatus of production, while at the same time ensuring a more equitable distribution of the sacrifices that such policies would bring with them; secondly, ensuring that medium- and long-term development strategies provided a clearer response to such elements of structural heterogeneity as underemployment and critical poverty which had grown worse with the crisis; and, lastly, appraising the implications for the region of some important changes in technology and production which were taking place in the developed countries, so as to interpret the significance of those changes properly and to prepare the regional economy to compete successfully, not in the world of the past, but in the world of the future.

11. Finally, he expressed his conviction that, just as in the crisis of the 1930s, the region would be able to react with a combination of imagination, realism and energy in order to find lines of action which were in keeping with the challenges of the moment. To that end, systematic collaboration among institutions and intellectuals was called for in order to help strengthen their capacity to offer the region clear and incisive ideas for successfully dealing with the challenges facing it.

12. Mr. Goran Ohlin, Assistant Secretary-General for Development Research and Policy Analysis, attending the meeting in representation of Mr. Jean Ripert, Director-General for Development and International Economic Co-operation of the United Nations, said that there was talk of a worldwide crisis encompassing not only the political, economic and social situation, but also the basic lines of thought with respect to development. There had been some degree of consensus in that connection in the past, but it had broken down in recent years. Now, wherever one looked, there was dissatisfaction with the situation and diverging interpretations of its causes, as well as opposing ideas as to the steps to be taken. He added that, in large measure, the controversy related to fundamental aspects such as the role of the State and conflicts between security and freedom, between stability and growth. Without widespread understanding, it would be difficult for international co-operation to take place, and it was the responsibility of the United Nations to aid in seeking a new working consensus.

13. Dr. Raúl Prebisch said that there was a worldwide crisis of capitalism, not because it had sunk into decadence, but because of phenomena resulting from changes in the social structure which had accompanied the evolution of technology and were reflected in the imbalance of the external and internal dynamics involved.

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14. The external dynamic imbalance had arisen once again, above all because of the decline in growth rates from the previous unusually high levels, and the situation had been aggravated by high interest rates. In the 1930s, the Great Depression had provided the impulse for the industrialization of the periphery, which had necessarily had to be based on import substitution. Now, however, the region was being asked to throw open its doors unconditionally to imports of goods and services reflecting the latest technological innovations. If that was done, however, it would accentuate the tendency towards external imbalance. What should be agreed between centre and periphery was a policy based on the common interest in promoting trade but emphasizing the need for import substitution and seeking arrangements for the integration of production and trade within the periphery. Such an approach would eventually put the latter in a position to compete with the centres.

15. There continued to be strong resistance to import substitution in certain circles in the centres, however. In the recent past, the region had been asked to open itself up to international finance, and in a veritable convergence of irresponsibility, the creditor countries had dispensed with all pretence of regulation while the debtor countries had acted without the most elementary form of caution.

16. As regards the internal dynamic imbalance, it was also necessary to make deep-seated changes in order to correct it. There was currently a distributive struggle in which several different social groups were contending with the upper strata to appropriate the surplus. In that struggle, expenditure tended to grow faster than the productive accumulation which was essential for increasing employment productivity and income. There was a phenomenon of overlapping expenditures which was weakening the rate of accumulation of capital, and that situation was extremely grave from the economic, social and political point of view. There was a need for macroeconomic regulation of the global surplus at its source, and that required a social consensus including all groups. That regulation could only be based on a process of accumulation whose costs and benefits were equitably shared by social groups: such a regulatory function, which was the responsibility of the State, was nevertheless perfectly compatible with the operation of a market based on competition and incentives.

17. The crisis affected not only capitalism, but socialism as well. In the latter case, it was a question of a crisis of productivity, whereas in the case of capitalism, the crisis was due to the discrepancy between the rate of accumulation and the rate of expenditure. In conclusion, he stressed that there was a danger that capitalism might indeed sink into decadence if it did not renew itself and promote change so as to achieve the indispensable social equity.

18. Mr. Enrique V. Iglesias stressed the importance of making a collective effort to reflect on the current situation of Latin America. He said that the current crisis was a consequence of the collapse of neoliberal solutions attempted during the 1970s, which had entailed economic policy changes and, in some cases, political authoritarianism, but it had also been caused by heavy external indebtedness, extremely high interest rates and the protectionism of the centres.

/19. Capitalism

19. Capitalism had survived a succession of crises (e.g., the monetary crisis and the oil crisis) which had almost caused its demise. The current crisis was one-sided because its characteristics in the centre were different from those in the periphery. There were new phenomena, such as the financial syndrome, and it seemed now that the trend was to a return to the Schumpeterian rather than the Keynesian economic model. The present situation of Latin America was as heterogeneous as the region itself, as one could not describe it in a way that would be valid, for example, both for Brazil and for the Caribbean island countries.

20. The current crisis could be seen on the horizon in the 1970s; in that respect, Latin America's indebtedness had acted as an anesthetic. The financial indulgence into which all models --both orthodox and heterodox-- had fallen had led to widespread excesses which had raised Latin America's debt from US$ 200 billion in the 1970s to US$ 350 billion during the first half of the 1980s. There was also a crisis in external relationships. It would be unrealistic, therefore, to think that the region could again experience growth rates similar to those of the 1970s; furthermore, it should not be forgotten that the climate of international relations was now determined primarily by power considerations.

21. Another manifestation of the crisis was the failure, in the Latin American countries, of highly ideologized macroeconomic theories and the crisis of ideas which affected not only the developing world, but also, and in particular, the industrialized countries. The theory of development had gone out of style and some paradigms had been overtaken by events.

22. Two problems stood in the way of all efforts to overcome the crisis. Firstly, there was the problem of the external debt, which still had not been settled and which instead was becoming more serious, leading the countries of the region to ask for a political dialogue. Secondly, there was the problem of inflation, which was closely linked to the enormous growth of the external debt.

23. There was a danger of expecting too much from qualitatively different development. Instead, the region should go back to studying the actual realities of the international scene, without proposing great paradigms. Latin America would have to embark on a major effort of economic, social and political modernization which made technological and institutional renovation all the more necessary. That effort should not be confined to mere imitation, but should be aimed at restoring the region's ideological creativity.

/II. SUMMARY

II. SUMMARY OF THE DEBATES

The nature, depth and scope of the crisis (Agenda item 1)

1. Introduction

24. The Latin American crisis is rooted in deep-seated forms of social and productive disarticulation, excessive technological dependence and the loss of political consensus, all of which reduce the State's ability to act. These internal roots are closely related to a form of international insertion marked by dependence and vulnerability.

25. The financial aspects of the crisis have aggravated and made more obvious the structural imbalances inherent in the development styles of the region and, especially, the fragility of the political systems when it comes to dealing with the concerted power of the central countries, particularly with respect to their monetary and financial policies.

26. There is a growing conviction that the adjustment policies being applied have taken the wrong track because they reflect a misinterpretation of the nature of the crisis and are confined to limited aspects of the economy and conjunctural issues. It is therefore imperative to shed light on the nature of the crisis, its depth and scope, so that strategies and policies may be designed which will make it possible to overcome the present situation.

2. The nature and depth of the crisis

27. The participants took various approaches in describing the nature and scope of the crisis.

28. With respect to its genesis, depth and duration, opinions were expressed as to its structural or conjunctural character. There was agreement that the crisis was of a structural nature and that it was overlaid with conjunctural elements.

