

# CEPAL

## Review

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The secretariat of the Economic Commission for Latin America prepares the *CEPAL Review*, but the views expressed in the signed articles, including the contributions of secretariat staff members, are the personal opinions of the authors and do not necessarily reflect the views of the Organization.

#### Notes and explanation of symbols

The following symbols are used in tables in the Review:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (–) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (–) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

References to “tons” mean metric tons, and to “dollars”, United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

# SEVENTEENTH SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

The seventeenth session of CEPAL was held at Guatemala City from 25 April to 5 May 1977. In the course of the session the 32 States members of the Commission examined the report on its activities and analysed the Third Regional Appraisal of the International Development Strategy.

The *CEPAL Review* presents the essence of the addresses delivered on this occasion by Kurt Waldheim, Enrique Iglesias and Raúl Prebisch.

The Secretary-General voiced his conviction that the North/South dialogue was coming to a crossroads in the setting of an encouraging but highly complex international panorama. The issues under discussion were complicated, but he trusted that a first package of reasonable and equitable commitments concerning such key matters as primary commodities, indebtedness, and science and technology could be achieved in 1977.

Mr. Iglesias focused his attention on Latin America. After describing the

headway made in respect of economic growth, he expressed concern at the persistence of problems connected with critical poverty, income distribution, population growth and the productive absorption of the labour force —although he also stressed his conviction that the production potential already attained afforded the objective and material basis for their solution. In the last part of his statement the Executive Secretary of CEPAL analysed Latin America's position in the context of international economic relations.

The statement by Mr. Prebisch is an affirmation of his personal viewpoint regarding the region's present problems. Thus, besides touching on strictly economic questions, such as the volume and orientation of capital accumulation and consumption, he highlights the problems related to social justice and political democracy, and emphasizes the need for an integrated and ethical approach to the challenges of development.

## Statement by Kurt Waldheim, Secretary-General of the United Nations

Your session is being held at a crucial moment in the history of international economic relations, and I am convinced that regional discussions such as those you will be holding during the next few days can make a very significant contribution to the ongoing dialogue between developing and developed countries. Latin America can indeed look upon and participate in these negotiations with a feeling of pride, and also with a particu-

lar sense of responsibility, because many of the ideas and objectives which are today at the centre of global deliberations emerged in this region and have been pursued with conviction and determination by Latin American governments over the years.

There is a widespread feeling that the North/South dialogue is coming to a crossroads. We are undoubtedly going through the most critical period of the

negotiations which have been conducted since 1973, when the balance of interests in the world began to shift, raising hopes of a new world order more attuned to a situation of global interdependence.

We should not, I believe, fail to take account of the intensive endeavours which are now being pursued, after a lengthy period of stagnation, and even decline, in international economic co-operation. The reports which will serve as a basis for your work at the session attest to this.

What is perhaps less tangible, but in many ways more significant, is that the North/South relationship is moving closer to the top of the agenda of those governments on which so much depends. Positions which were held to be intractable have now come within the realm of practical discussions. The discourse is different; doctrinal statements are yielding to the examination of specific difficulties.

Yet, these difficulties are real enough, and if we are to remain alert to opportunities, we must recognize the very special circumstances under which these negotiations are taking place:

The issues are very complex. The balance of interests and the implications of different positions are not always clearly identifiable. It should come as no surprise that there are suspicions and that the bargaining is tough;

Grave uncertainties becloud economic decisions and upset predictions. The behaviour of the world economy departs markedly from traditional patterns. A stubborn inflation, unusually combined with high unemployment, and discontinuities in the traditional price relationships, severely strain the ability to devise adequate cyclical policies;

Above all, perhaps, the present negotiation differs from previous efforts in its

stated objective to pursue a more rapid and fundamental transformation of the existing order. Past policies of capital transfers and trade liberalization remain essential, particularly in the light of present imbalances. But more of what is often called today 'affirmative action' is now required to promote changes in the structure of the world economy and in the organization of international relations.

But, when all this is said, it remains true that the intention to develop more meaningful forms of co-operation is stronger, that the conceptual framework and articulation of the negotiations are accepted, and that the commitment to certain specific measures goes beyond mere declarations of principle. The dynamics of the negotiations requires, however, in my view, that a reasonable and equitable first package be achieved this year. On the basis of the clarifications already registered, it is not difficult to select the issues on which agreement could be reached.

#### *Primary commodities*

No package would be acceptable if it did not address itself to the problem of commodities.

The negotiations on the integrated programme of commodities which are being undertaken in the United Nations Conference on Trade and Development (UNCTAD) are aimed at establishing a new international framework for the stabilization and improvement of commodity markets. They envisage changes in the structure of trade in primary commodities which would, in varying degrees, benefit both producers and consumers.

