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Globalization and convergence: Latin America in a changing world

*José Miguel Benavente
and Peter J. West**

A new international order which is the result of the recent changes in international political and economic relations is in the process of formation. The initial characteristics of this order point to a world setting in which the centripetal forces seem to be more marked than in the past and are leading to a more convergent world favourable to greater consensus, in which the actions of each country have repercussions on those of the others, so that concertation and harmonization become necessary. Together with these forces, however, there are others of a centrifugal nature, such as the awakening nationalisms in eastern and southern Europe and the pressures for greater protectionism by those who are having to bear the burden of the adjustment to a more convergent world. These pressures have caused some analysts to fear that the world will be divided up into opposing trade blocs. Furthermore, the multipolarity emerging in economic relations makes it more difficult to coordinate policies, which is an important feature of the necessary harmonization. Consequently, the new international order opens up an era fraught with possibilities, but also with uncertainties and hence risks for the world in general and Latin America in particular.

Section I of this article indicates the main changes which have favoured the emergence of the new order, while section II describes the main features of that order, especially with regard to convergence in North-South relations, interdependence and the need for harmonization in the world economy, the possibilities offered by the new international context for obtaining resources for development, and the new multipolarity of economic relations.

*The authors are, respectively, a staff member of the United Nations Conference on Trade and Development (UNCTAD) and a staff member of the International Trade and Development Division of ECLAC.

I

The main political and economic changes

Since the late 1980s and during the first years of the 1990s, profound changes have taken place in the world scene (a chronological list of the main changes which have taken place since mid-1989 is given in the annex). Of these changes, possibly the most important are the great transformations in the Eastern European countries, which found their symbolic expression *par excellence* in the fall of the Berlin Wall in November 1989. In addition to the process of reform underway in the former Soviet Union, there are the political changes in the Eastern European countries, the main landmarks of which took place between October 1989 and January 1990, opening up the way for the transition of the centrally planned economies of those countries to market economies, as well as the reunification of Germany in October 1990. Outstanding among the ramifications of these events is the end of the Cold War and of the bipolarity which characterized much of the twentieth century. The virtual disappearance of the socialist option as historically represented in Eastern Europe and the end of the ideological struggle of previous decades have completely overturned previous views on world political and economic relations.

The effects of these sudden changes have come on top of a phenomenon which has characterized the world economy in recent years: the process of globalization. This process has been taking place for some time, but only recently, as it gathered force, has there begun to be a generalized awareness of the phenomenon and its implications, especially for the developing world.¹ Globalization is yet another manifestation of the growing interdependence which exists between nations, and it forms part of a historical trajectory which began with the increase in international trade and continued with the internationalization of finance in the 1970s, when the size of international capital flows exceeded for the first time that of trade flows.²

¹ For an early analysis of the consequences of the growing integration of the world economy, see Sunkel (1971).

² The presentation made below in this article is based in part on the analysis of the concept of globalization and its consequences made at an expert meeting on *International Governance: Trade in a Globalizing Economy*, organized by UNCTAD in Jakarta, Indonesia, on 19 and 20 June 1991.

The globalization of the world economy is one aspect of a broader phenomenon which affects all dimensions of human life: population growth, poverty, employment, endemic diseases, the narcotics trade, the environment, etc. In its economic variety, globalization is a result of the speeding up of technological progress in general, which affects competitiveness in all sectors, and advances in information and transport technologies in particular, which cause changes in the way companies and countries trade with each other. These phenomena, together with liberalization and deregulation of markets in the more developed countries, have led to the establishment of transnational production systems or networks. This has taken place as a result of the expansion of the sphere of influence of transnational corporations, the organization of strategic alliances between firms, including firms from different sectors, and the generalized use of world information and communication systems. An important and growing part of world trade takes place under these systems.

These new forms of organization of production result in the redefinition of comparative advantages, in which ongoing innovation and the global nature of business organization and strategies have a decisive influence. Some concrete manifestations of this are the rapid internationalization of production and the fact that trade grows faster than the product; the increase in the intra-sectoral component in world trade;³ greater mobility of the factors of production and the crucial function played by foreign investment in the growth of production and trade; integration among the various sectors of the economy at both the national and the international level; the growing importance of services in international trade, and the reduction of the differences between economic policies with different objectives (for example, industrial policies and trade policies or policies designed to increase competitiveness), with emphasis on the need for the systemic integration of these policies.

³ Intra-sectoral trade means the simultaneous export and import of manufactures forming part of the same product line. De Castro (1989, p. 2) notes that intra-sectoral specialization and the resulting trade are affected, *inter alia*, by the internationalization of production and structural convergence among the trading countries, as well as technological factors.

Globalization is an unavoidable fact of life for the Latin American countries, just as it is for other nations, and it means both opportunities and challenges.

It means opportunities, because it forms the frame of reference within which the countries can incorporate themselves into the international flows of investment, trade and technology on which their economic growth prospects so vitally depend. Globalization does not necessarily extend to all countries, however; indeed, it shows strong tendencies towards concentration and inequality in the geographical distribution of its benefits, and many developing countries are still on the sidelines of the process because of certain structural shortcomings. Among the latter are their low level of technological and human resource development, along with insufficient technology transfer; small markets; a faulty infrastructure; restrictive foreign investment regimes; poorly developed financial systems, and limitations on the access of their exports to outside markets.

It represents a challenge, because it is essential to put these shortcomings right in order to take advantage of the opportunities offered by globalization, through positive participation in a way which makes it possible to avoid the risks inherent in a process which takes place mainly beyond the control of the Latin American countries. The elimination of such obstacles is necessary, for example, in order to stimulate foreign investment, which occupies a leading place in the globalization process. This must be achieved, however, without overlooking the risks connected with possible restrictive trade practices – such as inter-company agreements to limit competition, market sharing arrangements, the use of transfer prices, prohibitions on exports to certain markets, etc. – and the effects of the exclusion of third countries which the new organizational practices can bring with them. The awareness which exists of the importance of these issues is clearly seen in the negotiations and discussions taking place in international forums such as the General Agreement on Tariffs and Trade (GATT).

The recent developments in the area of relations between East and West combine with the above-mentioned tendency to the globalization of the world economy to make up a new emerging international order, and this order defines the international setting in which the Latin American and Caribbean countries must operate.

II

The structural characteristics of the new international order

1. North-South relations and the process of convergence

a) The new multilateralism

The new international order which is taking shape is quite different from the New International Economic Order (NIEO) whose pursuit by the developing countries has characterized North-South relations since the 1970s.

The demands for the NIEO were the result of the situation then created on the international scene by the appearance of a number of sovereign developing countries as a result of decolonization. These countries, organized politically in the Movement of Non-Aligned Countries and economically in the Group of 77, proposed changes which would make the international economic system more favourable to the achievement of economic development. As a result of these demands, in May 1974 the United Nations General Assembly adopted a Declaration and Programme of Action on the Establishment of a New International Economic Order.⁴ This Declaration and Programme of Action, together with the Charter of Economic Rights and Duties of States and the resolution on development and international economic co-operation (adopted by the General Assembly in that same year and in September 1975, respectively), formed the programmatic base of the NIEO.⁵

The Programme of Action for the NIEO provided for the changes needed in the main areas of North-South relations in order to achieve: i) effective control by the countries over their natural resources; ii) regulation of the activities of transnational corporations; iii) fair and equitable prices for basic commodities and other exports of the developing countries; iv) reforms in the world monetary and financial systems; v) market access for the products of the developing countries, and vi) strengthening of the scientific and technological capacity of the developing nations.