29. Attention was drawn to the fact that the main structural traits of the crisis were related to the continuance and accentuation of new and regressive aspects of the relationship between the centre and the periphery; the contradictions arising between the modern and traditional sectors; the widening gap between the demands of the various social groups and economic dynamism; the relative lack of internal articulation in production, and the decline of comparative advantages based on natural resources and manpower, as a result of the great changes which had taken place in technology.

30. Financial permissiveness had to a large extent concealed and delayed the manifestations of the structural crisis. Factors linked to the dynamics of the international economic and financial system had given rise to increasing interest rates and had contributed to the deterioration of the terms of trade; those phenomena had made the region's financial vulnerability more evident and had resulted in a holding back of capital flows.

/31. At

31. At the global level, stress was placed on the cyclical nature of the capitalism of the centres, as evidenced by the recessions of 1974-1975, 1981-1982 and the recession which was probably beginning in 1985. The effects of these cycles were naturally superimposed upon the structural foundation of the crisis. It was also noted that a large part of the present conjunctural effects stemmed from policies such as those followed by the United States with respect to fiscal and monetary matters.

32. As regards the scope of the crisis, it was observed that the situation in Latin America could not be understood unless reference was made to the external situation. Some participants put forward the idea that it was a worldwide crisis of industrial civilization which also involved the socialist areas; others felt that it was a crisis of the capitalism of the centres. The scope of the crisis was also described in terms of the relationship between the capitalism of the centres and the capitalism of the periphery. Finally, some participants drew attention to the diversity of regional situations, with the United States and some Asian countries --which had apparently been spared the crisis-- constituting one case, while Europe and Latin America were others; hence, the crisis in the region exhibited particular characteristics which made it possible to speak of the "Latin American case".

33. The participants who commented on the crisis in the capitalism of the centres identified factors which had been changing the postwar international order, placing strong emphasis on the changes that had occurred in the 1970s and thus far in the 1980s. Mention was made of internationalization and transnationalization, but discussion primarily centered on what one participant called the "prolonged disturbances of the 1970s", in connection with which cyclical fluctuations were occuring, i.e., changes in energy prices, the non-convertibility of the dollar since 1971, the increasingly private nature of financial flows, changes in the international division of labour and in the economic power structure, etc.

34. Emphasis was placed on the existence of changes in the central countries, which were abandoning or diminishing the rôle of the so-called "welfare State" built up after the war. Along these same lines, it was remarked that the growing share of wages in the aggregate value had reduced the surplus available for investment in the centres, thus giving rise to stringent adjustment policies which had resulted in greater unemployment, reduction of the share of wages in income, and the withdrawal or weakening of the welfare State.

35. Mention was also made of the sweeping revolution in technology (microelectronics, biogenetics, etc.) and its impact on the industrial reorganization of the centres and their respective social structures was underlined. This last factor appeared to be causing friction in relations among the centres themselves and had contributed to the recent increase in international disturbances. A differentiation was also made with respect to the scope of the crisis in the centres, and attention was drawn to the hegemonic nature of the monetary and financial policy of the United States. That factor had had uneven effects in terms of growth and investment, not only in the periphery but also within OECD.

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36. It was noted that the way in which the crisis of the industrialized countries had spread to the countries of the periphery could be more easily understood if the analysis were linked in with the latter's dependency.

37. In that connection, some participants observed that there had been an increase in bipolarism, and even "unipolarism" in the course of the crisis, along with a sharp increase in dependency, which had taken the place of the concept of interdependence. The opinion was expressed that premature and unbalanced international integration, together with the association of élites and bureaucracies with the central circles of power, were largely responsible for processes of national disintegration. Others underscored the validity of the centre/periphery relationship and felt that it could be applied to other regions and dimensions (i.e., at the worldwide level).

38. Some participants stressed the way in which the policies of the centres affected the rest of the world. Mention was made of the economic institutional order set up after the war (IMF, GATT, IBRD) and its purpose was described as that of easing the flow of capital and merchandise in keeping with the interests of the centres. Note was also taken of the growing obsolescence of the international division of labour, whose reorganization involved replacing traditional comparative advantages based on natural resources with advantages based on technological excellence through specialization. The present uncertainty with respect to the New International Economic Order was due to the unfinished and unstable nature of such processes and to the fact that they lacked an international framework of reciprocal guarantees. An in-depth consideration of the status of the periphery and of the Latin American region in particular could only be undertaken once the new technological, production, trade and financial scenarios involving the industrial powers --along with the corresponding political consensuses-- had crystallized. In connection with that point, another speaker said that the main hegemonic centre of capitalism lacked a specific policy regarding Latin America, its policy vis-à-vis the region being a byproduct of global strategic considerations which not only included the issues of security, autonomy and self-sufficiency, but also encompassed those of democracy and development within the capitalist centres themselves. The industrial countries were not actively trying to integrate the Third World; their half-hearted efforts in this regard only covered a few countries, and action taken with respect to Latin America therefore appeared to be more of an indirect byproduct or global policies forming part of a strategy of predominance than the result of a specific policy. A number of experts underlined the need for a deeper understanding of the current processes and policies of the centres and especially of the main hegemonic centre.

39. In that context, various participants felt that, for Latin America the predominant trait which emerged from the international scene was uncertainty. The assertion of the existence of a "Latin American case" was based on the fact that the region's external debt --or, in broader terms, its form of international insertion-- was unique to the region and gave it an individual identity within the world scene.

/40. Attention

40. Attention was also drawn to the fact that, despite the widespread nature of the crisis, the situations faced by the countries differed in form and intensity. Some of the main factors accounting for such differences were: the individual country's production potential and its fragility, the ability of the State to regulate economic activity, the degree of articulation --or consensus-- of social groups, the existence or lack of national projects, and the way in which its international insertion affected its foreign trade.

3. The scope of the crisis

41. In describing the international crisis, although emphasis was placed on economic aspects, due consideration was given to other factors as well. There was acceptance of the fact that the crisis in Latin America is of a political, social, cultural and economic nature. Stress was also placed on the fact that policies based on a partial analysis of the phenomenon were useless.

42. In addition to the above-mentioned comments concerning the nature and scope of the crisis, economic factors were also discussed. Prior to the present financial crisis, the region had already been exhibiting marked imbalances and disarticulation in production. The lack --or at least the insufficiency-- of an internally structured technological matrix which could sustain self-generated development was underlined. In that context, the present external imbalances and the attendant adjustment policies currently being applied in the region had halted the productive investment process and had even weakened the pre-existing production capacity. That situation was all the more serious in view of the sweeping changes in technology and production taking shape in the centres, which jeopardized the comparative advantages that the region had acquired at great effort.

43. The characteristics and effects of the adjustment policies applied had exacerbated structural problems due to application of global policies which failed to set rational priorities with respect to imports, thereby leading to a deterioration in industrialization and affecting regional economic integration. Those two processes --industrialization and integration-- were considered to be the essential basis for a dynamic export sector. With respect to fiscal matters, it was noted that cutbacks in the budget due to the adjustment were having a harmful effect on distribution and employment. One participant identified two different ways of influencing the agents of production: first, by defining and controlling --on a democratic basis-- the economic "rules of the game"; and second, through the unfettered interplay of market forces, which had been seen in a number of countries prior to the crisis of the 1980s.

44. In general, although the close relationship among the political, social and economic aspects of the crisis was stressed, it was also recognized that those phenomena took on a relative degree of autonomy at certain times. In particular, mention was made of the specificity of the demographic phenomenon and the lasting effect of natural growth of the labour supply and on the excessive growth taking place --even without migration-- in Latin American cities. Given that the form of economic growth prevailing had been incapable of satisfactorily absorbing that supply, a demographic and economic imbalance with clear structural implications was being created which would get worse unless policies were applied to close the gap.