The establishment of a common fund, which would provide the assurance

of finance from a central source, constitutes the focus of the Conference at Geneva, which has entered a critical phase. There remain important issues that have to be clarified if agreement is to be reached. Nevertheless, it is encouraging to note that there is within the governments participating in the Conference a very broad commitment to negotiate towards the establishment of such a fund. A productive outcome of the negotiations taking place in UNCTAD is indeed crucially important for the future of international economic co-operation as a whole.

### *Indebtedness*

The external debt of developing countries is not a new problem. Rather it is a more or less permanent feature of their predicament. What is new is the unprecedented dimension of the indebtedness and the fact that it does not only affect adversely the plight of the debtor countries, but that it is often seen to endanger the very equilibrium of the international financial system.

There would be easy consensus about the severity of the problem, if we observe the figures—some of which I would like to quote. The *public and publicly guaranteed debt* of 78 non-oil-exporting developing countries increased from 58 000 million dollars in 1970 to 96 000 million dollars in 1973; that is, at a rate of 18 per cent per annum. In 1974, the rate accelerated to 31 per cent. The volume of that debt accumulation is estimated to have reached some 155 000 million dollars in 1975. Naturally, figures are much more uncertain in regard to *commercial debt* but probably the amount involved is well above that figure.

Yet, in the face of these staggering amounts, opinions seem to differ rather

widely as to the need for new and specific action. One sometimes encounters optimistic appraisals, intimating that the present indebtedness does not exceed the capacity of the financial market and of existing public institutions to handle it, particularly as the economic recovery is seen to be easing the external situation of most debtors.

I believe this analysis is defective on two counts. In the first instance, even if it were convincing on its own terms, it appears to consider the financial problem outside its broad economic perspective.

External indebtedness cannot be insulated from the general context of the development process of which it is only one element. For example, one of the reports before this session shows that the deficit on current account of the non-oil-exporting countries of Latin America rose from a little over 1 500 million dollars annually in the period 1965-1970—that is less than 15 per cent of exports of goods and services—to a little over 4 000 million dollars in 1971-1973—that is 22 per cent of exports—while it jumped to almost 14 000 million dollars annually in 1974-1976—that is, 45 per cent of exports.

Secondly, we should realize that the present predicament may not be a passing phenomenon. We should, therefore, ask ourselves whether the international financial mechanisms, private and public, are, in spite of their more recent diversification and refinement, adequate to cope with problems which are both new and likely to persist.

The problem of those developing countries which have been able to borrow on the market for very important amounts must receive sympathetic attention. For these countries, it is important that future access to private finance

should not be placed in jeopardy, and that the integrity of commitments should not be questioned.

But again, I would repeat, the problem is not a passing one, and we should not declare ourselves satisfied with temporary measures. We should strive to equip the international institutional system with adequate instruments to cope with a situation not previously encountered.

It is difficult to believe that the necessary degree of security can be established without the intervention of governmental or intergovernmental institutions. It is therefore logical to explore anew an idea which was floated soon after the increase in oil prices; namely, the creation of a *multilateral debt refunding facility*. Such an arrangement would help to avoid traumatic experiences in the financial market, and would encourage and facilitate the continuing access to the market of those countries which have relied, and may be again relying, on commercial borrowing.

The case for special treatment of the least developed and the most seriously affected countries is well entrenched in recent United Nations legislation. For them, recourse to private markets is almost by definition excluded; their balance of payments must be supported by adequate public assistance on concessionary terms.

But it is important that the assurance be given that such action, if necessary, will be sustained for several years. Conversely, there must be a guarantee that it will be subject to well-defined criteria.

Such an approach, I may note, could be viewed as deriving from the concept of 'collective economic security' to which the Economic and Social Council devoted considerable attention some time ago. I would suggest that the best

and easiest way of so doing would be to channel a greater proportion of capital transfers through international institutions.

### *Science and technology*

The problem of science and technology has not recently been negotiated with the same intensity as commodities. Nor has it raised the same immediate pre-occupations as foreign indebtedness. It nevertheless remains of the highest priority in the search for a new international economic order.

There is perhaps no area in which there has been a more constant consensus on the need for co-operative policies. This is understandable. Technology is an all-pervasive phenomenon. It conditions all aspects and all models of development, whether the emphasis is on growth, distribution, employment, the balance of payments or the satisfaction of basic needs. Yet it is a process which often seems to unfold along autonomous lines not directly related in a rational way toward the satisfaction of human needs.