⁴ See resolutions 3201 (S-VI) and 3202 (S-VI) adopted by the General Assembly at its sixth special session.

⁵ For a detailed description of the NIEO, see Sauvart (1981).

In the first few years after the adoption of the Programme of Action, some progress was made towards the application of its provisions. Among other things, the establishment of the Generalized System of Preferences was accompanied by the establishment of new institutions to deal with the problems of the developing countries, such as a Common Fund for Commodities, which was set up later, and the United Nations Commission on Transnational Corporations. In GATT, the Tokyo Round negotiations led to the adoption of the so-called *enabling clause*, whereby it was made permissible to give special and different treatment to developing countries. A set of rules and principles to control restrictive trade practices, a convention on international multimodal transport, and a code of conduct for shipping conferences were adopted, and negotiations were started on, *inter alia*, a code of conduct for technology transfer, a code of conduct for transnational corporations, and a review of the system of industrial property.⁶

However, the reforms achieved were of very limited scope and did not affect the structural foundations of the established order. In the 1980s, the negotiations stagnated, so that many aspirations of the developing countries were never realized. This was the decade of the "adjustment". The negotiating climate took on some characteristics of a confrontation between the supporters and opponents of the NIEO, against the background of the rivalry between the two opposing development models for the Third World: the western capitalist model and the socialist model. In an atmosphere like this, reminiscent of the East-West confrontation, the position of the developing countries, which was now markedly weaker than in the golden years of the Organization of Petroleum Exporting Countries (OPEC), was not strong enough to secure the desired agreements with the developed countries.

⁶ For a fairly exhaustive list of the advances made, see United Nations (1983).

The lessons learnt in that period have now been assumed as part of the consensual basis of the new world order. The developing countries must be more self-reliant in solving their problems, and only the poorest of them can expect unilateral concessions from the developed countries to represent a substantial contribution to an improvement which is largely beyond their own unaided capacity. As a result, the domestic economic policies of the countries have been the subject of greater attention in world forums.

Nevertheless, the end of the ideological conflict between East and West in a context of globalization of the world economy opens up new prospects for multilateral cooperation for development. Now that some of the main factors of confrontation of the past have been eliminated and interdependence has been accepted by all countries as a reality, it is possible to revitalize the arguments for a NIEO on the grounds that a more equitable world is in the interest of all countries, including the richest ones. Consequently, a new kind of language is now being used in North-South relations. The OECD countries explicitly recognize the links between suitable domestic policies and a positive international economic environment, accept their particular responsibilities within the context of growing interdependence, and also recognize the importance of acting in partnership with the developing countries on the whole range of major world economic questions (OECD, 1991, paragraph 4). Many developing countries, for their part, have now declared that they have resolved to leave behind the tactics of confrontation in order to embark instead on "more pragmatic policies".⁷ This new climate is reflected in the Declaration adopted by the member countries of the United Nations Conference on Trade and Development (UNCTAD) at its eighth session (held at Cartagena de Indias, Colombia, in February 1992), which embodies what is described in the same Declaration as the "Spirit of Cartagena". Naturally, this spirit of consensus remains to be translated into concrete measures, and this is the challenge that will be facing multilateral cooperation in the years to come.

⁷ Address delivered by the Deputy Minister of Foreign Trade of Iran, in his capacity as Secretary-General of the Ministerial Meeting of the Group of 77 in Teheran on 18 November 1991. See also United Nations (1991).

b) *Convergence on economic policy matters*

The new spirit of multilateralism referred to above is based on a growing consensus on the priorities and instrumental mechanisms of development. This consensus takes many forms and has been expressed, for example, in the results of deliberations in multilateral forums such as the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade, recently adopted by the United Nations General Assembly, and the documents prepared at the eighth session of UNCTAD. Greater consensus facilitates the acceptance and application of the new development policies in the Latin American and Caribbean countries.

With regard to priority objectives, there has been increasing recognition all over the world that development cannot be reflected only in the evolution of the macroeconomic variables, but must be manifested above all in an improvement in the living conditions of the major part of the population—especially the most underprivileged sectors—with the specific objective of reducing poverty.⁸

Furthermore, the world community is now keenly aware that development must be compatible with the preservation of the environment and must not contribute to its destruction. The environment is seen as the patrimony of all mankind, and the actions of the various countries in this field have repercussions which go far beyond their national frontiers. International concern for the environment has been manifested in the efforts made now and in the recent past to arrive at operational agreements in various intergovernmental forums and meetings, especially the United Nations Conference on Environment and Development (the "Earth Summit"), held in Rio de Janeiro in June 1992. The relation between the environment, trade and development is expressed in the programmes of UNCTAD and of GATT itself, which agreed in October 1991 to reactivate its working group on trade and environment to discuss these issues.

⁸ See, for example, Pronk (1991), pp. 21-22.

The greater consensus on major development strategies extends, *inter alia*, to the indispensable function of the market and of private enterprise, together with the recognition that private enterprise and public policies are complementary and equally necessary, and the desirability of greater openness of the economies. In this respect, there has been a rapprochement between liberal and structuralist attitudes. The latter, in response to changes in the international situation, have recognized that import substitution policies are now exhausted and outmoded and are incapable of generating the foreign exchange needed for development. In place of them, they see trade openness and exports as the natural following stage for taking advantage of the industrial platform set up in the previous stage (Sunkel and Zuleta, 1990, p. 44). The supporters of liberalism, for their part, now accept that the State has an indispensable function to carry out in correcting the shortcomings of the market.⁹ This greater agreement is undoubtedly based on the consensus which exists on the priority objectives of development, since the market alone has proved to be a very imperfect instrument for achieving social equity and protection of the environment. This consensus must not cause us to forget, however, that there are still important differences of opinion, deriving from the different diagnoses of the problems, with regard to the actual policies that should be applied.

2. The trend towards harmonization in the world economy

The growing globalization and integration of the world economy has been reflected in constant pressures for the elimination of the barriers to such integration presented by obstacles to the movement across national frontiers of goods, services, capital and technology, to say nothing of people.

The first obstacles which it was sought to eliminate were those encountered at the national frontiers. After successive negotiating rounds in GATT, tariff barriers to trade were spectacularly reduced in the main developed countries: in 1987, the weighted average tariff for imports was only 4.3% in the United States, 6% in the nine member countries of the European Community (EC) and 2.9% in Japan. Some efforts were also made to reduce non-tariff barriers, as witnessed by six of the codes negotiated at the Tokyo Round.

⁹See, for example, World Bank (1991).