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45. As for the autonomous effects of ideas on the social process, another participant said he regarded them as central elements in the shaping of the socio-economic structure and drew attention to the need for joint consideration of the ideological and doctrinal aspects of security, development and democracy in the region.

46. The political phenomenon was sharply highlighted in international relations, especially with regard to the power imbalances in the centre-periphery relationship and the consequent limitations on the capacity for action of the national societies of the region and of regional groupings. It was stressed that the political and strategic objectives and options concerted in the centre did not usually meet with a coherent and well-balanced response from the periphery. Attention was also drawn to the need to study and understand the political implications for Latin America of the profound social and economic changes which the centres were experiencing in the current phase of their technological transition.

47. With regard to internal factors, the diversity of political situations in Latin America and the heterogeneity of the social and cultural structures of the countries was noted. Mention was made of the low level of political and social participation and the cultural fragmentation of many social groups, there being different intensities and forms in each national situation, and it was noted that those facts, which were associated with unfair distribution in the material sphere, underlay the obvious weakness of the civil society which had been evident in recent efforts at regional development.

48. Reference was made to the injustice suffered by the workers of the region, who had to bear most of the burden of the crisis without having been responsible for it. It was also noted that the adjustment processes had meant a return to élitism in economic decisions, since to a large extent they excluded democratic concertation: a particularly serious matter in view of the fact that such concertation provided the social discipline and solidarity which were indispensable for putting those adjustment processes into practice.

49. In addition, it was said that it must be borne in mind that the concept of "citizenship" had taken on a broader meaning; beyond referring to capacity for full participation in political life and economic benefits and access to social security and education, it now had a more symbolic and expressive connotation, embodying such things as participation in the general values of society and in the principles underlying culture and national identity.

50. There was consensus that those political and social features and problems were largely responsible for forming the character of the State as well as determining its functions and stability, and that one of the decisive elements was the low level of effective social participation already mentioned. It was also noted that the current crisis was making inroads on the legitimacy of the State, which in past decades had been based largely on the regional capacity for growth, which had mitigated the latent conflicts in the social structure. Since it affected the efficiency of the State, the crisis made it more than ever necessary to find new courses of action based on a process of political concertation combining equity and progress --essential elements for the legitimacy of the political and social process.

/The onset

The onset of the crisis and the economic policy response: effects and options (Agenda item 2)

1. The external debt and the processes of renegotiation

51. In general, the participants agreed as to the origin of the problem of the external debt; it was felt that responsibility for it was shared by the governments of the debtor and creditor countries, the international commercial banks, and the public and private enterprises of the debtor countries.

52. It was reiterated that the nature of the crisis was structural and hence any action taken to overcome the crisis and to deal with the region's external debt problem must also be structural. In that connection, one participant mentioned that short-term remedies based on the assumption that the problem of the debt was due only to a temporary lack of liquidity would not succeed in solving it and should be replaced by mechanisms which envisaged the solution of the problem of the debt within the context of a long-term strategy aimed at economic growth and balance-of-payments improvements.

53. It was also agreed that so far the distribution of the costs associated with the process of renegotiating the debt had been very unfair. Thus, it was noted that while foreign private banks had maintained and even increased their earnings, the debtor countries had been forced to embark upon a painful adjustment process in order to generate the trade surpluses needed to service the debt, at a time when the net inflow of capital to Latin America and the Caribbean had declined considerably.

54. One participant noted that in addition there had been a problem of discrimination in that in the most recent renegotiation exercises, the banks had granted very different terms to countries whose efforts at adjustment and correction of the situation had been very similar, but whose economic and political power on the international scene was not the same.

55. Another participant acknowledged, however, that in the most recent renegotiations, some Latin American countries had obtained more favourable terms than in earlier exercises, which had given their economic policy more room to manoeuvre.

56. Notwithstanding the foregoing, the participants agreed that the region's external debt problem, far from having been overcome --as was believed in certain influential international financial circles-- was still very much alive in the majority of the countries. Moreover, one participant said that he felt that if the current modalities of renegotiation were maintained, a point would be reached at which the countries would be forced to declare a unilateral moratorium on their external commitments or would be driven to other forms of confrontation with their creditors.

57. Finally, it was felt that there was an imperative need to consider mechanisms other than those used so far. In that connection, some participants stressed the need for the countries of the region to co-ordinate their action and formulate concrete and specific proposals for renegotiation, which should be discussed with the international private banks, the governments of some of the creditor countries,

/and international

and international financial institutions such as IMF, the World Bank and IDB. In those renegotiations, a distinction should be drawn between different kinds of debts, depending on whether they had originated in commercial credits, project loans, or credits for balance-of-payments financing, and also between the different situations in which the various countries of the region found themselves as regards the debt problem. In that connection, it was suggested that in the case of some countries which were manifestly not in a position to service their debt, and were not likely to be so in the future, a considerable part of it should be waived.

58. The majority of the participants were of the view that the high level of international interest rates represented a fundamental problem. It was therefore suggested that machinery should be set up in the International Monetary Fund to reduce the interest rates payable by debtor countries, at least for as long as they stood at the present levels, which were abnormally high from a historical point of view.

59. Some participants thought, however, that a real and final solution to the debt problem could be reached, in the long term, within the context of rapid and sustained growth of the economies of the debtor countries and of their exports. They felt that only in such circumstances would the full and timely servicing of external liabilities be compatible with the achievement of a significant rise in the region's standards of living. That, however, required --among other things-- the creation of a favourable climate for the growth and diversification of Latin American exports, which in turn called for the halting and preferably the reversal of the protectionist measures adopted by many industrialized countries in recent years. The possibility of such a reversal was questioned, however, by participants who based their analyses on likely trends in the developed world.

2. Adjustment policies and the adjustment process

60. The majority of the participants agreed on two basic facts related with the adjustment process carried out in the region in recent years: first, the exceptional rapidity and efficiency displayed in attaining the basic objective of reducing the deficit on current account and, second, the notable economic and social costs that had entailed.

61. It was noted that although the adjustment policies had reduced or eliminated the external imbalance, they had also contributed to considerable drops in overall production, significant increases in the rates of open unemployment and various forms of underemployment, decreases in real wages and an exceptional worsening of inflation, brought on in quite a few cases by sharp rises in exchange parity and in other cases by measures designed to reduce the external imbalance. At the same time, it was stressed that the adjustment processes had resulted in a notable transfer of real resources from the countries of the region to the main international financial centres.

62. It was also recognized that two reasons for the high cost of the adjustment process had been the unusual speed with which it had had to be carried out and the procyclical behaviour of the international commercial banks. The first of those

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factors had been responsible for the fact that the external imbalance was basically (and up to 1983, exclusively) reduced by effecting massive cuts in imports, rather than by increasing exports. That had given the adjustment a markedly recessive character. The second factor was closely linked to the performance of the commercial banks, which, after providing the region with ample financing up to 1981, had suddenly reduced their loans in the following years, so that instead of slowing the fall in economic activity, financial flows had developed in such a way that they had tended to hasten it.

63. In addition, attention was drawn to the fact that the stabilization policies agreed to with the International Monetary Fund had, in practice, frequently failed to slow down inflation and had instead been partially responsible for lowering the level of economic activity.

64. It was felt that in order to put the growth process back in motion, it would be necessary to apply selective measures in the Latin American and Caribbean countries designed to increase exports and provide import substitutes in an efficient way, while the State should assume a stronger and more effective role in the promotion of savings, the allocation of investment and the expansion of employment.

