

UNITED NATIONS

**ECONOMIC COMMISSION
FOR LATIN AMERICA
AND THE CARIBBEAN**



1948 - 1988

ECLAC

**Distr.
GENERAL**

**LC/G.1510(CEG.14/3)
18 March 1988**

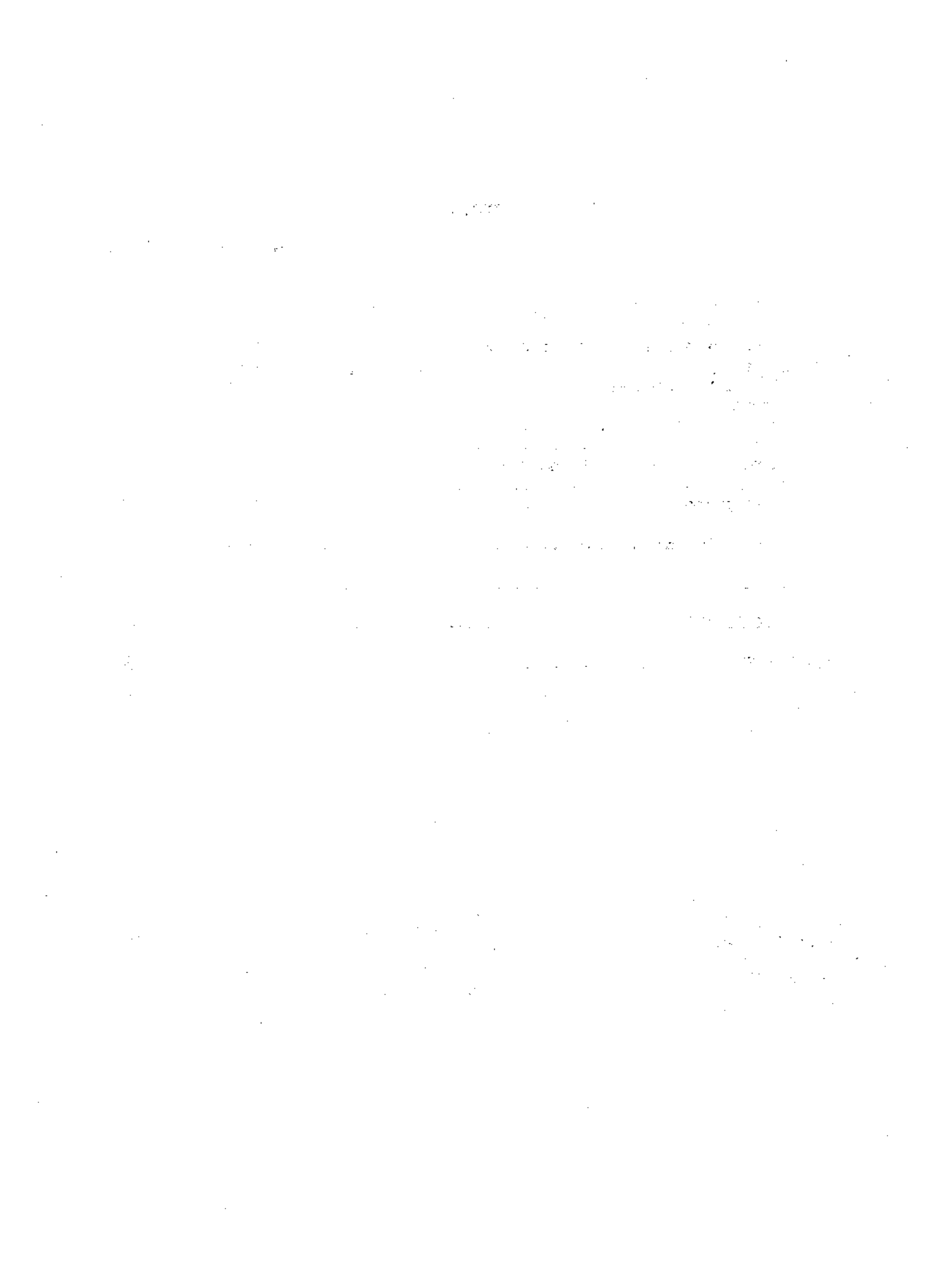
**ENGLISH
ORIGINAL: SPANISH**

**REPORT OF THE FOURTEENTH SESSION OF THE COMMITTEE
OF HIGH-LEVEL GOVERNMENT EXPERTS (CEGAN)**

(Port of Spain, Trinidad and Tobago, 1-3 March 1988)

CONTENTS

	<u>Paragraph</u>	<u>Page</u>
A. ORGANIZATION OF WORK	1-27	1
Place, date and mandate of the meeting	1	1
Attendance	2-5	1
Election of Officers	6	1
Agenda	7	2
Documentation	8	2
Opening meeting	9-20	2
Adoption of the report and conclusions of the meeting	21	5
Closing meeting	22-27	5
B. SUMMARY OF THE DEBATES	28-70	6
C. CONCLUSIONS	71	13
DRAFT DECLARATION	-	13
COMMUNIQUE	-	18



A. ORGANIZATION OF WORK

Place, date and mandate of the meeting

1. The fourteenth session of the Committee of High-Level Government Experts (CEGAN) was held in Port of Spain, Trinidad and Tobago, from 1 to 3 March 1988. CEGAN, which was established by ECLAC resolution 310(XIV), is made up of the developing member countries of the Commission Pursuant to the mandate entrusted to the Committee by ECLAC resolutions 419(PLEN.14) and 422(XIX), the sessions of the Commission are normally preceded by a meeting of CEGAN. Thus the principal objective of the fourteenth session of the Committee was to prepare the position of Latin America and the Caribbean for the twenty-second session of ECLAC, to be held in Rio de Janeiro, Brazil, from 20 to 27 April 1988.

Attendance

2. The meeting was attended by representatives of 13 member States of the Committee: Argentina, Barbados, Bolivia, Brazil, Chile, Cuba, Ecuador, Jamaica, Mexico, Peru, Trinidad and Tobago, Uruguay and Venezuela.