With such a considerable reduction of frontier barriers, it became clear that this reduction alone was not enough to make possible full mobility across borders, and it became more obviously necessary to harmonize the measures whereby governments regulate conditions of competition, so that the scope of the negotiations was expanded in consequence. As a result, the dividing line between trade and other policies became increasingly vague (Tussie, 1991). The tendency to harmonize a set of measures and public policies which go beyond the strictly trade area has been observed both at the multilateral level (especially in the trade negotiations in the Uruguay Round of GATT) and at the level of groups of countries (particularly with the development of economic spaces which are advancing towards integration).

a) The Uruguay Round

The Uruguay Round of GATT, which had begun in September 1986, was scheduled to end in December 1990. This did not take place, however, and the breakdown of the negotiations at that date, together with their subsequent long and arduous continuation, highlight the serious difficulties facing attempts to secure international management of the interdependence of the countries involved.

The Uruguay Round agenda was much more ambitious than that of preceding rounds. In spite of the substantial tariff reductions achieved in the past, there were still major tariff barriers in respect of some sectors and products, and during the 1980s there was a certain proliferation of protectionist measures in sectors and countries (especially in the developed nations) which were suffering the consequences of the adjustment to the new conditions of competition in the world economy. These measures were above all of a para-tariff rather than a tariff nature: anti-dumping investigations and duties, countervailing duties and voluntary restrictions on exports were all used as discriminatory instruments which evaded the GATT rules. The idea was that the Uruguay Round should serve to negotiate measures to make these practices subject to stricter rules and disciplines, as well as achieving greater tariff liberalization.

The mandate of the Round went further than that, however. For the first time, a round of trade negotiations included such matters as rules on intellectual property, external investment regimes, and the services sector. Consequently, the Uruguay

Round negotiations have run into the problems and forms of resistance that naturally arise in the course of the harmonization of an ever-broader set of national policies. For example, the discussions have included such issues as the subsidies used by countries to keep up the standard of living of their rural population, attain food self-sufficiency, or promote the investments needed for economic development; measures designed to ensure that foreign investments make an effective contribution to development and to check the restrictive trade practices of transnational corporations; and measures on the protection of the intellectual property that the technologically less advanced countries need to use in order to relieve poverty, promote public health, and satisfy the food requirements of their population.

Carried to its extreme, the final result of the harmonization process would be to turn national markets into sub-areas of a global market and to subordinate national policies to a uniform global policy, with all the limitations that that implies for independent national policy.

In this context of interdependence of nations and strengthening of mutual relations between national policies, internationally accepted rules and disciplines, and the functioning of the market, the Latin American countries have shown their interest in the negotiations by participating actively in them. After having made a big effort to open up their economies on a unilateral basis,¹⁰ their legitimate objective in the Round has been to secure the reversal of the protectionism which affects their exports, the establishment of clear and strengthened rules of the game in international trade which protect all the parties involved, especially the weaker ones, and recognition of the disparity in the levels of development of the parties and the application to them of treatment in line with those disparities when it is necessary to enter into new commitments, especially in the new areas of services, foreign investments and intellectual property rights (ECLAC, 1991a, section II).

b) *The development of economic spaces*

The evolution of the Uruguay Round has highlighted the difficulty of harmonizing policies and rules in the heterogeneous group formed by the more

than 100 member countries of GATT, with different levels of development and in many cases reluctant to give up part of their national sovereignty insofar as it affects the adoption of their own policies. The process is more viable when carried out in a limited number of countries with greater affinity with each other. In this respect, during the last two years there has been an accentuation of the trend towards the consolidation of regional economic spaces and the signing of bilateral agreements between countries. The creation of such spaces, in the form of free trade areas, preferential agreements and customs unions, is recognized and accepted, subject to certain conditions, in GATT itself, even though it represents a departure from the principle of non-discrimination which is the cornerstone of that Agreement.

i) *Consolidation in Europe.* The most advanced example of this process of harmonization and integration is the European Community. In 1990, the Community completed the preparation of legislative proposals for the definitive establishment of the Single European Market on 1 January 1993, which means that on that date all national barriers to the free movement of goods, services, people and capital will have been eliminated.

To this end, the Community programme provides for the adoption of 282 common regulations and guidelines, most of which have already been approved by the EC Council. The final result will be the harmonization of rules covering such different areas as the production, packing and labelling of goods; sanitation; State purchases; services; capital movements; consumer protection; fiscal taxation; activities of private firms; human and plant health controls; trade and transit documentation and procedures; free movement of workers and recognition of professional qualifications; and rules and procedures for industrial inspection and certification. In December 1991, a treaty on European Union was signed in Maastricht which provides for the progressive introduction of economic and monetary union, with the establishment of a European Bank and a common currency by 1999 at the latest.

The process of consolidation of the Community, which now also includes programmes aimed at political union, has a decisive gravitational effect on the countries around it. At the beginning of the present decade, there were two other economic groupings in Europe in addition to the Community: the European

¹⁰ For a summary of the process of trade liberalization in Latin America in recent years, see Benavente, Schwidrowski and West (1991).

Free Trade Association (EFTA) and the Council of Mutual Economic Assistance (CMEA). In October 1990, the 13 million East Germans, who had up to then formed part of the CMEA, entered the EC as a result of German reunification. A year later, in October 1991, the EC and the EFTA countries brought two years of negotiations to their culmination by agreeing on the extension of the Single Market to the latter countries. The way was thus opened for the establishment of a European economic space extending from the Arctic to the shores of the Mediterranean. This space will include 19 countries and over 380 million people, and its current share in world exports is over 47%. Moreover, it represents a first step towards the possible entry of member countries of EFTA into the EC. As for the CMEA, the political and economic evolution of the Eastern European countries led to its dissolution in June 1991. Its former member countries are now gravitating around the Community, which has reduced its restrictions on imports from some of those countries. Three of them have expressed a desire to sign association agreements with the EC which could result one day in full membership of the Community.

Since the process of European integration takes place at two levels –the incorporation of new members and the intensification of integration among the existing members– the Community of the future has been described in terms of “concentric circles”. In addition to these circles, there are the Mediterranean countries with which the Community has signed preferential agreements, and the African, Caribbean and Pacific countries linked with the Community through the Lomé Convention. These two groups of countries thus form a broader economic space around the EC.

ii) *The new integration in America.* Largely in response to the European process, a similar process is taking place on the American continent, although of course it is less advanced. In January 1989, the agreement between the United States and Canada to set up a free trade area between the two countries within 10 years came into force, and since June 1991 negotiations have also been underway to extend this area to include Mexico.

The expansion of this economic space to the entire hemisphere, so that it extends “from Alaska to Tierra del Fuego”, is a long-term objective of the Enterprise for the Americas which was announced by

the President of the United States in June 1990. To this end, the United States has already reached framework agreements with almost all the Latin American and Caribbean countries, either individually, or in groups in the cases of MERCOSUR and the Caribbean Community (CARICOM).