The conceptual framework for the reorientation of Latin American development (Agenda item 3)

65. A number of participants stressed the need to take the current international situation into account in defining guidelines for designing new development strategies.

66. The view was expressed that the imposition of global policies designed on a unilateral basis by the main centre of economic power detracted from the significance of international development strategies. Under such circumstances, the development strategies of the countries of the region should take the policies applied by the hegemonic centre into consideration in their feasibility studies; that would call for the systematic monitoring of what was occurring there. Outstanding among those hegemonic policies was the role of the current international monetary system, in which a single reserve currency had become of decisive importance, with all the attendant privileges and influence that entailed.

67. One participant attached great importance to the difficulties which current world conditions posed for a Latin American development model. In that connection, the elements which must be present in order for such a model to be viable were identified from a historical perspective. They included: national viability, national and social integration, the social and cultural adaptation of forms of behaviour which would permit a large surplus and a large volume of savings to be generated, sufficiently broad-minded international attitudes to ensure domestic expansion and to allow a satisfactory level of financial exchange, and an operating rationale which would make it possible to combine efficient management with appropriate production techniques.

/68. Upon

68. Upon comparing the present conditions in Latin America with these requirements, it was concluded that there were major obstacles to the application of a development strategy. These included the relationship existing at different levels between transnationalization, the national bourgeoisie and the middle-income strata, which gave rise to exaggerated expectations with respect to consumption, magnitudes of scale and other factors which were not in keeping with the demands of the international market, and very difficult external conditions due to protectionism.

69. Solving the debt problem was considered to be an essential precondition for laying the bases for a Latin American strategy. To that end, it was proposed that what was called a "base of resistance" should be formed by Argentina, Brazil, Mexico, Colombia and Venezuela in order to present the centres with terms and conditions which would substantially enlarge the region's manoeuvring room.

70. Many participants felt that, given the conditions and outlook of the international economy, the main stress of such strategies should, to some extent, be shifted away from international markets and towards national and regional markets.

71. A number of participants also spoke of events in other Third World regions, notably South-East Asia. The experience of that region included elements which were undoubtedly of interest, but the fact that its historical, political, cultural and economic situation was radically different from that of Latin America tended to rule out attempts to imitate it. Nonetheless, it was felt that it was important to establish free-flowing and direct communication between Latin America and the Caribbean, on the one hand, and South-East Asia, on the other, so as to avoid distorted interpretations of the development of the countries in question, such as those which tended to be given when academics from the centres were involved.

72. Some participants stressed the positive results of a combination of planning and of market economies, as well as the careful and selective combination of import substitution and export promotion which had been used in South-East Asia, in contrast to the indiscriminate protectionism or excessive liberalization, the absence of sustained and selective planning, and the financial permissiveness observed in some countries of Latin America.

73. In relation to the national content of development strategies, many participants proposed guidelines such as those described below.

74. It was considered that certain basic conditions should be established as minimum requirements for development strategies adopted by the various countries of the region, some of those requirements might be political stability and efficient public administration. Education and justice were emphasized as components of integration and legitimation, and therefore essential for political stability.

75. Emphasis was placed on the importance of analysing the "culture industry" of the Latin American countries, taking into consideration the content of messages, the structure of production and its links with advanced countries. The purpose of this was to incorporate the cultural dimension into development strategies, with all the implications that had for expectations, consumption and links with the exterior.

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76. High priority should be given to the formulation of criteria of economic efficiency which were compatible with social and political conditions in the countries, as a precondition for promoting sustained growth which was compatible with equity.

77. It was felt that progress should be made in formulating what was called strategic planning, which, in contrast with bureaucratic planning, would be intended to reconcile the achievement of long-term national objectives with decentralized participation.

78. The importance of the articulation of production was underscored, and it was noted that that concept included linkages between sectors and between different types of companies as well as links between the State, the private sector and organized labour, all on the basis of sectoral mechanisms for concerted action.

79. It was suggested that employment should be a central consideration in the formulation of development strategies which were qualitatively different from those of the past; that issue, it was felt, would surely meet with the support of various groups in society.

80. Emphasis was placed on the importance of incorporating the subjects of unemployment and the social deterioration and marginalization of labour, and measures to promote the mobilization of resources at the level of local and municipal governments.

81. Finally, as a result of the region's experiences in recent years, an essential element was felt to be the reversal of the predominance of financial over productive considerations. The solution proposed was to seek to design internal financing mechanisms which would link savings and investment --rather than promoting consumption, as had been done in some countries in recent years-- and which would help to neutralize the concentration of wealth which had recently occurred by promoting the provision of assistance to a wide range of companies and in more general terms, the democratization of society.

Changes in the relation between the centre and the periphery: limitations and opportunities for Latin America and the Caribbean (Agenda item 4)

1. General description

82. First of all participants noted the main events of recent years in the international field and their repercussions in Latin America and the Caribbean. In that regard it was noted that substantial changes had taken place in the structure of world power, especially in that part of the 1980s which had so far elapsed, and that those changes had greatly influenced the region's place in the centre/periphery system.

83. It was noted that the most important of those changes amounted to a kind of reversal of the multi-polarity of the centres, with the United States becoming even more important as the leading economic and political power in the Western world. That had been it was felt, because the United States had come to control

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both the international monetary system and the weapons situation. In addition, its economic policies had spurred on the transnationalization of the capitalist world, which was now practically, in all likelihood, a reflection of the omnipresence of the United States and its transnational corporations.

84. At the same time, considerable changes had taken place in the relative position of countries and regions, both of the centre and the periphery, in the world economy. Thus, on the one hand, recent trends in Western Europe gave evidence of important weaknesses, while technological innovation had played a key role in the rapid growth of Japan. On the other hand, in the periphery, the behaviour of the countries of Latin America and the Caribbean had varied so much that it was impossible to decide precisely where the region as a whole stood, as one could, for example, in the case of the countries of South-East Asia.

85. Relations between the centre and the periphery had also been affected by the increasing erosion of multilateralism in the functioning of the world economy, especially in the commercial and financial sectors. Thus, the multilateral approach which had been gaining ground from the end of the war to the beginning of the 1970s, and in which the United Nations and its specialized agencies had played an important role, had lost momentum and its basic support, and the trend now was towards bilateral agreements of various types.

86. Other factors had also had a marked effect on the present nature of the relationship between the centre and the periphery, especially in the case of Latin America. In that connection, attention was drawn to the problem of the external debt accumulated by the region and the enormous net transfer of resources to the developed countries represented by the payment of interest commitments alone, by contrast with the relatively small number of new loans being received by the Latin American countries from the exterior.

87. The view was expressed that that relationship was also determined by other important elements. On the one hand, the key role of the dollar as a reserve currency and as the currency in which international transactions were conducted and the precarious way in which the world financial system was operating set the limits for the area in which the links between the centre and the periphery could operate. On the other hand, factors such as the growing integration among the economies of the North, their protectionist policies (which were directed especially towards the South), and the role of services in the structures of production of both North and South significantly influenced the relations between developed and developing countries, particularly with regard to trade relations.

88. With regard to the future prospects for Latin America and the Caribbean, although it was agreed that there were unknown quantities, there was relative consensus on the following points.

89. In the first place, it was considered feasible that the growing hegemonic power of the United States might be reduced, which might be achieved through changes in its present economic policy (expansive in fiscal matters, restrictive in monetary matters and marked by a deficit in foreign trade), through the organization of new trade negotiations, and through a far-reaching reform of the international monetary and financial system to eliminate or strictly limit the dollar standard.

