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Assembly held just a week ago. In this respect, the developed world must understand that the eradication of poverty from the face of the earth is bound to benefit all sectors of the world community.

If the foregoing idea really takes root in the world conscience, then it will mean that the potential for renovating international co-operation really does exist. Some of the changes which have taken place recently offer at least a possibility of reversing the negative resource transfer. There is now a possibility of diverting resources from defence to welfare — what has been called "the dividend of peace" — and economic and social development should be one of the leading beneficiaries of this. It should be noted that the "dividend of peace" is not something which is confined to the industrialized countries and hence only affects the levels of international financial co-operation; it will also have its counterpart in the developing countries themselves, where it will permit the reallocation of resources — hitherto spent on arms, for example — to the improvement of social services.

Moreover, if internal efforts to foster the development process are continued and strengthened and programmes like those suggested in the Secretariat proposal are further consolidated, the countries of the region will win a new right to demand that the international community too should assume its responsibilities in the task of making the Latin American and Caribbean economic crisis of the 1980s a thing of the past. This approach includes, for example, our proposals concerning the elimination of the debt overhang, which is one of the major obstacles to the development of the countries of the region.

The above-mentioned topics form the central concern of our agenda. Despite the economic crisis of the 1980s, they bring with them a message of hope, as well as a warning that the road ahead of us will be long and arduous. In urging the governments and societies of the region to embark on a deliberate and sustained effort to change production patterns while safeguarding the seriously eroded cohesion of our societies, we must not lose sight of the enormous potential offered by intra-regional integration and co-operation. For our part — in the best traditions of the United Nations — we place at the service of the governments of our member States, both developed and developing, new mechanisms and renewed forms of international economic co-operation in order that this vision of peace, democracy, prosperity and social justice may truly.

Carlos Andrés Pérez
President of Venezuela

Five basic issues for the region

It is a pleasure for me to be participating with you today in the closing meeting of this event which has brought together those associated with the institution that has played the most significant role in the economic thinking and evolution of Latin America over the last five decades.

The Economic Commission for Latin America and the Caribbean — ECLAC — has been an extraordinary source of ideas, theories and proposals which, although in many cases needing to be adjusted or modified in line with the changing international conditions and our own Latin American experience, continue to be indispensable points of reference for the development of theories and concepts at the regional level. It is the duty of all of us to do everything we can to strengthen ECLAC.

I should like to take this opportunity to pay an affectionate tribute to a man who was one of the greatest thinkers and promoters of that organization: Raúl Prebisch. The development
of his economic philosophy, his message and his unshakeable faith followed a path which led to an understanding of the more complex reality underlying apparently simple facts and situations. It is now our duty to continue this quest without fear or self-doubt, without any commitment to the past, and with a willingness to make all the changes that may be necessary in order to renew our ideas and practices so as to forge ahead.

This twenty-third session of ECLAC is being held in particularly momentous circumstances for Latin America and the Caribbean, for we are witnessing the end of a decade which has been described as a lost decade for the development of the region, and which I myself would go so far as to term a totally perverse decade.

It is enough to look at the most important economic and social indicators of our recent performance —which are all too familiar to all of us here—to conclude that during these years our difficulties and problems generally got worse. This was so in the case of the external debt, the fiscal deficit, unemployment, stagflation and critical poverty, to name only a few. However, although to experts in economic matters this might seem to be the most negative side of the 1980s, the fact is that —without wishing to belittle it—this evaluation falls short of reality.

The most dramatic feature of this perverse decade was in fact the abrupt resurgence of selfish national interests and the loss or deliberate abandonment of the will to integrate, callously discarding the efforts, schemes and policies achieved in the past. This led to the undermining of the vigorous and optimistic intentions and plans for Latin American and global concertation and integration which the developing countries had been pursuing, and weakened or helped to weaken not only our own incipient integration schemes but also such multilateral agencies as ECLAC, UNESCO and UNCTAD. The Group of 77 also suffered the impact of this perverse decade.

Now, however, at this meeting we are attending in Caracas on the threshold of the last decade of the present century, the circumstances are rather more special. It would seem that we have learnt a bitter lesson and that there is now renewed hope and a stronger will to progress because of the profound political and economic changes that are taking place in the world. These changes, many of which would have been unthinkable only a few months ago, are truly impressive both in their depth and their rapidity.

It is the direction of these changes which gives rise to our optimism. Mankind is clamouring for democracy, and the developing nations are renewing their determination and faith to make up for lost time and get back onto the right road, but with a desire to take advantage of experience and correct the errors and omissions of the past.

We are witnessing a marked process of globalization of the world economy. The nations which until recently were known as the "Socialist bloc" are rapidly integrating into the world market, which is thus attaining the greatest dimension ever known in the history of capitalism. This is taking place simultaneously with the formation of great economic blocs, such as the European Common Market, North America and South-East Asia, which confront Latin America with the need to take truly transcendental decisions regarding our region.