These framework agreements lay down, in line with the Declaration whereby the Enterprise was announced, the principles on which future formal agreements should be based, and they establish a joint body, generally called the Trade and Investment Council, which forms the axis for the relationship between the parties. These principles refer largely to the same issues that were the subject of negotiation in the Uruguay Round. Among them, as stated in successive declarations, are the liberalization of trade –including trade in services– between the parties; the coordination of action in the multilateral trade negotiations, especially with a view to achieving the successful conclusion of the Uruguay Round; recognition that investors of each party will be given the same treatment as nationals in the territory of the other party; an undertaking to refrain from imposing requirements on investments by the other party which would cause trade distortions; and protection of the intellectual property rights of the citizens and companies of the other party.¹¹

Since the Enterprise for the Americas was announced, the Latin American and Caribbean countries have stepped up their efforts to promote integration among themselves. This process has undoubtedly been favoured by the new policies of uniform trade openness applied in the continent and by the greater consensus on those policies mentioned earlier. This also explains the characteristics of the new form of integration, which is no longer seen so much as a way of substituting imports at the supranational level as a means for increasing the competitiveness of exports on external markets. This accounts for the similarity of goals and objectives of the new integration initiatives, which are generally aimed at forming common markets or free trade areas within unusually short spaces of time.

¹¹ See the text of the address delivered by George Bush, President of the United States, in Washington on 27 June 1990, and the statement by Myles Frechette, Assistant Representative for Latin America and the Caribbean and Africa of the United States Department of Commerce, in the seminar on *The United States and Argentina in relation to the Enterprise for the Americas Initiative*, The American University, 12 June 1991.

The formation of a common market by 1995 is the objective both of MERCOSUR, set up under the Treaty of Asunción between Argentina, Brazil, Paraguay and Uruguay in March 1991, and of the member countries of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela), as stipulated in the Act of La Paz signed in November 1990. At the end of 1991, the latter countries set up a free trade area and decided to bring forward to 1992 the entry into operation of the agreement for establishing the common market, although this was finally held up by some problems that arose over the definition of the common external tariff. In August 1990, it was decided to set up a common market in CARICOM. The Central American Common Market (CACM) is preparing to establish an "economic community" among its members, as provided for in its Economic Action Plan for Central America. For its part, in January 1991 Mexico signed an agreement with the CACM member countries with a view to the establishment of a free trade area. The same objective is pursued by the Group of Three (Colombia, Venezuela and Mexico). In addition to these subregional initiatives, there is a growing number of bilateral agreements aimed at eliminating trade barriers between Latin American countries (ECLAC, 1991b), outstanding among which is the establishment of a free trade area between Chile and Mexico, which was agreed on in September 1991 and is to be carried out gradually from 1992 to 1996.

iii) *Reticence over regionalization in Asia.* In Asia, efforts to set up regional economic links have been led by developing countries. After the selective liberalization of tariff barriers among the signatories of the Bangkok Agreement, the member States of the Association of Southeast Asian Nations (ASEAN)¹² agreed at the end of January 1992 to set up an ASEAN free trade area within the space of 15 years. Within this area, an effective common preferential tariff will be established, applicable to manufactures, capital goods and agricultural products, but excluding agricultural raw materials. The formal creation of an exclusive economic space for the whole region, where Japan has the dominating economic weight, has not materialized, however. In contrast, at the ministerial meeting of the Asia Pacific Economic Cooperation Group (APEC) held in Seoul in November 1991, there

was a further assertion of the desirability of strengthening regional initiatives to further the multilateral liberalization –within GATT, for example– of trade and investment. This decision involves the countries on both sides of the Pacific, since the members of the APEC Group are Australia, Canada, Japan, New Zealand, South Korea, the United States, the six ASEAN nations and the new members: the Chinese People's Republic, Hong Kong and Taiwan.

c) *Regionalization and multilateralism*

Consequently, only in Europe is there a formally constituted economic bloc, while one is beginning to be formed in the Americas. Developments in Asia, above all, indicate that the forces of multilateralism exist side by side with those of regionalism and, depending on the circumstances, may even predominate over the latter. There is nothing surprising about this, since, as already noted, both tendencies are in line with the same logic of the supranational harmonization of the global system. The harmonization efforts which took concrete form in the Structural Impediments Initiative signed between the United States and Japan in the summer of 1990 also fit in with this logic. As currently conceived, and in the light of their past record, the economic spaces which are in the process of consolidation (in Europe) or formation (in the Americas) represent a potential for opening up to the exterior which will favour the trend towards universal integration produced by globalization. In the field of trade, for example, the process of European integration has been reflected in an increase in United States exports to that market, which have grown spectacularly since 1986, having almost doubled between that year and 1990. The Single Market due to come into operation in Europe by 1993 will make it even easier for other countries to sell their goods inside this great economic area, where, furthermore, the demand by enterprises will increase in line with their investments (Duesterberg, 1991). It is expected that fixed investment by enterprises in Europe will more than treble between 1985 and 1995.

These tendencies could relieve the fears, shared by some experts, that a resurgence of protectionism could turn what were supposed to be open economic spaces into closed spaces; that is to say, that the possible regional blocs would become obstacles that would lead to the division of the world economy instead of serving as the basis for its integration

¹² ASEAN comprises Brunei and Darussalam, the Philippines, Indonesia, Malaysia, Thailand and Singapore.

(Tussie, 1991; Lawrence, 1991; UNCTAD, 1991a). In actual fact, the blocs could serve to relieve the harmful effects of increased protectionism for their member countries. Only if the existence of the blocs themselves represented an incentive for the establishment of barriers against third countries could they be considered as a danger to multilateralism. The main potential risk is connected with the diversion of trade that the blocs could cause. Although this diversion would probably be more than offset by the trade creation effects at the world level, countries which remained outside the blocs could be adversely affected (Krugman, 1991; Bergsten, 1991).

From the Latin American point of view, if all the countries of the region were integrated into a single American economic area, the real risk could be of another nature: namely, that the increase in trade and integration between the various regional spaces might take place above all between the economies with the greatest weight within those spaces (the EC, the United States and Japan), with the other countries mainly being linked to the dominant country in their own space. In the case of the Latin America countries, this would mean greater dependence on the United States.¹³

For the Latin American countries, the challenge lies in avoiding a possible tendency to concentrate relations in a single market, especially in view of the fact that the European and Asian markets may possibly register higher growth rates than the United States market in the medium term. This does not mean scorning the possibilities offered by the Enterprise for the Americas, but it does mean that this should not be the only possible option. It is a question of keeping alive the spirit of multilateralism, to which end the countries of the region must persist in their efforts to achieve liberalization of world trade, make sure that the establishment of a possible free trade area with the United States does not bring

with it an increase in protection against third countries, and promote economic relations with the other regions.

At the same time, it would not be desirable for the possible American economic space to take the form of a system of free trade agreements between the United States and each of the Latin American countries or groups of countries. The liberalization must extend to the mutual relations of the countries of the region, so that a true hemispheric free trade area is set up. For this purpose, it is necessary to advance resolutely towards Latin American integration, which demands among other things, as a prior condition, the success of the macroeconomic stabilization efforts of the individual national economies.