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90. In the second place, a suitable kind of multipolarity could be reestablished in the centres if Western Europe recovered its economic dynamism and put greater emphasis on the process of structural change and if Japan and other economies of the North intensified their processes of investment and technological innovation.

2. Determinants of the relations between the centre and the periphery

91. From the point of view of the periphery in general and of Latin America and the Caribbean in particular, it was felt that the outlook for the region's relations with the centres depended primarily on whether or not an effective solution could be found for the problem of the external debt. To find such a solution it would be indispensable for the creditor countries to bear a higher percentage of the costs of paying the onerous international interest rates now prevailing.

92. It was agreed that the expansion of Latin America's exports to the centres would enormously improve the prospects for the relations between the North and that part of the South. Such an expansion would, however, hinge on significant factors such as the need to reduce the protectionism practiced by the centres and the nature of the vertical integration established between the Latin American region and different industrialized countries or groups of countries. Thus, for example, increased vertical integration between the United States and Latin America was probably a feasible alternative and might in some cases even be regarded as inevitable.

93. Nevertheless, the growth possibilities of Latin American exports to the centres would also depend on other factors. Thus, a substantial share of Latin America's increased exports might consist of goods and services which met quality and price conditions and were also in line with the changes likely to occur in the development structure of the central economies.

3. Conclusions

94. After analysing the aspects of relations between the centre and the periphery which the participants considered most important, some suggestions were made as to action which the region might take within a possible course of events.

95. In the first place, emphasis was placed on the need to strengthen the processes of regional co-operation and integration in the face of the limitations on the access of the region's exports to the markets of the centres and the inadvisability of depending basically on the centres to promote the development of the region. The Latin American market was in itself a resource of considerable importance and should be used to the full through innovative formulas and approaches adapted to the region's new circumstances in a constantly changing world.

96. In the second place, since the system of international economic relations operated on the basis of power, it was felt that it would be necessary for the region to take the necessary steps to organize and jointly exert its bargaining power at the international level with a view to defending its sovereignty and

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interests more effectively. International negotiations would soon be held on matters crucial to the future development of the region, such as questions relating to trade, services, high-technology goods, investments and financial and monetary affairs, in which it was imperative for the region to take joint, co-ordinated and united action, using instruments of negotiation, such as its own market, which would increase its influence.

97. It was acknowledged that such an approach was a complex undertaking which would require a large amount of political will and determination, but it was necessary to press forward, since so far there had been a great gap between declarations and action.

98. In view of the influence wielded by the economic policy of the United States in the region, participants noted the need to broaden and deepen the studies carried out on that country's politics, economy and decision-making processes, so as to find out how to influence those decisions for the benefit of the region. In that connection, a contrast was drawn between the large number of academic institutions devoted to Latin American studies in the United States and the small number of organizations in Latin America which specialized in the United States.

99. Finally, there was general agreement among the participants on the international action which the region should undertake in order to strengthen its relations with other developing countries and regions, with which there might be opportunities for economic complementarity and the identification of common interests.

Changes in the productive system with technological development (Agenda item 5)

100. The participants felt that the relationship between the adjustment process and long-term development was a crucial factor. It was pointed out that the "long term" began with the present, and global articulated planning was therefore necessary. In that connection, the traditional distinction between the short term and the long term was no longer justified under the present circumstances. Inasmuch as the time had passed when external credit or an internal adjustment made it possible to postpone the consideration of structural imbalances, the problem had now been turned around and nothing could be resolved in the short term unless the structural problems were addressed.

101. Within the framework of industrial planning and global technology, education should be related to technology, the sequences involved among different sectoral activities should be defined, and the tools for analysis and project selection should be renewed.

102. With respect to the guidelines for development and industrialization strategies, attention was drawn to relevant aspects of successful experiences. In all of them, interaction with the world economy, which promoted the expansion of international markets, had been combined with action on the domestic front in relation to policies for the redistribution of income, agrarian reform, the creation of an "industrial culture", resolute State action and concerted efforts in which the State, enterprises and trade unions participated.

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103. Many participants felt that a close relationship should be created in the region between exports of manufactures and industries created in connection with import substitution. Some participants emphasized that a realistic strategy should be based on the expansion of domestic markets as well as on a more intensive use of regional markets and more active, but selective, ties with the world market. In order to accomplish this, increased competitiveness in the more advanced technologies was needed, as well as a reorganization of agriculture and industry on the basis of these technologies and a reduction in subsidies for keeping alive forms of production which did not have comparative advantages. Another necessary element was the State's regulatory capacity for orienting development through selective and disaggregated policies, since macroeconomic regulation alone was not enough to stimulate technological change. Co-operation between the State and enterprises was also required in order to create an autonomous technological development capacity which would make it possible to incorporate both traditional and new technologies speedily and efficiently, to optimize the acquisition of technologies and to adapt these technologies to local conditions.

104. Latin America's insertion in world markets had been hurt by the deterioration of commodity prices as well as by the drop in the demand for those products in absolute terms. The developed countries created their own comparative advantages on the basis of new technologies, thereby causing the developing countries to be excluded from the orbit of international trade. In that respect, the need was pointed out to strengthen regional co-operation in order to counteract that situation. Effective instances of regional integration in the past had resulted in the creation of new markets, despite the great diversity of national situations; moreover, in the case of most of the countries, exports to other nations within the region involved a higher proportion of manufactures and more technologically complex products than in those destined for countries outside the region.

105. A production strategy which ensured a dynamic insertion in world trade had to be developed, while at the same time seeking to overcome the exclusive characteristics of the development style; those aspects of the style had created large pockets of underemployment, resulted in critical poverty, and worked to the detriment of harmonious democratic coexistence. Underemployment revealed the existence of a problem in relation to the content of growth and, in some countries, the rural origin of underemployment could be attributed to the low level of the modern agricultural sector's absorption of manpower, inasmuch as the production and power structures consigned the peasant sector to poverty and blocked its access to agrarian reform and agricultural policy measures.

106. With respect to the role of the agricultural sector in development strategies, attention was drawn to various ways in which it could help bring about change: the "industrialization" of agricultural activities, the creation of stronger linkages between agriculture and industry, and the contribution that agriculture could make to the balance of payments and to food security. The region had traditionally been a net exporter of agricultural products, but during the past decade its imports --particularly of foodstuffs-- had reached the point where they now exceeded exports, thus reducing the trade surplus. The possible conflict which could arise between the quest for international competitiveness and for self-sufficiency in food could be resolved on the basis of a broader concept of food

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security whereby the goal would not be self-reliance with respect to food supplies but rather that of modernization with a view to meeting the basic needs of producers and consumers.

107. Several participants emphasized the importance of the concept of the articulation of the system of production, which was examined in the course of debates in its various dimensions; linkages between the production of goods and of services; between industry, agriculture and energy; within the industrial sector, with special emphasis on the capital goods industry; between productive activity, the educational system and the scientific and technological infrastructure, and finally, between large, medium-sized and small enterprises from both the public and private sectors.

108. The general agreement on the need to establish an order of priorities among these various dimensions was based on considerations regarding the diagnosis of the Latin American style of development in recent decades; on the appraisal of the disaggregating effect of the crisis on the Latin American economies and societies; on the comparison of development experiences both of advanced countries and of those of late industrialization in other regions of the world; on the unpromising prospects of the international economy; and on the uncertain but probably adverse consequences for the international competitiveness of the region of the technological revolution taking place in the advanced countries.

109. Emphasis was placed, from various points of view, on the crucial importance of the concept of creativity in the economic, social, political and cultural fields, as a requisite for making the articulations referred to earlier viable in an international and domestic context characterized by sharp restriction of financial resources.