3. A representative of the United States Virgin Islands attended the meeting.

4. Representatives of the Latin American Economic System (SELA) and of the Caribbean Community (CARICOM) also attended the meeting as observers.

5. The United Nations Information Centre was represented at the meeting.

Election of Officers

6. At the first meeting the participants elected the following Officers:

Chairman:	Winston Dookeran (Trinidad and Tobago)
First Vice-chairman:	Bernardo Grinspun (Argentina)
Second Vice-chairman:	Leandro Arellano (Mexico)
Third Vice-chairman:	Ramiro León Torras (Cuba)
Rapporteur:	Luzmila Zanabria (Peru)

Agenda

7. The meeting adopted the following agenda:
1. Election of Officers
 2. Adoption of the agenda
 3. Restrictions on sustained development in Latin America and the Caribbean and the requisites for overcoming them (LC/G.1488 (SES.22/3)/Rev.1)
 4. Adoption of the report of the meeting.

Documentation

8. The Secretariat submitted a working paper entitled "Restrictions on sustained development in Latin America and the Caribbean and the requisites for overcoming them" (LC/G.1488 (SES.22/3)/Rev.1) and a reference paper entitled "The evolution of the external debt problem in Latin America and the Caribbean" (LC/G.1487).

Opening meeting

9. At the opening meeting, following the words of welcome spoken by Mr. Clyde Applewhite, Director of the ECLAC Subregional Headquarters for the Caribbean, the participants were addressed by the Representative of Mexico in his capacity as outgoing Chairman of CEGAN, the Executive Secretary of ECLAC and the Minister of Planning and Mobilization of Trinidad and Tobago.

10. Mr. Leandro Arellano, the head of the Mexican delegation, took the floor in his capacity as representative of the country which had chaired the thirteenth session of CEGAN. He noted that since that session, highly important events had taken place in the international economy which had had an impact on the region's development prospects and that concerted action of a political nature had been taken in that respect, including the holding of the recent meeting of the group of eight Latin American Presidents at Acapulco, Mexico.

11. He said that the fortieth anniversary of ECLAC provided a suitable opportunity to think about the need to identify a sound and responsible negotiating position for the forthcoming session of the Commission in Rio de Janeiro. He also stressed the urgent need to strengthen the role both of CEGAN and of ECLAC itself as forums for negotiation.

12. The Executive Secretary of ECLAC began his statement by underscoring his satisfaction that the fourteenth session was being held in Port of Spain. He stated that not only would this allow fuller participation on the part of the countries of the English-speaking Caribbean in the activities of ECLAC, but would also provide a suitable background for intensifying co-operation between them and the rest of the region.

13. He then immediately went on to refer to the importance of the session as one of the preparatory activities for the twenty-second session of ECLAC, to be held in Rio de Janeiro between 20 and 27 April 1988. He said that at that meeting not only would substantive issues which very directly affected the development of the countries of the region be explored, but an analysis would also be made of the past together with a debate over the future of ECLAC --covering the Secretariat and its intergovernmental forums-- on this, the Commission's fortieth anniversary. In that connection, he mentioned the importance which would undoubtedly be attached to the Committee of High-Level Government Experts whose role had tended to grow over the years.

14. In addressing the substantive aspects of both the fourteenth session of CEGAN and the twenty-second session of ECLAC, he said that at both these meetings a process which had begun years before and which, rather than dealing with a few features of current interest, addressed the major preoccupation of how to recover the capacity to achieve development, a capacity which seemed to have been lost during the 1980s, would be continued. He stated that at the current session the issue was being examined in the light of the repercussions of the huge transfer of resources abroad from the countries of Latin America and the Caribbean; that an assessment was being made of the manner in which this phenomenon affected the capacity to grow, to invest, to bring down inflation and to raise the level of well-being of the majority of the population, and that a number of measures which might prove useful in helping the countries of the region find ways out of the crisis in which most of them still found themselves were being suggested. In that respect, he stated that the debate would be facilitated by the retrospective view offered by six years of crisis as well as by the results of previous meetings, particularly those of the Special Conference of ECLAC, held in Mexico City in January 1987.

15. He went on to draw up a list of some of the main restrictions affecting the development of the countries of the region. He stated that the debt problem was undoubtedly a major hurdle, but that even if more favourable debt-servicing conditions were obtained, the region would still face huge difficulties in order to grow in a sustained and equitable manner over the medium and long terms. In order for such growth to take place, a more favourable international environment was necessary, together with a determined domestic effort to undertake transformations, the scope and content of which were described in the documents prepared for the meeting. He ended by stating that the debate it was hoped to set in motion would concern itself with examining conventional wisdom, based on unproved assumptions as to how to tackle the crisis.

16. After welcoming all the participants, Mr. Winston Dookeran, Minister of Planning and Mobilization of Trinidad and Tobago noted that the current session was of great importance for the countries of the region, whose representatives were meeting for the purpose of considering the conditions governing their development and future economic progress. In that connection, he stated that the main challenge facing those countries was to regain lost ground, to accelerate their economic advancement and to secure a change in their relationship with the industrialized countries. The ultimate objective of such an exercise had to be the betterment of social conditions, which meant bringing about a qualitative change in the development process. He declared

that the success of the effort would depend very largely on the efforts made by the countries themselves to overcome the obstacles which stood in their way. In that connection, he drew attention to the potential benefits of a co-ordinated plan of action in the field of economic co-operation.

17. After congratulating the Secretariat on the documentation submitted in that regard, he outlined the principal issues pertinent to the developing countries members of the Commission. First he noted the debt problem, which had consequences for all the countries since they had all seen the flow of new loans severely curtailed. The volatility which currently characterized the international financial markets was likely to reinforce that situation. Secondly, he referred to the constraints imposed on developing economies by the slow rate of growth of the world economy. Thirdly, he mentioned the sluggish growth of world trade and the deterioration of the terms of trade, both of which had limited the possibility of expanding the region's export earnings. All those circumstances had contributed to a net outflow of resources from the region, thereby prejudicing the investment needed for growth. He placed particular emphasis on the problem of protectionism, which he referred to as a dangerous and unwelcome trend, in that it was most prevalent in those same industrialized countries which had traditionally urged the developing countries to adopt policies to increase their competitiveness in the goods and services markets. Finally, he mentioned the problem of the region's technological dependence, which was reflected not only in the huge imports of capital goods but also in the outflow on the services account in the countries' balance of payments. In that connection, he noted the potential gains to be derived from co-operation in Research and Development on both a bilateral and a multilateral basis and the advantages offered by a co-ordinated approach to the conditions surrounding the transfer of technology.