By the mid-1990s, the Latin American and Caribbean region could be structured around four solid economic groups: the Central American Common Market, CARICOM, the Andean Pact and MERCOSUR. In addition, there could be a complex network of bilateral free trade areas between various countries. This network could bring with it, however, the risk of causing multiple trade diversion effects and distortions in comparative advantages. The next challenge will be to extend this bilateral system to take in the subregional groups themselves, so that by the end of the decade there is a single Latin American free trade area or customs union, as a minimum, which can form a space of the same type with the North American countries. In this respect, the Presidents of the 13 Latin American countries making up the Rio Group announced in December 1991 their decision to continue to promote the subregional integration processes already underway, so that they would reach their culmination in the course of the decade and by the year 2000 the American free trade hemisphere would be fully established.¹⁴

3. The international context and resources for development

One of the essential tasks for recovering economic growth in Latin America is to secure a considerable increase in the rate of investment, which fell from almost 23% of the gross domestic product in 1980 to only 16.2% in 1989. In order to do this, a substantial

¹³ This could happen, in view of the possible features of trade within and between the spaces. Trade between the "poles" seems to include a high and growing content of horizontal intra-sectoral trade, that is to say, trade in different varieties of the same products. Trade in manufactures between each pole and the other countries in its economic space could include a big component of vertical intra-sectoral trade: the export of parts and components from the former to the latter, for assembly and reexport to the country of origin (ECLAC, 1991c, pp. 3-4). The application of strict rules of origin – a thorny question in the negotiations on integration with the United States and within the EC – would mean that this type of trade would only take place within the economic space, to the exclusion of parts and components from third countries.

¹⁴ Joint Declaration of the Fifth Presidential Summit of the Permanent Mechanism for Consultation and Policy Coordination, held in Cartagena de Indias, Colombia, from 1 to 3 December 1991.

increase in external or internal saving is needed. International conditions influence both of these types of saving, and the current conditions have a special influence, different from that of the past decade.

To begin with, recent events give grounds for expecting greater competition for external resources. It is estimated that the reunification of Germany, the financing of the transition in Eastern Europe, and the reconstruction programmes in the Middle East will involve a bigger demand for external saving of the order of 100 billion dollars per year between 1991 and 1996. This bigger demand alone would cause an increase of approximately half a percentage point in real long-term interest rates in the industrialized countries, as well as a slight slackening in the growth rate and a moderate rise in inflation (IMF, 1991a). There is thus a need to raise the rate of saving throughout the world, but especially in Latin America, where, in view of the possible greater competition for external resources and their higher cost, it would be advisable to intensify the efforts already being made to increase domestic saving and improve the productivity of capital.

On the other hand, however, certain features of the international setting favour increased external and domestic saving in Latin America. In the 1980s, the heavy external debt burden prevented the use of a large proportion of domestic saving for investment purposes and represented an insuperable obstacle to the procurement of new loans on international capital markets. The result was the heavy net transfer of resources abroad registered by the region in the 1980s. Lately, however, there has been some progress in reducing the debt burden, and this reduction, together with the growing integration of the international capital markets, has opened up new possibilities for securing financial resources on those markets. These two circumstances have made it possible to reverse the net resource transfer to the exterior. In 1989, the net outflow still represented 21% of the total value of exports of goods and services, but by 1990 this figure had gone down to 11%. In 1991, thanks also to the considerable reduction in interest rates in the United States, the net transfer became positive for the first time since 1981, when the debt crisis began. According to provisional data, in 1991 the net inflow of resources was equivalent to 4% of the total exports of the region, although it should be noted that most of the capital inflow was

concentrated in a few countries, especially Mexico and, to a lesser extent, Argentina and Venezuela (ECLAC, 1991d). At the same time, the new climate of reduced tensions between East and West makes possible an increase in public domestic savings though the reduction of military expenditure.

a) *The international climate for solution of the debt problem*

After a long delay in recognizing the seriousness of the external debt problem of the developing countries and the need to reduce it substantially, since the late 1980s a somewhat more flexible official position has been observed in the creditor countries.

One manifestation of this greater flexibility has been the consolidation of various agreements for reducing the amounts owed to the commercial banking system under the Brady Plan, which was announced early in 1989. So far, six countries, including four from Latin America (Costa Rica, Mexico, Uruguay and Venezuela) have concluded agreements of this type, and it is expected that other important debtors such as Argentina and Brazil will achieve similar arrangements. According to calculations by the International Monetary Fund (IMF), the net effective reduction in indebtedness secured by those four Latin American countries comes to US\$11 billion, representing 15% of the total value of their commitments before the application of the respective programmes (IMF, 1991b, table 15, p. 76). Moreover, greater tolerance has been displayed by creditors in respect of the unofficial accumulation of debt servicing arrears. This has been a temporary safety valve for the problem of overindebtedness and the slowness of the negotiations for achieving permanent reductions in the debt.

Another sign of the new attitude is the fact that the official bilateral debt has also been reduced in line with criteria which vary according to the income level of the debtors. After the adoption in 1988 of the "Toronto Terms" for the granting of special terms to low-income debtors, in 1990 the creditor governments grouped together in the Paris Club agreed to offer new payment facilities (the "Houston Terms"), including conversion of the debt into local currency, to medium-low income countries. The first-named terms were applied in 1990 to Bolivia and Guyana, while the latter terms were applied to El Salvador, Honduras, Jamaica and Peru.

Various creditor countries have put forward proposals for a much greater reduction of the bilateral debt of low-income nations; for example, the "Trinidad Terms" proposed by the United Kingdom provide for the condonation of two-thirds of the outstanding balance. The principle of condoning the debt of middle-income countries was introduced with the decision to reduce the bilateral official commitments of Poland and Egypt by at least half: a decision strongly influenced by some particular political factors. Finally, the Enterprise for the Americas proposes debt reduction mechanisms which would be applied to the commitments of Latin American and Caribbean countries with the United States, totalling US\$12 billion. Up to the end of September 1991, the United States had condoned debts totalling US\$1.5 billion of seven countries of the region. Since most of the countries involved had relatively small economies, the reductions granted were quite significant: in the case of Honduras, Nicaragua and Guyana, the amount condoned represented 90% of the total owed to the United States Government, while in the cases of Bolivia and Haiti it amounted to 70%.

With regard to the debt owed to multilateral agencies, a noteworthy development is the so-called SDR accumulation approach introduced in 1990 in order to regularize the position of countries with a long history of arrears in their payments to the IMF. Under this mechanism, the debtor country accumulates refinancing rights as it complies with the goals of an adjustment programme. Once the programme has been successfully applied, the country pays off its arrears to the Fund through the organization of a bridging loan granted by a group of "support" governments, and it subsequently converts the accumulated rights into a disbursement of Fund resources, as part of a normal programme with that agency. In Latin America, this scheme is being used as the central element in normalizing Peru's situation *vis-à-vis* its external creditors.