110. With regard to the articulation between industry and agriculture, some participants stressed the dynamizing effect this would have on the production of food and the development of the chemical inputs and capital goods required by the agricultural sector. Various participants stressed the contribution that had been made in other regions of the world by agrarian reform in bringing about the materialization of this inter-sectoral linkage, with benefits for both of the sectors involved.

111. With regard to the articulation between large enterprises and small and medium-sized firms and the fundamental role which the latter could play in the new phase of industrialization to be embarked on by the countries of the region, one participant said that the entrepreneurial behaviour needed to dynamize small and medium-sized enterprises would emerge if there was a favourable environment. In order for that to take place, such enterprises should be given an appropriate institutional framework (regulations and legislation), should have an appropriate relationship with the rest of the system of production, and should be able to sell their products in a sufficiently large market, which clearly showed the importance of regional integration. Small and medium-sized enterprises had advantages as regards flexibility, lower costs per unit of production and per worker, better ecological integration, and extension of economic democracy. As regards public policies on small and medium-sized enterprises, the participant said that these should not interfere in entrepreneurial decisions, while suitable financial institutions such as development banks, credit co-operatives, etc., should be promoted.

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112. He added that the entrepreneurial spirit should be stimulated, innovation should be promoted through regional and international research programmes, and internationalization should be furthered through the provision of suitable export services, in all of which the public institutions had a catalytic role to play.

113. Another participant noted that it was possible to reconcile protection with efficiency in the case of small and medium-sized enterprises, as in the case of Japan. Reference was made to experiences in the provision of protection to dynamic areas which did not yet have comparative advantages, to the importance of domestic competition among the enterprises of a country in order that the most efficient ones should develop, and to the creation of credit co-operatives with which the big commercial banks could not compete.

114. As regards the internal disarticulation of the industrial sector, and especially the lag in the capital goods industry, one participant stressed the importance of tax policies, access to external financing for investment, and public enterprises as factors in the insufficient development of that sector, whose importance from the point of view of technological innovation, the external imbalance, the level of labour skills and the multiplier effect of investment explained the rising priority given by an increasing number of countries of the region to it.

115. With regard to the linkage between industrialization and technological development, it was noted that in almost all the countries of the region industrial development had for a long time been deprived of the assistance and stimulus provided by the creation of technological development capacity. Except in Brazil, such development was scanty in the region. The view was expressed that only the countries which had technological potential and carried out the timely incorporation of technology into both new and traditional activities could integrate their economies internally and participate in international competition. The State and the enterprises should strengthen technological competition in the processing of agricultural products and the production of mass consumption and investment goods.

116. The need for an educational policy and mass communication media compatible with the challenges involved, as well as close co-operation between the universities and enterprises, was discussed from various points of view. The State could support those processes by promoting the introduction of new technologies in public administration and in communication and information systems, within the framework of a "technological progress strategy".

117. One participant noted that in recent years quite substantial scientific and technological advances had been made in Latin America. The biggest progress had been registered in the training of human resources, the allocation of financial resources, the establishment of specialized institutions, the incorporation of science and technology into national development plans and programmes, and the creation of fiscal and financial instruments and machinery designed to stimulate scientific and technological activities. As regards technology transferred from the exterior, mention was made of the possibility of setting up transfer registers and promoting international co-operation programmes, especially of a bilateral nature, with the support of national and regional bodies. The transfer of technology and the importation of technological know-how was resorted to in many fields. Furthermore, it was noted, Latin America's contributions to scientific journals had increased.

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Changes in the State, social agents and political systems (Agenda item 6)

118. Many participants stressed the importance of the external context as the decisive determinant of the Latin American countries and said that the relations between the centre and the periphery did not include only trade, monetary and financial relations but also relations of a political nature. The action open to the Latin American nations should therefore be viewed within the framework of the economic and political relations between the centres and the periphery.

119. The majority of the participants also agreed that recent events within that framework showed the existence of a process, at the international level, in which power was increasingly concentrated, and it was felt that that process was likely to gather momentum in the years to come. That concentration had had a profound effect in undermining the foundations of the multilateralism which had prevailed from the end of the Second World War to the late 1970s. That meant that the world was in constant expansion for the central countries and was constantly shrinking for the peripheral countries, all of which gave the latter less leeway, limiting the political and economic options available to them for coping with the current crisis.

120. The omnipresence of the international context caused some participants to note that in some countries there had been a veritable internalization of external powers, not only owing to the presence of transnational enterprises but also because some leader groups and sectors of the middle class had likewise been transnationalized. One participant stated that the international scenario most likely to develop in the next few years would be one of confrontation between centre and periphery; the reluctance of the creditor countries to renegotiate the debt on terms favourable for the periphery and the inability of the latter to pay off the debt could result in some peripheral countries declaring a unilateral moratorium, which in turn might lead to an upward spiral of actions and reprisals between such countries and the centres and could even culminate in a conflict with the most serious consequences.

121. In those circumstances, there seemed to be a prevailing view that the countries of the region should move ahead with policies which strengthened their bargaining power at the international level; only joint action on the part of all the countries of the region could have any success in bringing about a change in attitude in the centres, which would make the external context more flexible. Such a change should, ultimately, be aimed at increasing the freedom enjoyed by countries and their economic and financial capacity to cope with the crisis and at creating conditions in which they would be able to stabilize their political processes and guarantee the operation of democratic institutions.

122. In brief, the strengthening of the Latin American nations would seem necessarily to require an increase in their capacity for collective bargaining and in the degree to which they were economically integrated at the regional level.

123. The difficulties and restrictions caused by the present international situation, combined with the social and political conflicts to which the crisis had given rise, produced an internal political climate of instability. Just as

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all of the participants agreed that democratic institutions represented the model which should be followed, they also all agreed that the democratic régimes were up against challenges which would be very difficult to solve and were bound to detract from their institutional strength and their capacity for leadership.

124. It was also recognized, however, that democracy takes time to build and that the central countries now enjoying stable systems of government had arrived at that level after having gone through the long and complex processes needed to form democratic institutions. It was noted that many of the problems confronting Latin American democracies were the outcome of a process of transition towards the construction of "democracy for the masses", a process which was nearly always accompanied by setbacks and conflicts. Similarly, it was noted that a distinction could be drawn between the Latin American countries on the basis of the kind of political processes which characterized them --some of them were at various stages in the process of "building democracy" while others were in a so-called "period of democratic recovery".

125. The majority of those addressing themselves to this item referred to factors which could be of help in strengthening democratic institutions, which in some countries would call for profound changes in the State; however, the need for caution was also mentioned with regard to the possibility of bringing these changes about in the short term, in view of the fact that they affected interests which were deeply rooted in the social structure.

126. Although the actual forms which should be given to desirable democratic institutions were not described in detail, great emphasis was placed on the need to create and strengthen mechanisms for concerted social action which would bring different interests into harmony and would solve conflicts, with a view to the establishment of a strategy for overcoming the crisis and restructuring the prevailing style of development. In heterogeneous societies such as those which prevailed in the majority of Latin American countries, such a process of concerted social action called for the political mobilization and integration of those groups which were now excluded, so that the entire population could be fully represented.