18. The Minister then referred to the economy of Trinidad and Tobago. In that respect he emphasized that the petroleum sector was of prime importance for fiscal revenue and for foreign currency income and gross domestic product. He said that a significant portion of government income had in the past been devoted to developing a social and economic infrastructure which stimulated the dynamism of demand in the economy as a whole. However, that situation had also led to drawbacks: resources had been withdrawn from the agricultural sector thereby diminishing its activity, and the increase in domestic demand had lessened the motivation of domestic producers to endeavour to penetrate the international market, while the rise in costs had in turn lessened their capacity to do so.

19. With the fall in petroleum prices and the drop in oil production, the country had been constrained to adapt itself to a lower level of both fiscal and export income. Initially, the cutback had had a particular impact on capital expenditure, in view of the difficulty of reducing current expenditure, and the Government had drawn on foreign currency reserves in order to soften the impact of the adjustment. When the new Government took office in 1986, it had striven to pursue the stabilization process, albeit accompanied by a sustainable revival achieved by increased investment. This had required fresh efforts to restrict current expenditure in order to devote funds to investment in infrastructure and agricultural development. Particular

emphasis had been placed on production for the external market, making maximum use of domestic resources, and in this respect efforts had been made to increase petroleum production, in particular production of natural gas and crude, as well as to promote tourism.

20. Finally, he stated that the presentation of circumstances in his country made it possible to clearly appreciate the desirability of cultivating a closer relationship among the countries of the region in order to thus face the challenges of the future. He concluded by underscoring the advantages of working together in the search for solutions which, in many cases, would possess significant common factors, and by emphasizing the importance of regional co-operation.

Adoption of the report and conclusions of the meeting

21. At the last plenary meeting the Rapporteur presented the draft report which was then adopted. The participants also adopted a draft declaration and a communiqué which appear in part C of this report.

Closing meeting

22. The closing meeting was addressed by the Executive Secretary of ECLAC, the Minister of Planning of the Republic of Argentina and the Minister of Planning and Mobilization of Trinidad and Tobago, in his capacity as Chairman of the session.

23. The Executive Secretary of ECLAC emphasized the rich ideas which had been put forward during the general debate, and declared that they would prove extremely useful for the work of the Secretariat. He stated that the session had established, as the two key issues for the forthcoming session of the Commission in Rio de Janeiro, the substantive analysis of the restrictions on the sustained development of the region and the requisites for overcoming them, and the celebration of the fortieth anniversary of ECLAC.

24. He observed that by their very nature, United Nations forums constituted part of a lengthy process which was in time reflected in the political actions and realities of countries and regions. He said that far from being a ritual, they represented steps forward, of which he particularly mentioned those made in respect of the external debt, and declared that the points of consensus among countries far outnumbered those of disagreement. He concluded by thanking the host country for its hospitality and stating that the meeting had given sound reasons to have high hopes for the forthcoming session.

25. The Minister of Planning of the Republic of Argentina spoke on behalf of the participating countries. After pointing out that the differences between the countries of Latin America and the Caribbean lay not only in their size, natural resources and cultural heritage, but also in the stage of economic development they had reached, he underscored the value of the Declaration adopted at the meeting and laid stress on its specific relevance to the circumstances which prevailed in the region.

26. He then referred to the forthcoming session of the Commission, and mentioned not only the paramount importance of the issues it was to address but also the homage to be paid on the occasion of the fortieth anniversary of ECLAC. He said that this would provide an opportunity for giving a new thrust and direction to the Commission's activities so as to ensure that it was capable of continuing its fruitful task of developing the region's thought. Finally, he concluded by thanking the host country for its hospitality and the Secretariat for the documentation presented at the meeting.

27. In his capacity as Chairman of the meeting, the Minister of Planning of Trinidad and Tobago declared that his Government considered that it had been a privilege to host the session of CEGAN. He congratulated delegates for the broad-ranging dialogue which had taken place, which had revealed a community of purpose, and also congratulated the Secretariat for the extensive supporting documentation, which he described as being highly relevant to the economic situation of Latin America and the Caribbean. He observed that as a result of the meeting the countries would be able to attend the session in Rio de Janeiro with a deeper understanding of regional problems and of the common search for a solution thereto. With regard to the role of ECLAC, he declared that the session of CEGAN had been a milestone on the path towards an even more productive thought for the region. He then declared the meeting closed.

B. SUMMARY OF THE DEBATES

28. The Secretariat introduced the documents entitled "Restrictions on sustained development in Latin America and the Caribbean and the requisites for overcoming them" (LC/G.1488(SES.22/3)/Rev.1) and "The evolution of the external debt problem in Latin America and the Caribbean" (LC/G.1487).

29. It was pointed out that the crisis, which had already stretched over six years, had proved extremely resistant to solutions of diverse scope and content, fundamentally on account of the huge weight of the obstacles and restrictions which attempts to inject new dynamism into the economies had to face. The situation had grown worse as the crisis went on and the obstacles and restrictions mounted up. Uncertainty in the international sphere was growing, the operational capacity of the public sector was being undermined and it was proving more difficult to reconcile the interests of the various social groups.

30. Among the restrictions, particularly significant was that of external indebtedness which, far from being solved, had become increasingly onerous. Concerted international effort in respect of the debt crisis had arisen from the mobilization of lender-of-last-resort resources to keep the banks and the international financial system from collapsing. In view of the magnitude of the financial crisis, the successful outcome of that effort had been of great importance to creditors. However, it should be noted that in spite of a few very significant innovations, the strategy of the creditors had not evolved further than their original intention of rescuing the international financial system. The significant losses in the international banking system had not

been observed until 1987; however, to a certain extent they had been controlled losses and in some cases had even been acknowledged by the creditor banks. The so-called "menu", or list of market options, which constituted the guidelines for the present phase in the official international effort in respect of the debt crisis, suffered from the same defect. A careful review by the Secretariat of the contents of the market menu showed that it did not constitute an overall and stable solution to the problem of indebtedness.