As a result of the application of these measures, as well as the significant reduction in bank debt achieved through various national mechanisms—mechanisms which have been of great importance in the cases of Chile and Bolivia—the question of the external debt has tended latterly to become less prominent in some Latin American countries. Nevertheless, the problem of overindebtedness persists in many countries of the region, and its structural consequences continue to constrain the leeway for economic policy decisions and growth possibilities.

b) *The international capital markets*

The external financing situation of Latin America has undergone substantial changes in recent years. During most of the 1980s, the voluntary credit market (except for short-term external trade financing) was completely closed to the countries of the region, crushed as they were by the debt burden. Recently, however, some countries have been able to take advantage of the positive trends registered in those markets in order to begin a process of return to voluntary loans.

The international financial markets have been characterized in recent years by growing integration between countries, between market segments, between institutions, and between financial instruments. This process has been based on various factors, especially the technological advances which have taken place in telecommunications and computation systems; the application of policies of exchange and financial deregulation, and the increasingly important position occupied in the capital market by institutional investors (pension funds, insurance companies, mutual funds and investment management firms), which have more capacity than individual investors for operating on foreign markets. This integration has had positive results in that it has promoted greater competition between financial institutions and greater effectiveness of the financial intermediation process at the world level. It has also accentuated the volatility of financial asset prices, however, and has raised serious problems with regard to banking supervision and the handling of monetary and exchange policy.

The volume of resources handled on the world financial market is now enormous; it may be noted, for example, that the total value of loans contracted on international capital markets almost trebled between 1982 and 1991, reaching US\$517.6 billion in the latter year (OECD, 1992). At the same time, everything seems to indicate that the integration process will be further intensified in the future. These two circumstances offer important opportunities and challenges to the Latin American countries, since the increasingly global view taken by institutional investors and their interest in diversifying their portfolios by incorporating high-yield instruments mean that there is a considerable potential supply of resources.

Some countries of the region have already begun to take advantage of these possibilities. Mexico, above all, but also Chile and Venezuela, have

re-entered the world capital market, and in 1991, Argentina and Brazil also joined the countries which have managed to obtain resources on that market. Unlike the 1970s and the early 1980s, when the predominant loans were from the commercial banking system, this new access to voluntary financing is taking place through the issue of international bonds, on the one hand, and foreign portfolio investments in stocks and shares on the other.¹⁵

The reopening of the international bond market for Latin American borrowers began in the period 1987-1989, but it speeded up spectacularly in 1990 and 1991. The total value of the issues made rose from US\$600 million in 1989 to US\$3 billion in 1990, and according to initial estimates it reached US\$5 billion in 1991. So far, Mexico is the country which has managed to procure the biggest flow of resources through the issue of external bonds, while other countries which have carried out operations of this type are Venezuela, Argentina and Brazil. The cost of the financing obtained in this way has been relatively high, although there has been a clear trend towards lower risk premiums on Mexican and Venezuelan issues. Another feature of this type of financing is that it has been of a relatively short-term nature: the maturities have usually been between two and five years, although there have also been operations with terms of seven or even ten years. Consequently, it would be necessary to keep up a continuous flow of new loans in the future if it is desired to avoid a situation where the net transfers through this form of financing become negative after a short time.

The other way in which resources have been obtained from private international capital markets is foreign portfolio investment in stocks and shares. The available information indicates that considerable external resources have recently entered some Latin American countries in this way. Thus, for example, stock issues by Latin American companies on the stock exchanges of the industrialized countries through American Depositary Receipts (ADRS) amounted to over US\$4 billion between 1989 and the early months of 1992. Another index is provided by the balance of payments statistics of Mexico, which indicate that in that country income from foreign portfolio investments, which had amounted to US\$490 million in 1989, rose to US\$2 billion in 1990 and to over US\$6 billion in the first half of 1991.

¹⁵ For more details on the characteristics of these sources of financing, see West (1991).

The new private capital flows are helping to relieve the external financing restrictions which the Latin American and Caribbean region suffered during the 1980s. It is not yet certain, however, that these flows will become a lasting form of financing which can serve as a basis for development, nor that further countries in the region will also be able to enter this market. In this respect, the question arises as to the extent to which the recent availability of funds for the region may be due merely to a short-term drop in interest rates in the United States, which has made the yields offered by Latin American instruments very attractive. It must not be forgotten that the unstable and procyclical nature of private international capital movements means that access to this type of financing involves certain risks and possible costs. On the one hand, there is the danger that, in particular circumstances, the capital inflow may be suddenly reversed. On the other hand, a diametrically opposite problem may arise: an excessive inflow of resources at periods of economic boom and great confidence among foreign investors could complicate macroeconomic management, especially as regards the handling of monetary and exchange policies.

c) *Disarmament and resources for development*

The end of the military tensions which characterized the Cold War has recently given rise to a debate on levels of military spending and the real possibility of reducing such spending and using the resources thus made available for development. What has been called the "dividend of peace" is potentially of considerable size. World military spending has been estimated at over a million million dollars per year (which may be compared with the US\$1.3 million million represented by the debt of all the developing countries together), of which US\$800 billion corresponds to the developed countries and the rest to the developing nations (McNamara, 1991). Reduction of this spending would make it possible to increase global saving in order to cope with new investment needs, and it would even facilitate better budgetary balance in the main developed economies, with positive effects on real interest rates and the world economy. Moreover, if the industrialized countries agreed to devote part of these resources to activities that would aid

development, the developing countries could benefit directly from this. In October 1991, the Group of 77 made an appeal for part of this expenditure to be devoted to settling the debt problem, and multilateral agencies such as UNICEF have made similar appeals for the reallocation of the resources currently devoted to military expenditure.

Latin America and the Caribbean, too, now have an opportunity to increase domestic public saving and investment for development by reducing their own military budgets. In 1988, these budgets were estimated to absorb some US\$13 billion, representing 3.3% of the GNP of those countries as a whole, and even more in some of them. This percentage was higher than that corresponding to expenditure on health (2.3%). In many countries, the percentage of GNP represented by military expenditure even exceeded that corresponding to spending on education (McNamara, 1991). It would be sufficient to reduce military spending by an average of less than half in order for governments to be able to devote an extra 1.5% of their gross national product to investment expenditure (for example, construction of highways and hospitals, repairs to ports, opening of new schools, etc.). And if each country were to fix a maximum of 2% of GDP for military expenditure, at least 12 countries of Latin America and the Caribbean could achieve substantial increases in their domestic saving.

This reallocation of resources is now possible, thanks to the climate resulting from the new relations between East and West. This new climate is not only reflected in the successive disarmament agreements between the United States and the Soviet Union, but also has a moderating influence on regional conflicts. The causes of these conflicts do not disappear as a result of the understanding between East and West, but it is possible that the external support which in many cases made these conflicts possible and even fomented them could disappear. A clear example is the recent process of pacification in Central America, which fits in perfectly with the new climate of détente and pacification in other regions of the world (including the Middle East, after the lamentable episode of the Gulf War).

