

CEPAL Review

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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.

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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.

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.

It would be difficult to assess at its full value the contribution made by integration to the economic development of each and every country in the region, in terms of their growth and the transformation of their economies. Suffice it to mention, by way of example, that the degree of industrialization in the sub-region rose from less than 14 per cent in 1960 to almost 19 per cent in 1975.

Undeniably, however, the very dynamics of the process brought weaknesses and obstacles to light. The evolution of the Central American Common Market —by far the most advanced integration movement in Latin America in the 1960s— reflected the difficulties which were beginning to affect other sub-regional integration processes as well.

Thus, in the course of this period we found that once an integration process like that of Central America has been set in motion it does not necessarily tend to expand and intensify. Instead, the possibly exaggerated emphasis placed in the past on commercial integration —in other words, the creation of free-trade areas— and the relative slackness in the joint promotion of projects of regional interest led to a geographical concentration of the benefits of integration in the relatively more industrialized countries which tended to weaken the dynamics of the process. In addition, integration was apparently unable —in Central America and still less elsewhere in Latin America— to make the expected contribution towards solving the main development problems with which countries were faced.

All this, together with the transformations and rapid changes in the international economy, suggests the advisability of revising the conceptual framework of economic integration so that it may effectively support the devel-

opment process the region will have to tackle in the next few years.

In this respect it is satisfying to note that Central America is still in the vanguard, having formulated two multiplex and simultaneous approaches whereby to strengthen its integration movement. The first, which is of a global nature and is to be embodied in a new treaty, is designed to promote long-term integration, by establishing the major objectives of the process and setting up the agencies and procedures which would make it possible to attain them. The second, which is more specific —and need not necessarily await the entry into force of the treaty— would consist in the short-term reactivation of the movement through the execution of concrete projects of regional interest.

I am also pleased to be able to state that CEPAL has continued to be associated with this revivifying process, primarily through the meeting held by the Economic Co-operation Committee in May 1975 and the meeting the Committee is to hold this week to evaluate the implementation of the decisions adopted on that earlier occasion.

Whatever Central America decides to do in order to revitalize its integration movement will have profound repercussions on the rest of Latin America, since today, as in the past, it is taking the lead both in ideas and in action in the field of integration.

I therefore wish the Central American countries every success in these new stages of the integration process and reiterate, once again, our keen desire to contribute to their efforts. In particular, our Mexico Office, now under the inspired direction of a distinguished Central American, Gert Rosenthal, will continue to be deeply involved, as Central Americans have been in the past, with this historic work on behalf of integrationist ideals.

II. The great tasks of Latin American development

There are two main economic and social concerns in Latin America today, namely, how to satisfy the basic needs of the great masses who have not shared in the fruits of the development achieved in the last few decades, and how to place the region on a different and more advantageous footing in the international economy.

At the last meeting of this Commission (in Trinidad and Tobago, in 1975), in several other forums, and most recently in December 1976, when previewing the global outcome of the region's evolution in 1976, I have had occasion to make some basic points in these connexions.

As regards the first of the issues mentioned, I tried to show that the Latin American production system has undergone far-reaching changes in the post-war period, in both quantitative and qualitative terms, so that Latin America is today in a position to undertake tasks which in the past might have seemed over-ambitious but which have now become objectively possible.

The most important of these tasks, without the slightest doubt, is that of substantially relieving if not totally eradicating what is known as 'critical poverty', which affects, subject to varia-

tions in its intensity and in its national features, at least a third of the region's population.

With respect to the other issue – the insertion of Latin America in the world economy – I have tried to highlight the region's greater capacity to withstand and adapt to the repercussions of the international upheavals of recent years, which have still not ended. The existing situation, with the problems and opportunities it involves, must be appraised with eyes fully open to change and innovation – not as though it were a mere case of history repeating itself. Generally speaking, it entails envisaging what kind of 'new international order' would suit Latin America and how the region should fit into that context.

Our suggestions in relation to these vital issues might be construed – superficially – as being unjustifiably optimistic in face of the serious problems confronting our countries.

Forgive me, therefore, if I dwell at some length on each of these issues separately, obvious though the relationship may be between the transformation and social and economic potential of the production system and the characteristics of its external setting.

A. *The development of the region's production potential*

Economic expansion: the present situation and future prospects

I do not think it is necessary to recall the details given in my statement in Trinidad and Tobago regarding the quantitative and qualitative changes which have taken place in Latin America since 1950.¹ It is enough to repeat a few important facts. Thus, for example, the regional product almost quadrupled between that year and 1974, reaching a size comparable with the corresponding figure for Europe in 1950, "when that region was already one of the most industrialized in the world and some of its larger countries were among the major economic powers".² More specifically, and with reference to one of the strategic sectors for development, I should like to remind you that during this same period production of machinery and equipment increased nine times over. Thus, whereas in 1950 approximately three-fifths of the demand for such goods was covered by imports, in 1974 the proportions had changed to such an extent that three-quarters of these needs were met by domestic production.

These data, together with other familiar facts of a similar kind, are solid proof of the development of the productive forces of Latin America. Moreover, with due caution it can be assumed that this expansion will continue in the immediate future and will raise the

region to heights much greater than those it has reached today, while at the same time significant changes will take place in the economic structure.