31. A presentation was then made of the principal features of the scenarios drawn up by the Secretariat. It was emphasized that even if there were partial relief in respect of the obstacles to growth, the medium-term results were discouraging, as in 1992, many countries would still not have recovered their 1980 per capita product and the productivity gaps between branches and sectors would have widened, further aggravating the problems of distribution.

32. The need to overcome the obstacles to development was stressed. First of all, the need to tackle the problem of external indebtedness was underscored. In the absence of a solution which took sufficient account of their interests, the debtor countries had drawn up their own menu of options containing some options found in the market list as well as more comprehensive multilateral measures which would act directly on the weight of the external debt making it possible to re-establish development. For lack of multilateral relief formulas the list of options established by the debtor countries also included a range of unilateral measures to control the transfer of resources from the region to the exterior. In practice, a number of countries of the region had considered it necessary to opt for unilateral action. In present circumstances, however, unilateral action was the only way by which many countries could escape from the depressive effects of the official international action taken in respect of the external debt.

33. Secondly, it was essential to simultaneously advance towards building a new form of international insertion and transforming the productive structure. The efficiency and competitiveness of the latter should be achieved by means of an effective incorporation of technical progress through global and sectoral policies, of which macroeconomic policy was but one component. Policies in which competitiveness was achieved through devaluations, the limitation of domestic demand and wage cuts would accordingly be replaced.

34. To conclude, the representative of the Secretariat mentioned the need to give equity a leading role in development policies. In addition to the ethical reasons for this, it was essential to be able to count on the support of the vast majority of the population in order to construct an alternative capable of overcoming the acute conflicts at present limiting the capacity to govern. It would thus be possible to expand domestic markets, reinforcing domestic support for the transformation of production and to intensify the democratic processes, providing the desired development pattern with stable foundations.

35. The representative of Argentina remarked that one of the most fundamental changes that had occurred in the world since the creation of the Commission was the current scientific and technological revolution in the developed countries, whose effects on production, circulation and distribution were pushing the developing world into an ever-more marginalized position. That

situation was compounded by the increasingly overwhelming burden of the service on the external debt and by the changes taking place in financial and actual power relations.

36. It was necessary for ECLAC to re-state and to up-date its concepts and positions and to explore new forms of international insertion and of regional economic development in order to cope with that situation.

37. To that end, the representative suggested that ECLAC should formulate a development strategy for bringing about the structural changes needed in order to attain a self-reliant and more socially equitable type of development. As for the servicing of the external debt, an agreement would have to be reached with the developed countries in an attempt to lighten the debt service burden, and the policies that such an agreement would entail would have to be delineated.

38. Finally, the representative urged that the communiqué commemorating the fortieth anniversary of ECLAC should not only recall its past contributions but should also take advantage of the opportunity to assess the present circumstances, the directions they might take in the future, the risks entailed by their continuation and the changes which needed to be made in order to help improve the economic and social situation of the region.

39. The representative of Bolivia pointed out that the countries were facing the challenge of designing appropriate economic policies within the framework of severe external and internal constraints. In meeting that challenge, it was important to identify certain policy options. Since reduced access to freight exchange was one of the main obstacles to being able to take advantage of idle national resources, the development strategy should find its strength in imaginative solutions to the external debt problem and in the development of sectors producing internationally tradeable goods. In order to attain that objective, a profound change in the productive apparatus was needed.

40. The strategy also called for a new style of development planning, in which the State used its economic policy to provide incentives in order to promote the changes needed. However, something more than adequate indications were needed in order to persuade the economic agents to adopt behaviour compatible with the objectives of development. The State needed to manage the acquisition, dissemination and consolidation of technical progress. The apparatus of government also needed to be modernized in such a way that public enterprises could operate in accordance with criteria of efficiency and interventive action could be taken to promote domestic savings by improving tax systems in order to increase fiscal revenue. In addition, government expenditure in the social sector should be oriented towards compensatory income policies and employment policies since their major beneficiaries were the low-income groups.

41. The crisis made it difficult to reactivate the processes of integration through normal trade flows and economic policy instruments. For that reason, integration should be perceived as an integral process, in which the commercial component was no longer central. Efforts should be joined in new fields, primarily with a view to increasing the competitiveness of the region as a whole. In the future the success of the integration processes would be

measured on the basis not of the dynamism within the region but rather of the role which the region could play within the world economic process.

42. The representative of Brazil referred to the topics dealt with in the document prepared by the Secretariat, which he said related not only to the present time but also to the region's ongoing development concerns. The economic crisis had once again raised certain fundamental questions for the region, in respect of which ECLAC's thinking had, from the beginning, been innovative. In that connection, he mentioned, in particular, the crucial question of the insertion of the region at the international level and its ramifications in Latin American and Caribbean economies as addressed by ECLAC in the late 1940s in terms of its centre-periphery concept.

43. He observed that Mexico's initiative in hosting the Commission's Special Conference had been part of an attempt to re-examine those crucial topics in a more articulate manner. The ideas put forward by the Governments and the Secretariat had been quite clear in their recognition that the economic crisis was structural in nature and that its external aspect was of prime importance.

44. In that context, he said that ECLAC's ideas on external obstacles to development and on their relationship to internal realities made it possible to enter again into a debate which had acquired new relevance.

45. Turning to the matter of changes in the world economy, he said they would be needed in three spheres: production, especially in respect of technology; distribution, in connection with which he mentioned the macroeconomic imbalances among the large economies and their impact on the economies of the developing countries; and circulation, where changes in trade and international finance raised the threat of an international economic order which might lead to the marginalization of the developing countries.