127. It was pointed out that reaching a consensus among all the groups in society was, however, the most outstanding and perhaps most forward-reaching aspect of a political phenomenon which encompassed many others as well. Thus, a basic preliminary step was to restructure the social and political alliances that must necessarily serve as a basis for this type of concerted effort. Such alliances would constitute both the beginnings and the essential core of a movement which would gradually take in marginated groups and consolidate economic and social forms of democracy. A number of participants emphasized that the democratization process also had to be manifested in regional deconcentration and the decentralization of social services provided by the State. In that respect, the most desirable model was clearly one of pluralistic democracy in which diverging interests and conflicts among them were accepted as legitimate, rather than a model based on a mobilized society pursuing a national project under the leadership of the State.

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128. Various participants spoke of the close relationship between democracy and development. On the one hand, the viability of democracy was based on development and equity while, on the other hand, democratic legitimacy was an economic asset which made it easier to overcome the conflicts and imbalances that inevitably arose during times of crisis. Nonetheless, democracy could not become established as a political régime unless it managed to raise considerably its levels of efficiency, and in order to do so, not only must its administrative, economic and social institutions and organizations function better, but the various components of the State apparatus must also be linked to one another in a coherent manner. From that standpoint, a competent democracy established its own legitimacy and made it possible for an equitable and stable development process to be achieved.

129. Another outstanding aspect was the crisis of the State: a subject which prompted a number of participants to go into some aspects of this crisis in more detail. Reference was made to various types of problems affecting the State from different angles. On the one hand, mention was made to a crisis in the State in its capacity as an administrator of resources due to the chronic imbalance between fiscal spending and income. On the other, consideration was given to the crisis of the State as a legitimate expression of the people's will and also to the crisis in its representativity, as manifested by very low participation by the regional, local and sectoral levels in the decisions taken by the guiding bodies of the public sector.

130. Some participants also expressed concern about the relationship between the political action of the State and the corporativist structure, which, to varying degrees, was typical of almost all the countries of the region, in that that relationship gave rise to a series of problems in relation to the functioning of mixed economies and the reciprocal influence exerted within them by the public and private sectors. It was pointed out that the problems raised by some participants with respect to the representativity of the State and even its dubious legitimacy in some of the countries of the region could take on characteristics which might foster political instability. In those cases where States had been weakened by over-expansion and by an overload of debt and social demands, the public sector not only became less able to arbitrate inter-sectoral conflicts, but was also less able to implement planned policies to promote growth and equitable distribution. There was general agreement that these and similar problems affected most of the States in the region and that, therefore, the various aspects of the State should be reformed if it was to play a leading role in development processes.

131. Very specific statements were made concerning State action both from a developmentalist point of view and on the basis of the experience of recent decades, and attention was drawn to the contradictions which existed in many cases between economic and social policy and direct State action. In that connection, some participants proposed that planning systems should be strengthened.

132. Finally, several participants asserted that the efficiency of State action in the various spheres in which the State performed a production function was hindered by the high level of military spending in most of the countries of the region. The participants were in agreement that such spending should be cut back sharply in order to prevent the burden of debt servicing from being compounded by fiscal imbalances which could result in an increasing failure to meet social demands: a situation which could also lead to instability.

/Final meeting

Final meeting

133. The final meeting was devoted to summary statements, in which the participants reviewed some of the agenda items.

1. The nature, depth and scope of the crisis

134. It was noted that in analysing the crisis it was well to avoid views which were exclusively macroeconomic and to adopt more specific and pragmatic approaches. This made it necessary to turn back to political economic formulas based on the study of the political interests underlying economic and social phenomena.

135. It was also generally agreed that the crisis was not a transitory occurrence so that the programmes for dealing with it should be expected to cover the remaining years in the decade.

136. It was also recognized that, although the crisis had aspects which pertained specifically to Latin America and had special ramifications in each country, its relationship with the upheavals and changes in the world economy must not be overlooked. In that connection, it was noted that although much have been said about the interdependence of the world economic system, in Latin America a deeply rooted unequivocal and penetrating dependence was observable, which could be controlled only marginally. The consequences of that dependence included the new international division of labour imposed by the central economies to the detriment of the countries of the region and the adverse flow of resources from South to North.

137. As for the duration of the crisis, it was noted that it could be expected to continue for several more years. Although there might be greater dynamism in the economies of the centres during the next few years, it was felt that this would not be enough to bring about the recovery of the regional economy.

2. Debt, adjustment, stabilization, reactivation

138. It was felt that there was need to recognize the corresponsibility of debtors and creditors for the problem of the debt, and it was observed that the existence of tremendous asymmetry between the burdens assumed by each of the two parties had been clearly demonstrated.

139. It was also noted that there was need for co-operation among debtors so as to be able to establish compensatory power in negotiating with creditors.

140. With reference to policies, stress was laid on the need to provide a link between the immediate situation and the medium and long term, which called for a review of the short-term policies proposed. Similarly, it was emphasized that in most cases adjustment measures tended not to be transitory since they had to be considered in terms which made the necessary structural changes possible. In that connection, it was stated that the short-term policy approach suggested by the Secretariat should be reviewed. It was also generally agreed that the

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characteristics of the present situation and the possibilities which could be envisaged for the future required policies to be characterized by as much flexibility and adaptability as possible.

141. Regional integration, South-South co-operation and the diversification of trade flows were some of the measures mentioned as being appropriate for dealing with the situation at the external level.

3. The conceptual framework for the reorientation of Latin American development

142. Although the participants recognized the diversity of situations in Latin America and the consequent diversity of options, they agreed that some complementarity should be sought among them and also that an attempt should be made to align the various objectives.

143. It was indicated, that within a new framework for the orientation of development, it was not possible to return to the orthodox approach, indiscriminate integration into world markets or mere economic expertise; it was necessary instead to return to a more evolutionary concept, which took social agents and cultural aspects into account; in other words, one which considered how and with whom to develop systems of economic growth.

144. Again with regard to the conceptual framework, a number of participants stressed the need to get away from false dilemmas such as those which opposed planning to the market, big business to small and medium-sized business, agriculture, to industry, export orientation economy to import substitution, etc., and they advocated a policy of flexibility. In this respect it was also noted that the rationality of intermediate situations was jeopardized by extremist approaches, which in the immediate past had, for example, favoured openness at the price of the destruction of industrial structure.

145. It was also pointed out that it was highly important to achieve levels of technological autonomy which called for the use of internal creative capacity and the capacity to effect positive change in existing abilities.

146. Finally, it was stressed that the transformations underway in the region, particularly those of a demographic nature, should not be ignored because of their impact on social and economic structures.

4. State, social agents and political systems

147. The participants noted that consideration of the region's alternatives required understanding of the behaviour of the economic and social agents. It was pointed out that how and with whom development proposals were to be carried out was a subject of particular importance.

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148. It was also stressed that the nature of the State and its relationship with national projects was of great significance. In addition to recognizing the pluralism of Latin American political opinions, there was need for a better distribution of power, an increase in the capacity of the various social sectors to participate, the creation of machinery for economic and social concertation and higher levels of freedom and social integration.

149. The role of the State in its various functions was recognized and at the same time attention was also drawn to the importance of achieving forms of decentralization which fostered greater efficiency and at the same time increased the possibility for participation in the exercise of power.

150. The democratic option, in spite of its difficulties, was put forward as an option which should be safeguarded and strengthened by creating the economic, political and social conditions necessary for its preservation and development.

5. Statement by the Minister for Foreign Relations of Uruguay

151. Mr. Enrique V. Iglesias, Minister for Foreign Relations of Uruguay and former Executive Secretary of ECLAC presented his points of view concerning the issues dealt with at the meeting. Among other considerations, he pointed out that, in his view, within the framework of a world crisis there was in fact a Latin American case, whose specificity lay in the magnitude of the debt.