As if these great changes were not enough, an intensive technological revolution is also under way which is radically altering modern production functions. This revolution is imparting increasing importance to human resources, their level of intelligence, and their capacity for inventiveness, adaptation and organization. Latin America should have nothing to fear from this new situation, however.

The challenges raised by the economic situation of Latin America and the Caribbean are the greatest in the recent history of our region. Faced with the economic totalitarianism that characterizes the activities of the transnational enterprises, we must design bold strategies to cope with the crisis, both at the domestic level (with regard to the production structures of each of our countries) and internationally (with regard to the role of Latin America and the Caribbean on this new world scene).

Gentlemen: the changes which are taking place in the world are truly spectacular, and our own economic and social performance in the last ten years has been too poor for us to pretend that we fully understand as yet that we are faced with
a historical need for a profound overhaul of all our existing concepts and practices with regard to growth and development.

If Latin America is to emerge victorious from the economic challenge facing us, we must be able to solve five fundamental issues which are closely linked with each other.

Firstly, we must transform our systems of production so as to make them more specialized, efficient and internationally competitive.

Secondly, we must link together our economic and social policies so as to achieve growth accompanied by equity and social justice.

Thirdly, the role of the State in the economy must be redefined in order to set free the whole productive potential of our societies.

Fourthly, we must find an external financing policy which relieves us from the external debt overhang and assures us the flow of resources we need for stable, non-inflationary growth.

Fifthly, we must set up a broad common market in the region which will allow us to achieve economies of scale and successfully face international competition: in other words, we must speed up the process of Latin American integration.

I should now like to refer briefly to each of these aspects in turn.

For many years —indeed, whole decades— we in Latin America believed that we could ensure economic development through intensive and prolonged protectionist practices which, it was claimed, would also make possible a process of industrialization through import substitution. We set out along this road, but when the time came we were not able to turn off it towards a more open type of economy which could adapt progressively to the very demanding conditions imposed by international competition.

There is no question today of denying the importance of import substitution as a valid option for generating industrialization, economic growth, employment and riches. What is involved is rather the need to approach such substitution properly as part of a global strategy, so that it is not practiced —as was often the case in the past— as an artificial way of sustaining artificial industrialization processes.

Import substitution is perfectly legitimate when it is practiced in areas where the country in question has, or can attain, competitive advantages.

It must reflect real economic potential and advantages, as well as export possibilities, and must not depend on lavish fiscal incentives, severely undervalued exchange rates, or any other mechanism which is artificially created and is therefore not sustainable in time.

Transforming our structures of production means advancing towards greater specialization, without discriminating between domestic and external markets but with a firm determination to get rid of the anti-export bias which has characterized us in the past. The idea of autarkic and enclosed economies must once and for all be made a thing of the past.

This transformation of our structures of production will have substantial social costs. Industrial reconversion often means higher unemployment in the short term. The restructuring of the entire economy means dismantling those enterprises which were only able to survive with State aid, in its most negative forms of protectionism and unwarranted subsidies.

These social costs must not be allowed to become so high that they can stand in the way of the proposed changes, however. It is not possible to carry out any worthwhile changes in the midst of social chaos. The economic reform policy must be organically linked with broad social programmes aimed at three basic objectives: cushioning the impact of the adjustment; making a real effort to combat critical poverty (which is not an exclusively economic phenomenon); and developing our human resources, because they are the most valuable capital our nations possess.

We could not even dream of entering the developed world without first of all making very intensive and substantial investments in our human resources. In this respect, education is clearly the great strategic line along which we must advance, because it is the gateway to research, science and technology.

Despite the concern expressed in various regional forums to the effect that co-operation in scientific and technical matters is urgently needed, this is precisely the area where the most serious weaknesses are to be observed in Latin American actions. Most of the decisions which
have been adopted so far at the regional level have as yet failed to give rise to any concrete initiatives which effectively tackle the interaction between scientific knowledge and industrial development.

The adjustment and stabilization programmes through which the Latin American countries are having to pass must not mean a further deterioration in the conditions and potential for assuring our future. The people, their well-being, and their health and education must not be the main victims of the economic adjustment.

There must be close links between economic and social policies. It is recognized that the public sector accounts must be kept in balance, but this must be achieved, not by reducing social expenditure, but rather by effecting a full and integral repostulation of the role of the State in the economy.

It is a recognized fact that there has been over-expansion of the orbit of action of the State in our economies. What we need today is a State which acts much more strategically and selectively, strengthening its capacity for macroeconomic and sectoral regulation and gradually giving up its detailed administrative intervention at the microeconomic level.