46. He then referred to the need to design new development strategies, and indicated that possibly one of the worst effects of the economic crisis was the excessive attention devoted to short-term problems, while long-term planning was becoming more and more disjointed. In that respect, he drew attention to the need to formulate more long-term options. It was also necessary to co-ordinate short-term and long-term policies, and the example was given of the compatibility required between short-term policies, such as stabilization policies, and pressing long-term goals such as the promotion of development on a more equitable basis.

47. Lastly, he said his country was politically committed to Latin American integration of a kind which was not limited to furthering trade schemes, but which sought to express itself in a Latin American approach, whose main factors could be traced from some of the topics dealt with in the document prepared by the Secretariat.

48. The representative of Cuba drew attention to the severity and prevalence of the problems affecting the region's economic and social situation and said they were due primarily to factors inflicted on the region from outside which,

together with the structural distortion of the countries' economies hindered the economic and social development to which their peoples aspired.

49. The most serious and pressing problem facing the region was that of the external debt, which had its roots in the unequal terms of trade of Latin America and the Caribbean with the developed capitalist countries and in an international monetary and financial system marked by arbitrariness and privilege of the most irksome kind. In addition, the external debt could not be paid, nor could it be serviced at the expense of the economic and social development of the peoples of the region. He emphasized that while countries were in the stranglehold of external debt, they also had a compelling moral obligation to their peoples. The temporary solutions which they were applying should favour development, lessen the sacrifices required of their peoples and be directed towards bringing about more lasting solutions. He also mentioned that the region had become a net capital exporter and that a standstill had been observed in external financing for development together with an increase in the already high rates of interest and a growing tendency on the part of the developed capitalist countries towards bilateralism and away from multilateralism.

50. In order to surmount the economic and social crisis being experienced by the region, it was essential to resort to profound domestic changes to alter the dependent and poorly-formed economic structures which were preventing sustained development. At the same time, there was also a need to reorganize the existing, unfair structure of international economic relations. For that purpose it was necessary to strengthen unity and regional and interregional co-operation and at the same time to support the full establishment of the New International Economic Order as a matter of urgency.

51. The representative of Ecuador said that one of the consequences of the crisis had been the loss of nearly a decade of development effort and that the region should consider the coming two years as providing an opportunity to find ways out of their plight and of facing the coming decade. He drew attention to four efficient mechanisms for reducing debt servicing: the granting of periods of grace in respect of interest payments; the reduction and fixing of interest rates; the issue of long-term bonds based on the value of the debt on the secondary market and the expansion of compensatory machinery for offsetting the fall in commodity prices.

52. Unemployment and underemployment, Latin America's principal social problems should be tackled jointly by ECLAC and PREALC through the quest for appropriate solutions. He emphasized the effort undertaken recently by the region to strengthen economic integration, mentioning in particular the action taken within the Cartagena Agreement.

53. Finally, he put forward a number of suggestions: international financial agencies should give greater consideration to defending the interests of the debtor countries; ECLAC should take the lead in co-ordinating solutions to the debt problem in the region; strategies should be formulated to diminish the role at present played by the principal international currencies in trade and finance within the Latin American and Caribbean economies and, finally, the

strategy of the New International Economic Order should be redesigned on the basis of the concepts he had just adduced.

54. The representative of Mexico noted that the economic situation of the countries of the region had continued to deteriorate throughout 1987, following six years of crisis. Efforts to overcome the crisis had proved fruitless, despite the implementation of harsh adjustment policies which had severely lowered the standard of living of their populations, as the President of Mexico said in his intervention at the Special Conference of ECLAC in January 1987.

55. He declared that the developing countries had complied with the requirements of the adjustment process, and, in that respect he mentioned the Economic Solidarity Pact signed by the Mexican Government and by representatives of Mexico's worker, peasant and entrepreneurial sectors which was now beginning to bear fruit.

56. The strategy of adjustment with growth was not, however, viable in the present international economic environment. There was a need to embark on a broad political dialogue involving the responsible participation of all parties concerned; in such a context, measures to achieve a new solution to the debt problem were becoming necessary.

57. The components of such a solution should include the reduction of the volume of the debt as well as of its servicing and the adjustment of payments to the value of the debt on the secondary market, as well as recognition of the need to free countries from increases in interest rates and to restrict their transfers abroad to levels compatible with the requirements of economic growth.

58. He went on to deal with trade considerations, linking the problem of debt servicing to that of the level of the export earnings of the debtor countries. In that respect, he expressed deep concern over the protectionist tendencies appearing in the developed countries.

59. He also referred to regional co-operation and integration, not only in terms of commerce and financial clearing but also with regard to complementarity in production. In that connection he made particular mention of the Central American subregion.

60. Finally, he drew attention to the need to strengthen and re-examine the role of CEGAN and of ECLAC itself, with a view to consolidating the part they play as forums in which the countries of the region discussed and agreed upon their joint development strategies.

61. The representative of Peru made a number of observations in respect of the document submitted by the Secretariat. With regard to restrictions of an external nature, while recognizing that it was a comprehensive document which covered different levels and fields of economic life and provided an integral view of the development picture, there were certain gaps in it. For instance, regarding external restrictions, there was a need to establish and acknowledge the link between the macroeconomic policies of the developed

countries and the difficulties that those policies caused to the countries of the region in terms of continuing to be able to count on the capital inflow necessary if they were to interact with the exterior. In respect of restrictions of a domestic nature, some explanations should be given as to how they affected the capacity of the region's economies to maintain real income levels, since failure in that respect resulted not only in a deterioration in living standards but also entailed the demoralization of the population and the weakening of the democratic institutions responsible for economic and social projects.

62. Among the "requisite for achieving sustained development" no mention was made of the sovereign right of States to design, adopt and implement their own policy and strategy in respect of development and external debt and other features or factors of similar importance.

63. In dealing with the issue of external indebtedness, that part of the document which referred to unilateral options and de facto solutions, allusion was made to conflicts of various kinds which generally arose when it proved impossible to reach agreement over joint action by creditors and debtors. However, it should probably be noted that when it proved necessary to adopt unilateral options owing to a lack of comprehension on the part of creditors, and restrictions were placed on debt servicing, imbalances in the economy were corrected and governments had been able to undertake action which tended to improve growth and income distribution.