152. The world economy showed imbalances of such magnitude that in other eras they would have been construed to signal catastrophe but the system had demonstrated an exceptional capacity to resist them. At world level there was tremendous permeability in matters of finance, market and life styles, which were being transnationalized very rapidly, and nowadays power relations constituted the factor which ordered international relations, which had gone from multipolarity to unipolarity.

153. With regard to centre-periphery relations, he said they had grown more complex in recent years and drew attention to the need not to repeat past errors, which had resulted in ingenuous, ideological forays into the international market and in the destruction of what had already been achieved in production. Speaking of defences against the complexity of relations with the centre, he mentioned regional integration; the pooling of efforts in respect of delicate issues such as the debt; South-South co-operation and, above all, the fostering of flexibility in Latin American economies, as a means of survival in very changeable circumstances.

154. With regard to the issue of the external debt, he enumerated areas of consensus reached at the meeting: the shared responsibility of the various agents, the existence of various types of debts (some contracted for investment purposes and others to further undesirable forms of external openness), the different defence capacity of the various Latin American countries and the asymmetry of adjustment effected for purposes of payment rather than growth. The problem was far from being solved and called for broader solutions since acknowledgedly it was political and not merely economic in nature.

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155. The external market could not be the only engine of growth, and thought should be given to internal dynamism as well. In that connection, he mentioned the reappraisal of the issue of industrialization, and said that in his view the meeting had paid little attention to the problem of agriculture, which was of fundamental importance. He then referred to the importance not only of the articulation of economies with the exterior but also of their internal co-ordination. Modernization should be based on conscious efforts and State action, which did not mean neglecting the strength of the market in contemporary society --there was a need for more planning and at the same time for greater emphasis on the market.

156. Addressing considerations of a different sort, he observed that the crisis constituted a threat for the legitimacy of States in that they were unable to resolve the problems of the population and said that their legitimacy must be safeguarded through participation and equity.

157. Finally, he referred to the need for political modernization in societies which had begun to be dominated by the masses. Democracy had been won in many countries, but this had to be accomplished in a climate of permanent instability, so that it had to be defended maturely by instituting modern political approaches. It was important to reach consensus on fundamentals so as to withstand the inevitable pressures and attain social and economic efficiency in order to preserve the higher good represented by liberty and democracy.

6. Statement by the Executive Secretary of ECLAC

158. In recognition of the concerns voiced during the debates, Mr. Norberto González, Executive Secretary of ECLAC, referred to some important topics which, although taken into consideration in the ECLAC programme of work and in the documents submitted to the meeting by the Secretariat, would generate additional institutional interest because of the priority assigned to them by the participants. He viewed them within the framework of three major challenges:

159. In the first place there was a need to overcome gradually the consequences of the crisis, reconciling adjustment and stabilization policies, which would continue to be necessary, to the attention which would have to be given to the reactivation of economies and the preservation of long-term objectives, while at the same time ensuring that the sacrifices imposed by the adjustment and stabilization efforts were equitably distributed.

160. Secondly, there was a need for medium- and long-term development strategies to respond more definitively to elements of structural heterogeneity such as underemployment of labour and critical poverty, which had not been appreciably reduced in the past or even in relatively dynamic periods of growth and had grown more acute with the crisis.

/161. The

161. The third challenge he mentioned was that of making a careful appraisal of the implications for Latin America and the Caribbean of some important changes in the fields of technology and production which were taking place in developed countries. The appearance in those countries of such new technologies as microelectronics, robotization and numerical control, could substantially reduce the region's comparative advantages in production sectors based on natural resources. The challenge for the countries of the region was to make a proper interpretation of the significance of those changes and prepare their economies so that they could compete successfully in the world of the future.

162. Finally, in closing the meeting, he thanked the participants for their valuable contributions stating that they had furthered better understanding of the realities experienced by the countries of the region and at world level and had thereby helped to define options for successfully meeting the tremendous challenges he had described.

/Annex 1

Annex 1

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Annex 2

LIST OF DOCUMENTS/LISTA DE DOCUMENTOS

Signatura/Symbol	Documentos presentados por la Secretaría/ Documents presented by the Secretariat
LC/L.328(Sem.22/1)	Temario Agenda
LC/L.329(Sem.22/2)	Guía para orientar los debates de los puntos del temario de la reunión Suggested guide for discussion of the items on the agenda of the meeting
LC/L.332(Sem.22/3)	Crisis y desarrollo: presente y futuro de América Latina y el Caribe Vol. I. Transformación y crisis: América Latina y el Caribe 1950-1984 Crisis and development: the present situation and future prospects of Latin America and the Caribbean Vol. I. Change and crisis: Latin America and the Caribbean 1950-1984
LC/L.332(Sem.22/3)Add.1	Crisis y desarrollo: presente y futuro de América Latina y el Caribe Vol. II. El desencadenamiento de la crisis y la reacción de la política económica: resultados y alternativas Crisis and development: the present situation and future prospects of Latin America and the Caribbean Vol. II. The onset of the crisis and the economic policy response: effects and options
LC/L.332(Sem.22/3)Add.2	Crisis y desarrollo: presente y futuro de América Latina y el Caribe Vol. III. Desafíos y opciones para el desarrollo futuro Crisis and development: the present situation and future prospects of Latin America and the Caribbean Vol. III. Challenges and options for future development
LC/L.327(Sem.22/4)	Panorama del Caribe A view of the Caribbean
LC/L.331(Sem.22/5)	Centroamérica: bases de una política de reactivación y desarrollo Central America: bases for reactivation and development
LC/L.333(Sem.22/6)	Crisis y desarrollo en América Latina y el Caribe Crisis and development in Latin America and the Caribbean

Contribuciones de participantes/
Contributions by participants

Edmar Bacha - "Latin America's Debt: A reform proposal"

Alexandre de S.C. Barros - "A paz e a seguranza na America Latina na decada de oitenta"

Francisco Delich - "De la democracia como necesidad a la democracia como condición"

Juan Carlos de Pablo - "Desarrollo latinoamericano: interpretación de la crisis y modos de superación"

Carlos Díaz-Alejandro - "The early 1980s in Latin America: the 1930s one more time"

Torcuato di Tella - "Las perspectivas de mediano plazo de evolución política"

Angel Flisfisch - "Problemas de la democracia y la política democrática en América Latina"

Alejandro Foxley - "Crisis económica y democratización: transiciones en América Latina"
Alejandro Foxley - "Economic and political transitions in South America"

Jos Hilhorst - "Relaciones económicas y de desarrollo entre la CEE y América Latina"

Joseph Hodara - "Reflexiones sobre la condición latinoamericana"

Akio Hosono - "Transformaciones económicas del centro y sus implicaciones para América Latina - El caso de Japón"

Pedro Pablo Kuczynski - "International emergency lending facilities - Are they adequate?"

Francois Le Guay - "Contribución para la reunión técnica de la CEPAL"

Guillermo Perry - "Estrategias de desarrollo para Latinoamérica, enseñanzas de la experiencia propia y ajena"

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PREALC - "Contribución a la CEPAL Técnica. El empleo a principios de los 80"

Sandro Sideri - "Europe and Latin America in the World Crisis"

Klaus Esser et al., German Development Institute - "Changes in World Economic Conditions - Implications for Latin America"

CELADE - "La población y el desarrollo. Hechos y reflexiones"

Raúl Prebisch - "La periferia latinoamericana en la crisis global del capitalismo"

Ricardo Carrillo Arronte - "La economía ante la crisis"

Ramón Casilda - "La deuda externa de América Latina una doble visión: económico-financiera y política"