Furthermore, in Latin America nearly 90% of the armed conflicts which have taken place since the Second World War, and which have caused over 864 000 deaths among civilians and military

personnel, have been internal conflicts of the countries.¹⁶ That is to say, the armies have not been used to fight the armies of other countries, but to act against citizens of their own country. Consequently, a redefinition of the concept of national security which has traditionally been used to justify the allocation of scarce economic resources to military expenditure is called for. The idea of national security should not be limited to the capacity to deal with conflicts: it should also cover the capacity to prevent them. In this respect, it should include the guaranteeing of both political and economic human rights, including the reduction of unemployment and poverty. The resources devoted to these latter purposes would represent an effective contribution to the prevention of conflicts, so that they should be considered as part of the national security effort.¹⁷

The reduction of military spending in the various countries is also favoured and facilitated by the strengthening of the function of the United Nations in the solution and prevention of conflicts and the more favourable international climate for such reduction. The generalized consensus on the central role that should be played by the United Nations has been manifested explicitly in three summit meetings recently held in London, Abuja and Guadalajara. The organization is now in a better position to help to guarantee the territorial integrity of countries, so that governments now feel greater confidence in reducing their military budgets. The favourable international climate for this latter objective has been manifested on many occasions. For example, the IMF is considering the possibility of including reduction of military spending and ceilings on military debts among the conditions for its loans. Various developed countries have stated that they are in favour of linking their

¹⁶ Of 23 conflicts registered in Latin America during this period, on only three occasions were there confrontations between the armies of different countries: the interventions by the United States in the Caribbean, the "football war" between Honduras and El Salvador, and the Falklands War between Argentina and the United Kingdom. See the statistics collected by Nicole Ball in McNamara (1991).

¹⁷ Moreover, these measures would not only free resources for development but could also check the danger of a possible tendency towards militarization in other areas of social coexistence. As the South Commission says in its recent report, "equally harmful is the development of a military culture which scorns democracy, popular participation, human rights and the principle of government responsibility and which encourages corruption, abuse of authority and the constant alienation of the population from the political system" (South Commission, 1991, p. 63).

development aid to reductions in military expenditure, and they have also made appeals to take the reduction of military spending by debtor countries into account in initiatives aimed at solving the debt problem.

4. Towards a multipolar economic order

At the level of international economic relations, economic centres such as the EC and Japan have been playing a more prominent role, thus offsetting the predominant role of the United States and pointing the way to a more multipolar economic order.

Although the United States continues to be the biggest economic power, its position has steadily weakened compared with that of the other major developed countries. This situation has been reflected in such indicators as the United States share in world product and trade, its loss of competitiveness in spearhead industries and, during the 1980s, its growing trade deficit, which has turned it into the biggest net debtor in the world (Krasner, 1991).

This latter phenomenon is connected with the evolution of international financial markets described earlier. The liberal availability of capital on those markets in the 1980s permitted the United States to maintain a prolonged heavy budgetary deficit together with a deficit on its balance of payments current account. This budgetary deficit has to some extent limited the country's ability to use fiscal policy to reactivate its economy. The need to attract capital to finance the current account deficit, in a world where the increase in demand for investments has intensified competition for external resources, comes into conflict with the use of monetary policy, and especially the lowering of interest rates which may be needed to stimulate demand.

In these circumstances, the evolution of the United States economy has become more dependent on external conditions and particularly on the policies adopted in the other economic centres. In these centres, the will and policies of the United States government have less influence now than in the past, when the dominating position of that country facilitated the compatibility of the policies of countries such as the Federal Republic of Germany and Japan. The planned formation of a European economic and monetary union will erode the influence of the United States still further by reducing the importance of the dollar in world trade. The key

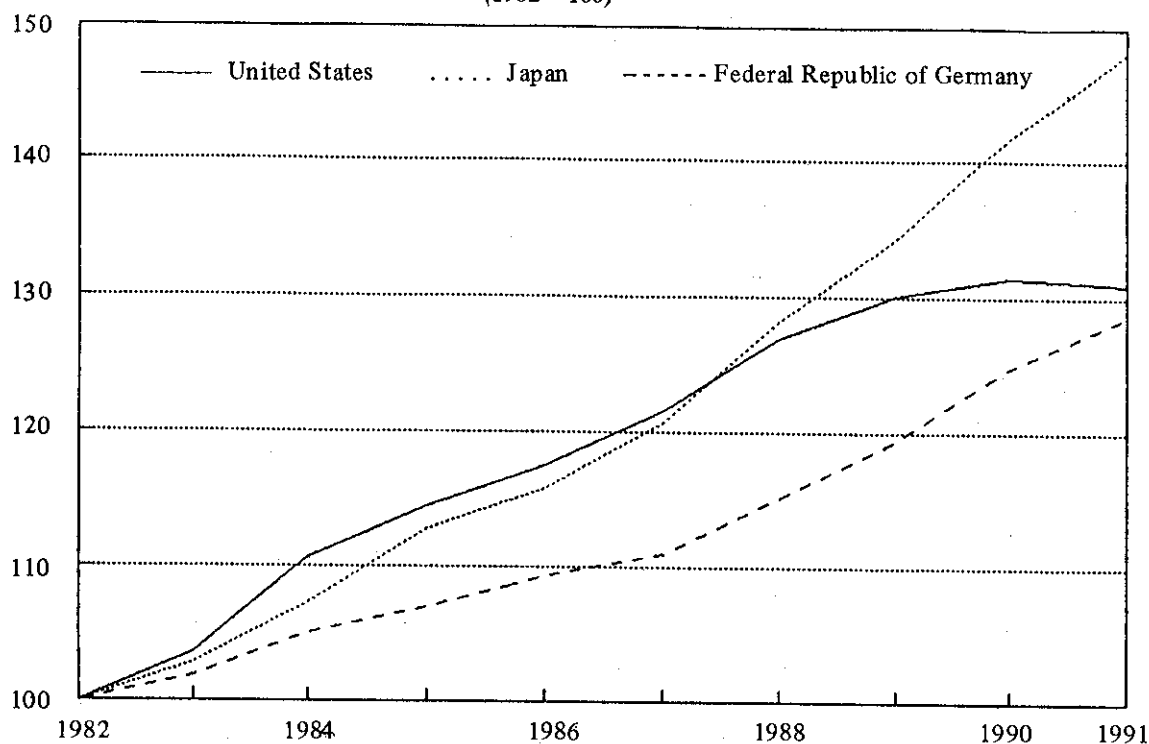
variable in this situation is interest rates: the greater difficulty in keeping interest rates in line with each other is a disturbing element, especially for the United States.

The recession which began in 1990 in that country was thus preceded by a gradual loss of influence in recent years. The evolution of the United States economy in comparison with those of the Federal Republic of Germany and Japan seems to have followed the same pattern. As may be seen from figure 1, after the 1982 crisis the United States economy registered solid growth at a higher rate than the other two countries. This dominant position began to weaken, however, and by 1988 the economic growth rate of the United States had already fallen below that of Japan. In 1990, for the first time a situation of completely divergent growth trends arose: whereas the United States economy was entering into a recession, the German and Japanese economies continued to grow, so that United States growth seems doomed to fall below that of the German economy also. With the passage of time, the recession in the United States also dragged down the economies of the other two countries.