64. In the part relating to "growth and transformation of production", she drew attention to the absence of any mention of the satisfaction of basic needs, as a factor in directing economic policies. Nor was any mention made of concepts such as priority to overall supply, discouragement of non-priority activities and a basic shopping basket of goods and services.

65. The representative of Venezuela congratulated the Secretariat on the content and scope of the paper submitted at the session. Stating that he shared the ideas set out therein, he expressed the view that the implementation of short-term policies in combination with medium- and long-term changes were needed in order to surmount the crisis. He referred, in particular, to the options available to debtor nations in facing up to the problem of indebtedness. Among those, he cited the reduction of interest rates and the setting up of special funds supported by multilateral bodies for buying back debts at market prices. He noted that there were points of agreement between the positions taken in the document and the conclusions reached in the Cartagena Consensus in respect of the need for political agreements between debtor and creditor nations and said that stress should be laid on political agreements among debtors, which would improve the bargaining power of the countries of the region.

66. The CARICOM representative made some general comments on the main theme of the session. First, she drew attention to the fact that the small size of the Caribbean countries imposed special constraints on their efforts to overcome the economic crisis. She made mention, inter alia, of their vulnerability to external factors, the disadvantage of diseconomies of scale, high per capita infrastructure costs and scarcity of financial resources. In

spite of those obstacles, she indicated that the majority of the countries in the subregion were implementing restructuring and economic policies.

67. With regard to the problem of economic recovery in the Caribbean, she emphasized the importance of the integration process and the urgent need to ensure its success, adding that its viability would depend on the prior establishment of a receptive international scenario and an environment in which there were fewer restrictions on trade and commercial openness prevailed.

68. She ended by stressing the need to procure new financial resources and greater support on the part of multilateral bodies. In that connection, she said that greater flexibility on the part of all creditors, including the multilateral institutions, in the renegotiation was a sine qua non for overcoming current debt problems.

69. The representative of SELA stated that having analysed the document prepared by ECLAC, the Permanent Secretariat of his organization had reached the conclusion that it constituted a valuable and stimulating contribution, whose subject matter was sure to arouse the interest of the governments of the region and give them food for thought.

70. Finally, and with regard to a proposal formulated by the delegation of Mexico, all the representatives present agreed on the need to strengthen the Committee of High-Level Government Experts (CEGAN) with a view to turning it into one of the specialized regional forums which both carry out an examination of global development issues and analyse, debate and formulate proposals in respect of the various sectoral topics.

C. CONCLUSIONS

71. The participants adopted by consensus the draft declaration and a communiqué, the texts of which appear below.

DRAFT DECLARATION

1. The development of the countries of Latin America and the Caribbean is still hampered by an adverse international economic situation. On top of the structural nature of the crisis, it is necessary to add its persistence and depth, which stand in the way of the sustained development of the countries of the region, causing the productive capacity to deteriorate steadily, aggravating long-standing economic and social inequalities and widening the gap between the social groups. In this context, the Latin American and Caribbean governments are experiencing increasing difficulties in their struggle to restore or intensify democratic processes. In spite of the huge constraints we are facing, we hereby reiterate our determination to secure sustained development and growth, by seeking new patterns of development and new forms of international insertion.

2. These new forms of international economic insertion of Latin America and the Caribbean is developing within the framework of prolonged and pronounced imbalances in the world economy. This situation has been principally marked by slow and hesitant growth of the industrialized centres and of world trade, by serious macroeconomic disequilibria between these same centres, by the unrelenting and sharp drop in the prices of the commodities and raw materials exported by our countries, by the proliferation of protectionist barriers in the developed countries, the existence of high nominal and real rates of interest, the instability of the foreign-exchange, financial and stock markets and the shortage of fresh capital resources, in circumstances in which the servicing of our external debt has become extremely burdensome. The fiscal and external disequilibria of the United States, which remain huge, aggravate this situation.

3. Forecasts regarding future trends in the international economy indicate that the panorama of recent years will persist and could even worsen. For this reason, as far as the region is concerned, the assumptions on which the adjustment programmes and policies resulting from a large number of the debt renegotiating agreements were based, and which assumed that the international economy would evolve favourably, have become unrealistic. Moreover such programmes included short- and medium-term conditionalities which have prejudiced development and recovery.

4. The consequences of the international situation have been particularly unfavourable for Latin America and for the Caribbean. The external debt cannot be paid under present circumstances without sustained economic development. Our countries are unable to continue to subordinate their development to the fulfilment of financial commitments entered into under extremely different external circumstances to those of the present. The impact of servicing the external debt has made economic policy management extremely difficult, narrowing room for manoeuvre and compelling governments to focus their attention on pressing conjunctural problems, to the detriment of a long-term view of the development of their economies. Latin America and the Caribbean has paradoxically become a region which transfers abundant financial resources to the developed countries. Thus, between 1982 and 1987 the volume of this net transfer reached approximately 150 billion dollars, on top of the enormous losses of income deriving from the deterioration of the terms of trade.

5. The tremendous internal effort made in order to adjust the economies to a situation which was at first presented as being transitory has been putting our societies in a position where attempts to consolidate and expand democratization processes coexist with a weakening of the capacity for growth, low investment coefficients, stubborn inflationary processes and increasingly adverse social conditions reflected in a higher level of unemployment and underemployment of the labour force and growing constraints on the supply of social services.

6. In order to surmount the crisis, there is need to remove the many external and internal constraints deriving from the international context and from the present mode of functioning of the Latin American and Caribbean

economies, in respect of which the establishment of the New International Economic Order could no longer be postponed.

7. The starting point in all this is to find a solution to the problem of external indebtedness. In order to do so, it is necessary to adopt not only measures oriented directly towards that objective but also others aimed at achieving the restructuring of the international monetary and financial system and injecting greater dynamism into world trade.