We need a State which, if it intervenes in the economy, does so through market-compatible mechanisms. We cannot accept the concept of the State as the negation of the market. It is the State’s responsibility to guarantee that the market does not indulge in monopolistic or oligopolistic practices which end up by distorting it. We must get away from the false dichotomy between the State and the market. At the same time, however, we must recognize that in our developing societies with their stunted economies the market is often governed by monopolies and oligopolies, and the State cannot stand by and ignore its responsibility, to regulate the market when necessary until it reorganizes its operations.

At the level of production proper, the State in our countries must gradually give up any involvement in the direct production of those goods and services which, by their nature, can be supplied by the private sector. This will give us a stronger and more flexible State apparatus, concentrated on those activities which it cannot delegate.

There is also now a consensus — extending even to the dominant actors in the world economy — that the external financing terms under which our countries have been operating make it impossible for us to get back on to the path of stable and healthy growth. Unless there is a reduction in the debt and its service, our countries will not be able to discharge their responsibility for their peoples’ economic and social development.

This is the area in which we Latin American leaders feel most frustration. In spite of all the efforts which have been made, our nations still appear as a scattered archipelago of isolated small and medium-sized economies. Our common origins and our very similar problems have not been enough to bring us together. The lack of Latin American unity is a fact which we must unhesitatingly acknowledge.

I am convinced that this apparent failure of Latin American integration is merely an extension of our other misguided practices and cannot be tackled successfully unless we correct them too. The modernization of each of our economies is also the first real step towards integration.

We have tried to integrate economies running on artificial lines, but these efforts were naturally doomed to failure. We were trying to integrate economies that were too alike in their shortcomings — insufficiently specialized; over-protected — in other words, we were trying to integrate the unintegratable.

Today, there is a glimmer of light on a far-off horizon. Reforms are being made which aim in the same direction, and real, solid foundations are being laid for Latin American integration.

ECLAC can make a valuable contribution here, with its experience and its capacity for diagnosis, and it can act as a driving force in regional integration. The consolidation of the Latin American and Caribbean bloc in response to the creation of the decision-making centres of the industrialized countries is the only viable option for our nations from the political, economic and social point of view. The urgency of Latin American integration must be the guiding idea when formulating the new strategies for Latin America, and the planners must bear this clearly in mind. I have already said, and I repeat now, that a Latin American Economic Community must be consolidated
within this decade, and it must already be taking its first steps by 1992: a year which we must make the symbol of our continued vigour and will to progress, exactly 500 years after our first meeting with the Western world.

It is therefore a matter of great satisfaction to me that this session should have adopted the transcendental and historic resolution on changing production patterns with social equity, an issue analysed so responsibly and feelingly by the ECLAC Secretariat, together with the resolution on the International Development Strategy.

The challenges facing us are clear. We must transform and modernize our economies, compete at the international level, further perfect our democratic systems, develop better and more effective policies for social solidarity, advance rapidly in the field of science and technology, and not delay one instant more the process of Latin American integration.

And now, to work!

Carlos Ominami
Minister of the Economy of Chile

Growth is compatible with social equality

The democratically elected government of Chile, headed by President Patricio Aylwin, is taking part in this twenty-third session of ECLAC with interest and high hopes. Our mandate stems from the Chilean people's decision to put an end to an authoritarian régime which has lasted for over one and a half decades, choosing instead a democratic road towards economic, political and social development.

Our basic objective is to restore democracy in our country. To this end, in addition to the indispensable need for the democratization of public institutions, we are striving to clear up the dramatic problem of human rights, to improve the living conditions of the poorest sectors of the community, and at the same time to progress towards the modernization of our social and productive structure.

We are also a government which is trying to re-enter the international community and which sets great store on the development of links of solidarity and co-operation among all the nations of this continent. In this respect, our government considers that the contribution which ECLAC has been making to the region's development for decades past is of the greatest importance.

Our government's economic strategy has been prepared on the basis of a judicious review of everything that has taken place in recent decades. We take a positive attitude to the development of a climate of economic discipline in the country, the achievement of greater trade openness vis-à-vis the rest of the world, the emphasis on the development of exports, and the existence of an entrepreneurial spirit which takes as one of its goals the attainment of capacity to compete both on the domestic and the international markets.

At the same time, however, it is evident that these achievements have had enormous costs, associated with the profound restructuring of Chilean industry and of ownership in the agricultural sector. Up to 1984, there were many enterprises which went bankrupt, subsequently giving way to more technically advanced initiatives. This fact —aggravated by the world crisis— resulted in labour unemployment rates in Chile that exceeded 30%, with a drastic fall in real wages which has still not been made good.

Likewise, the poorest sectors were virtually abandoned in such vital areas as health, education, housing, family allowances and social security benefits.

This process was accompanied by a very marked concentration of investment in fields connected with primary export activities, thus causing some imbalance between the various sectors of production.