This evolution highlights certain elements of vulnerability in the new world order and the risks that these may imply for the future. On the one hand, coordination and harmonization of public policies is increasingly necessary,¹⁸ but the emergence of a multipolar order makes this increasingly difficult. During the 1980s, important steps were taken towards coordinating the monetary and fiscal policies of the main industrialized countries grouped together in the Group of Seven. This coordination was needed in order to cope with the integration of financial markets and to try to limit the severe balance of payments disequilibria caused by massive capital movements in response to changes in interest rates and exchange parities (Webb, 1991). The Plaza (1985) and Louvre (1987) agreements are examples of these attempts at coordination. However, such coordination has been lacking in recent years, as witness the fall of the dollar when abandoned to the market forces in 1990.

¹⁸ The need to strengthen efforts to secure more effective economic cooperation between the United States, Japan and Europe in order to guarantee favourable evolution of the world economy in the 1990s is emphasized in Bergsten (1990).

Figure 1
GDP INDEX FOR FEDERAL REPUBLIC OF GERMANY,
UNITED STATES AND JAPAN
(1982 = 100)



Source: International Monetary Fund.

At the same time, the economic growth prospects in a multipolar and globalized world in which technical progress plays a crucial role have become more dependent on the expansion of international trade. For a long time past, the growth of trade has exceeded the growth of the world product (except in 1985), and since 1988 it has been twice as great. This is why the multilateral efforts at liberalization and harmonization carried out in the Uruguay Round of GATT and in the regional groupings are so important.

If these conditions of greater coordination and harmonization are fulfilled, and the multilateral efforts at trade liberalization are successful, the IMF forecasts of a reasonable medium-term growth rate of over 3% per year on average for the world economy between 1993 and 1996 could come true. The new world order would then be in a position to contribute to an international setting relatively favourable to the domestic development efforts of the Latin American countries.

Annex

OUTSTANDING EVENTS SINCE MID-1989

23 July 1989

Mexico reaches an agreement for debt reduction under the Brady Plan (the first country to do so).

18-19 October 1989

In Hungary, after a process of growing political openness, the National Assembly approves extensive reforms to the Constitution, including the suppression of any reference to the guiding role of the Communist Party and the legalization of political parties.

9 November 1989	Fall of the Berlin Wall.
17-29 November 1989	Mass demonstrations in Czechoslovakia culminate with the suppression of any reference to the guiding role of the Communist Party in the Constitution.
1 December 1989	The changes in East Germany culminate in the suppression by Parliament of the constitutional guarantee of the guiding role of the Communist Party, followed by prosecution of many of its leaders.
10 December 1989	Summit meeting between Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua for the establishment of peace in Central America.
19 December 1989	The Parliament of Czechoslovakia approves a programme of free elections and liberalization of the economy.
16-26 December 1989	Violent demonstrations in Romania culminate with the prosecution of President Ceausescu, his subsequent execution, and a change of government until the holding of elections.
1 January 1990	Poland adopts a radical programme of economic reforms.
15 January 1990	In Bulgaria, after several weeks of opposition demonstrations, the National Assembly suppresses the constitutional guarantee of the guiding role of the Communist Party.
20 January 1990	In Yugoslavia, in a climate of dissension between Serbs and Slovenes, the Communist League suppresses the constitutional guarantee of the guiding role of the Communist Party.
22-23 January 1990	The Communist Party of Albania approves the holding of elections with multiple candidates and some reforms aimed at a market economy.
13 March 1990	In the Soviet Union, the Congress of Deputies of the People approves a political system with multiple parties and suppresses the guiding role of the Communist Party.
20 May 1990	First free elections held in Romania.
29 May 1990	It is agreed to set up the European Bank for Reconstruction and Development in London in order to help finance the Eastern European countries.
31 May 1990	The Soviet Union and the United States sign a framework agreement in Washington on the reduction of strategic nuclear weapons and an agreement to abandon the production of chemical weapons.
8-9 June 1990	In Czechoslovakia, the Communist Party loses the parliamentary elections.
17 June 1990	The Central American Presidents approve the Economic Action Plan for Central America, providing for the establishment of an economic community.
27 June 1990	The President of the United States announces the Enterprise for the Americas, aimed at establishing a free trade area in the western hemisphere.
28 June 1990	Structural Impediments Initiative between the United States and Japan.
6 July 1990	At a summit meeting in London, NATO drafts the London Declaration in which it is proposed to the Warsaw Pact that both organizations should jointly declare that they are no longer adversaries, thus putting an end to the Cold War.
2 August 1990	The CARICOM countries lay down a deadline for the establishment of a common market.
3 October 1990	Reunification of Germany.
19 October 1990	The Supreme Soviet of the Soviet Union approves an economic plan providing for transition to a market economy.

28 October 1990	The EC member countries (except for Great Britain) announce in Rome their support for the establishment of a Community Central Bank by 1994.
19 November 1990	NATO and the Warsaw Pact sign the treaty for the reduction of conventional forces in Europe.
21 November 1990	The Paris Charter, putting an end to the division of Europe into two antagonistic blocs, is signed by 34 Heads of State of the member countries of the Conference on Security and Cooperation in Europe.
30 November 1990	Signing of the La Paz Act, providing for the establishment of a common market in the Andean Group.
6 December 1990	Suspension of negotiations at what should have been the closing meeting of the Uruguay Round in Brussels.
15 December 1990	The EC countries, meeting in Rome, officially begin negotiations to establish a political federation with a common currency and shared security and external relations policies.
22 December 1990	In a plebiscite, the Republic of Slovenia approves its independence from Yugoslavia.
11 January 1991	Signing of the Declaration of Tuxtla Gutiérrez for the establishment of a free trade area between Mexico and the countries of the Central American Common Market.
27 March 1991	Signing of the Treaty of Asunción, setting up MERCOSUR.
12 June 1991	Negotiations are begun for the establishment of a free trade area between the United States, Canada and Mexico.
28 June 1991	Council of Mutual Economic Assistance (CMEA) dissolved.
2 July 1991	Warsaw Pact ceases to exist.
19-21 August 1991	Frustrated coup d'état in the Soviet Union, which considerably speeds up the process of change in that country.
26 October 1991	Draft agreement between the EC and the EFTA countries for the formation of a European economic space.
31 October 1991	Middle East Peace Conference opened in Madrid.
12-15 November 1991	Ministerial meeting of the Asia Pacific Economic Cooperation Group held in Seoul.
10 December 1991	Signing in Maastricht of the Treaty on European Union, which is to form the basis for the progressive application of economic and monetary union by 1999 at the latest.
21 December 1991	Establishment of the Community of Independent States by the Republics (except for Georgia) which had made up the former Soviet Union, whose official disappearance had been declared two weeks before.
28 January 1992	Summit meeting of the ASEAN countries, at which it is decided to establish a free trade area within the space of 15 years.
8-25 February 1992	Eighth session of the United Nations Conference on Trade and Development (UNCTAD), the main forum for the North-South dialogue.
3-14 June 1992	United Nations Conference on Environment and Development ("Earth Summit") held in Rio de Janeiro.

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