8. The principles of co-responsibility and the right to development have been widely accepted by the international community. This acceptance must, however, be reflected in concrete policies. During the past year new facts and proposals have emerged which, if accompanied by the necessary political will, could perhaps eliminate certain economic and institutional rigidities which still constitute obstacles to exploring medium- and long-term solutions. Among these facts, mention could be made of the clear tendency shown by the market to set a more realistic value on the portfolio of the private banks. Mention should also be made of the acceptance, in some renegotiations, of provisions relating to economic growth targets and contingent financing in the case of changes in external conditions beyond the control of the debtor countries.

9. There is still need, however, to establish effective machinery which, among other things, allows the Latin American and Caribbean countries to benefit from the discounts quoted on the secondary market in connection with the debt. Some examples of such machinery are the expansion of facilities which include the granting of official guarantees for the conversion of part of the debt into bonds. In addition, action must be taken to permit the direct reduction of the interest rates applicable to the debt which already exists, the condonation of the debt in certain circumstances, the expansion of the commitments of the private banks at a rate which is at least the same as that of inflation in the industrialized countries, and greater flexibility of international banking regulations and norms. All this makes the political dialogue between debtor and creditor countries a matter of urgency in the quest for solutions which take into account the interests of the developing countries.

10. It is also vitally important to set up a multilateral international trade system which would guarantee high growth rates and increasing participation by the developing countries in world trade. The Uruguay Round conducted by GATT will prove to be a positive step forward in the search for solutions to some of the problems surrounding international trade if it ensures the confirmation and implementation of the principles of differentiated special treatment and relative reciprocity in favour of the developing countries; the immediate fulfilment of the status quo obligations and commitments to dismantle trade barriers undertaken in the Punta del Este Declaration; as regards a system of safeguards, an adequate solution based on the most-favoured-nation clause, taking fully into account the interests of the developing countries; highly preferential treatment for agriculture and the removal of all barriers affecting agricultural trade in accordance with GATT regulations. Finally, international trade must be expanded and liberalized to allow greater access for our products to markets in developed countries.

11. Together with the above, it is absolutely necessary to restructure the international monetary and financial system in order to correct the serious imbalances which currently exist in the international economy and which have direct repercussions on our prospects for achieving sustained social and economic growth. In order to achieve this goal, we must have, firstly, greater macroeconomic discipline in the developed countries and secondly, mechanisms which would give us some influence on the effects of the economic policies of those countries, especially in relation to exchange rates, interest rates and international liquidity. It is also essential that multilateral financial organizations obtain more resources in order that they may play a more effective role in the development of our region.

12. In addition, the seriousness of the region's balance-of-payments problems requires an immediate expansion of official compensatory finance in order to meet the negative impact of factors such as the deterioration in the terms of trade and the excessively high real rates of interest. In this context, in order to ensure effective channelling of such funds it is necessary to eliminate crossed conditionality, which jeopardizes the development potential and autonomy of our countries.

13. It is, moreover, essential to take into account the particular circumstances of the region's small economies, whose particularities --principally reflected in their small economic scale, their openness to the exterior and consequent vulnerability-- render the burden of external restrictions far more oppressive. Consequently, they urgently require assistance in overcoming the obstacles preventing their sustained development by the implementation of mechanisms designed not only to remove artificial barriers which hamper trade, but also to improve access to external financial resources, on concessionary and non-concessionary terms. They also require relief in respect of the servicing of their debt with official agencies, in particular with multilateral agencies which traditionally do not accept rescheduling.

14. The countries of Latin America and the Caribbean bear no responsibility for the deterioration of the international environment, nor are they capable of bringing about any substantial modification thereof. In these circumstances, the region must of necessity assume an active role in order to transform international economic relations, since it is unrealistic to expect the industrialized countries to bring about favourable modifications in the external environment. In order to do so, the region must strengthen its bargaining power in respect of the developed countries in the spheres of trade and finance, intensify regional co-operation and revive domestic markets.

15. As we have frequently repeated we assume our own responsibilities in the task of overcoming the restrictions on development, which are not only external but also internal. In this respect, it is indispensable to progress towards new forms of national and regional articulation, and to combine the external and internal markets in both sectoral and temporal terms and to take steps to make them mutually supporting. One of the means of achieving this is macroeconomic policy management. It must be combined with a systematic effort to overcome the institutional, financial and physical restrictions which

hamper the transformation of the productive structures. With this aim in mind, it is necessary to undertake measures such as the regulation of the absorption of patterns of consumption which imitate those of the developed countries; the widening of property ownership, together with encouragement for the creation of small and medium-sized enterprises; the expansion of the possibilities for labour to acquire skills; an educational and health system with a broader and more deeply integrated social base and the encouragement of entrepreneurial capacity.

16. It is also essential to transform the productive structures. In order to do so it is necessary to implement sectoral policies to promote the processing and design of final consumption products which make intensive and rational use of the available natural resources, while taking into account the requirements of international markets; to promote the selective expansion of activities which further sectoral articulation and bring technical progress with them, and to generate and adequately incorporate the so-called "spearhead technologies". Only in this way is it possible to achieve a form of international insertion in which transformation of production goes hand in hand with the incorporation of technical progress and a dynamic expansion of the value of exports. Such a form of insertion shall be achieved by increasing external competitiveness through increased productivity.

17. The transformation of the productive structure must be based on equity. It is not possible to advance towards economic modernization by the exclusion of sectors of society and regions as the ensuing latent tensions lead to uncertainty which, in the final reckoning, jeopardizes such progress. Equity, on the other hand, puts the development process on sound economic, social and political foundations. Consequently concern for equity cannot be left exclusively to the social services; it must be present in all aspects of social and economic policy and linked to broader participation by all sectors of society in decision making.

18. On top of the already existing problems of unsatisfactory income distribution and extreme poverty, the crisis added those of increased unemployment and underemployment, diminished access to social services, the shrinkage of the real wages and levels of consumption of medium- and low-income groups; in general, it reduced the possibilities for social mobility. In order to find a way out of the crisis through development, major efforts will be required, precisely at a time when those social groups which have been most affected are organizing to press their claims, above all within those democratic and pluralistic systems of government which are now in the process of reconstruction or consolidation. These efforts will bear more fruit if the countries of the region are able to rely on national programmes based on sound political and social consultation. The cost of this further effort must of necessity be shared more equitably, as only in this way will it be possible to further the willingness of the mass of the population to undertake long-term action in favour of growth.