Some of the characteristics of the technological process may begin to explain why, in spite of repeated efforts, it has eluded the comprehensive approach which has emerged in other areas of co-operation: the market for technology is peculiar; there are serious questions about the price at which it is transferred; the adequacy of existing institutional arrangements has been increasingly challenged; and there are grave doubts as to whether a large part of the technology transferred is suitable to the conditions that obtain in developing countries.

In such a context, the emergence of an autonomous technological capability in developing countries has lagged



behind the progress of other factors of development. Yet, practical programmes could do a lot, and do it rapidly, to remedy this situation. Such programmes should focus on research and development.

Despite what has been achieved, the technical assistance of the international system has not placed sufficient stress on this element. Resources should now be pledged and mechanisms organized to orient, stimulate and support research and pilot projects specifically geared to the requirements of developing countries.

These are some of the matters which will fall within the agenda of the United Nations Conference on Science and Technology scheduled for 1979. One should not aim at preempting the results which are expected from this event. But neither should one remain idle, using as an excuse that particular deadline. I firmly believe that the 1977 package of measures to come out of the current negotiations should include new co-operative policies and programmes in science and technology through existing channels and institutions.

#### *Collective self-reliance*

I should like to stress how appropriate I consider it that CEPAL should be meeting here and now, at a time when the concept of collective self-reliance is coming to the fore in the third world. Not too long ago, at the Conference on Economic Co-operation among Developing Countries held in Mexico City, I emphasized that the movement of third world solidarity was entering a new and decisive phase. I also pointed out then that this movement has never sought to insulate itself from the world context or from the institutions of world-wide co-operation.

The concept of economic integration and co-operation among States based on equality has deep roots in Latin America, going as far back as 150 years to the visionary ideas of Simón Bolívar. I believe that it is quite fitting on this occasion to recall that the Central American Republics were the first which began to put these ideals into practice when they started their integration movement in the fifties. And although these countries have encountered many problems in their pioneering efforts, I am sure that each of them has come to realize, as have others, that collective self-reliance offers many opportunities and advantages.

The Economic Commission for Latin America should feel justifiable pride in the role it has played in the emergence of this co-operative endeavour. It is indeed highly encouraging that the Commission is promoting other similar efforts, most recently in the Caribbean.

It is often stressed that the main purpose of the United Nations is to harmonize the views and interests of member nations. What we must realize is that in the area of development co-operation this harmonization can only be fully achieved within a well-articulated global scheme. This is one of the most important meanings of the search for a new international economic order.

As we more and more acknowledge the inadequacy of some time-honoured solutions and as we encounter the difficulty of striking a balance between different objectives, there must be a framework within which to formulate our proposals and initiate our actions. It is not and should not be an immutable framework, but it should be adhered to consistently over a period of time.

I have talked today about some of the more vital questions that the world

community faces at this time because I am fully conscious of the role that the regional commissions play in the processes of adjustment and negotiation inherent to the United Nations. This Commission is eminently fitted to assist in the evolution of more promising and practical approaches towards the achievement of agreed solutions.

For the greatest need today is to blunt the edges of differences among nations, not to sharpen them. The political, economic and social benefits of adequate and timely action for a better world order are only too apparent.

I wish you all success in your deliberations.

## **Statement by the Executive Secretary of CEPAL, Mr. Enrique V. Iglesias**

### **I. Central America and integration**

Nothing could be more fitting than to take advantage of this occasion, when the Commission is meeting for the first time in its history in a Central American country, to begin by referring to economic integration—a movement in which Central America has distinguished itself by playing a pioneering role, and which has enabled the CEPAL secretariat to enjoy a long and fruitful association with the Governments of this sub-region.

It naturally gives me great pleasure to recall that, at the fourth session of the Commission, held in Mexico City in June 1951, the delegations of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua expressed their Governments' interest in promoting the integration of their economies and the creation of wider markets, through trade in their commodities, co-ordination of their development plans and the establishment of enterprises in which all or some of them had an interest.

On that occasion, a request was placed before the Executive Secretary to extend to the Governments concerned the co-operation needed for the study

and implementation of such proposals, and "to study the means or plans for the progressive attainment of those objectives". In addition, the Economic Co-operation Committee was established as a consultative organ of CEPAL and a co-ordinating body for activities relating to economic integration in Central America.

The Committee met twelve times between 1952 and 1963, during which period studies and analyses were made with a view to laying the foundations on which Central American economic integration could be built up.

Towards the end of that period—to be precise, in the biennium 1960-1961—the Governments took courageous decisions in this field which definitively placed them in the forefront of the integration process throughout Latin America. In the short space of five years an almost perfect free-trade area was created, a common tariff for products of third countries was adopted and institutions and machinery were established to promote joint action within the framework of integrated economic development.