19. The set of economic and social measures described above should increase the capacity of governments to cope with inflation, which in many countries has become yet another constraint on sustained growth. With regard to price stabilization policies it is necessary to take steps to simultaneously tackle

the above fundamental or structural factors in inflation and the mechanisms by which it spreads.

20. For purposes of mitigating the adverse effects deriving from the international economy, taking greater advantage of the potential of each country and consolidating its efforts to overcome the constraints on development, the political will to expand the content and the prospects of integration and regional co-operation is now taking shape. The corresponding measures in the spheres of commerce, finance, production, research and technology must be based on the capacity to negotiate with third parties and on the establishment of new relations of inter-dependence among the countries of the region. Co-operation must also extend to new fields, including health, education, culture and the environment. In those efforts, countries with smaller economies will be given preferential treatment as regards access to regional markets and the technical co-operation which other countries of Latin America and the Caribbean are in a position to provide.

21. Part of the new integration and co-operation effort referred to above consists in the commitment of the countries of the region to support regional and subregional institutions and bodies; to strengthen the links between them; to expand subregional loan and payments systems; to use the region's purchasing power to improve the access of regional exports to fresh markets; to undertake joint technological development and manpower training projects, including projects to recover highly skilled manpower which has migrated to other countries, and to organize co-operation efforts in specific sectors, such as food supply and services.

22. In adopting this set of policies, the Latin American and Caribbean countries are taking a realistic view of the new international context, acknowledging the serious structural problems in the pattern of development of their economies, which have been sharpened by the crisis, and, in the face of the risks of recession, income concentration and authoritarianism, are declaring their preference for development, equity and democracy.

COMMUNIQUE

FORTIETH ANNIVERSARY OF THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

1. On the occasion of the fortieth anniversary of the creation of the Economic Commission, we hereby express our recognition for the extremely valuable work performed by the Commission during the years of its existence. Because of the efforts made by ECLAC to give a proper interpretation to the economic problems of the region and to present the alternatives available to it for overcoming them, it became possible to create and disseminate a new mode of economic thought concerning the development of the countries of Latin America and the Caribbean.

2. In 1948, when the Commission was created, the United Nations Economic and Social Council endowed it with terms of reference, calling upon it to promote the participation of the countries of the region in measures for dealing with urgent economic problems, and for "raising the level of economic activity in Latin America and for maintaining and strengthening the economic relations of the Latin American countries both among themselves and with other countries of the world". The Commission has remained ever faithful to the spirit of those terms of reference.

3. In the Economic Survey of 1949, the Commission was already capable of presenting a new way of interpreting our economic development process. In that survey it was affirmed that the imbalances and disparities which we were experiencing were due to the mode of insertion of our economies in the international context. The "centre-periphery" concept explained underdevelopment on the basis of the creation and dissemination of technical progress in the world economy, thereby reflecting, from the onset, an approach in which responsibilities were shared in the solution of the region's most urgent problems.

4. In subsequent years, the work of ECLAC was strengthened and expanded in a quest for alternative policies which might provide direction towards overcoming external and internal constraints to growth. As a forum for economic debate in the region, the Commission was able to make enormously important proposals to its Members regarding such issues as the incorporation of technical progress into development through industrialization; planning the activities of the State as an inductive and rationalizing agent of development, the structural origin of inflation and the insufficient growth dynamics and its consequences for the level of employment. The proposals made by the Commission were considered in conjunction with the economic objectives of the countries, at times becoming the backbone of the economic debate and the keystone in the adoption of concrete measures.

5. Increased understanding of the region, to which ECLAC has contributed so much, has allowed the countries of the region to form new regional concepts of development. In that connection, particular mention should be made of the country studies, the analyses of the international economic situation and the impact the Commission has had on the development of the countries of the region and on regional training and advisory service activities.

6. ECLAC has also made a distinguished contribution to intra-regional co-operation. In the 1950s it succeeded in consolidating studies on the great tasks of regional economic integration, which terminated in the creation of the Central American Common Market and later in the Latin American Free Trade Association (LAFTA), which has since become the Latin American Association for Development and Integration (ALADI).

7. Other studies, which laid the groundwork for the regional positions on international trade and which were carried out through the tenacious and creative work of Raúl Prebisch, decisively influenced the creation of the United Nations Conference on Trade and Development (UNCTAD), setting the pattern for the formulation and dissemination of ideas relating to the New International Economic Order.

8. Another inestimable contribution to Latin American thought may be found in the pioneer studies in which the Commission strove to incorporate the social dimension into development concerns. Those studies initiated the approach taken to the question of equity --one of the Commission's abiding concerns over the past 40 years. The Commission has constantly and insistently warned that the development process must of necessity guarantee full access to the fruits of development for the masses of the population. Stress must be laid on the tremendous significance of that message, especially in view of the difficulties now being encountered, which have led to a marked deterioration in the social conditions of the region.

9. More recently, since the 1970s, the Commission has incorporated another great topic of concern, which has been the subject of a succession of reports by the Secretariat. This is the vulnerability of a type of growth based on a continuous flow of external resources, and which from very early on was the subject of warnings from ECLAC. The rapid evolution of the size of the region's external debt obliged the Commission to redouble its efforts to keep its member governments informed and to promote the quest for fair solutions which can make access to development possible.

10. Today we have the pleasure of paying homage to Dr. Raúl Prebisch, the creator of and inspiration behind the thinking of ECLAC, and of acknowledging the role the Commission has played in conceiving truly Latin American interpretations and policies. On the threshold of the 1990s, the international economic crisis has raised problems which make the thinking of ECLAC more relevant than ever. Once again the Commission will have to dedicate itself to the task of interpreting the changes taking place in the international economy and their projection and articulation in respect of the countries of Latin America and the Caribbean, mapping out the quest for alternative strategies of transformation to bring about dynamic, equitable development under external circumstances which may be more difficult than ever before. We hereby reiterate our confidence that the Commission will rise to meet those new challenges.