Let us look at a few future possibilities in this connexion.

If, for example, we take as our basis the average growth rates for such a long and varied period as that extending from 1960 to 1974, and if we assume that these rates will recur between the latter year and 1990, we shall note some substantial quantitative changes. For a better appreciation of these, they may be compared with the corresponding situations in the European Economic Community in 1970 (excluding the United Kingdom):

- The regional domestic product in 1990 would be a little over 560 000 million dollars. That is to say, it would be bigger than that of the EEC in 1970, which was roughly 500 000 million dollars;³
- Latin American industrial production would represent a value of some 165 000 million dollars — a figure only 10 per cent lower than that of 184 000 million dollars shown by the EEC in 1970. Thus, the new Latin American level would be more than three times as high as the value of the region's manufacturing output in 1974;⁴

¹ See *Latin America: The new regional and world setting*, Cuadernos de la CEPAL, N° 1, 1975.

² *Ibid.*, p. 18.

³ Dollars at 1970 prices, as in all the other estimates. The assumed average annual growth rate for the period was 6 per cent, which was that actually achieved between 1960 and 1974. The GDP of Latin America in 1974 was 222 000 million dollars.

- The supply of electricity in 1990 would be very close to 800 000 million kwh, that is, much larger than the EEC supplies in 1970, which amounted to 606 000 million kwh;⁵
- The gross value of output of machinery and equipment in 1990 would be some 138 000 million dollars — a figure higher than that of 126 000 million dollars recorded in 1970 by the EEC.⁶

I hasten to admit that these comparisons are open to all kinds of reservations, one of the most important, of course, being that we are comparing Latin America with a group of countries which has in the aggregate a smaller population and a much higher per capita income.⁷

However, these reservations in no way invalidate my basic aim, which is to illustrate the great change that took place in the dimensions and structure of the region's economic system.

Does the rehearsal of these facts mean that we are ignoring or underestimating the objections of every kind that have been raised with reference to the patterns of Latin American development, in particular its industrialization process?

My answer is an emphatic No!

⁴The industrial growth rate for the period 1960-1974 was 7.3 per cent. The same rate was assumed for the period 1974-1990.

⁵The rate of expansion was 8.6 per cent in the period 1960-1974, and the same figure is assumed for 1974-1990.

⁶The growth rate for the period 1960-1974 was 11.2 per cent, which is also assumed for the period 1974-1990.

⁷In 1974 the population of the EEC was only a little over 200 million and that of Latin America some 315 million, while per capita income in the EEC was estimated at about 2 800 dollars, as against Latin America's 750 dollars (at 1970 prices).

Indeed, I would go even farther and say that we agree with most of the criticisms levelled at the regional set-up and its economic and social features.

A critical review of Latin American experience

The truth is that CEPAL, as many of its documents show,⁸ has long been calling attention to the pitfalls, flaws and lacunae in the process of change which began or gained momentum in Latin America after the Great Depression and particularly from the Second World War onwards. But this did not prevent the Commission from becoming involved with the process in question and supporting its fundamental aims.

It was at the meetings of this Commission that stress was first laid on the limitations and dilemmas of import-substituting industrialization, and the need was urged to break down the watertight compartments of national markets in order to project their transformation into the regional and world contexts.

It was likewise at these meetings that initiatives were taken up to broaden and diversify the export base, thus pioneering action by the Third World to obtain fair treatment and ready access for their exports to the central economies.

Here, too, it was that emphasis was placed on the need for external co-operation and financing in order to secure an adequate flow of foreign funds and to step up investment and the transfer of technology, although at the same time attention was drawn to the risks

⁸Among the most recent, see *Problemas de la industrialización substitutiva* (Cuadernos de la CEPAL, N° 14), which contains a selection of CEPAL's expressions of opinion on the subject over the last twenty-five years.

attendant upon excessive or fruitless borrowing, and upon foreign control of national assets and decisions.

Neither were we Latin Americans indifferent to the glaring evidence of the inefficiency and waste which disorganized, parochial and over-protected industrialization can entail. In response, we did not postulate the establishment of a mythical market with perfect conditions of competition as the supreme means of deciding the allocation of resources, but rather advocated the disciplining and control of market forces through rational planning. Let me recall that this alternative has become one of the recurring themes of the current debate on economic policy in the industrialized capitalist countries, in several of which, moreover, it is already a long-standing practice.

Lastly, and most important of all, we have not forgotten that in the final analysis development can only be judged by the degree and manner in which the basic needs of the population are satisfied; and while it certainly is important to make a realistic appraisal of the social groups that take part and share in growth, never must we neglect those left out, who are unhappily so numerous. This has been the focus of CEPAL's work in the field of research, diagnosis and proposals relating to income distribution.

In short, the question I raised a moment ago may justifiably be answered in the negative. Objective recognition of the production potential built up in recent decades as a result of the region's development neither contradicts nor seeks to conceal the great shortcomings and frustrations which have accompanied the process or are inherited from the past.

Far from it. Our intention in stressing the magnitude and nature of this poten-

tial is by no means to rush to the region's defence, but rather to engage in constructive criticism.

In the first place, recognition of its existence is of obvious importance with respect to a controversy which has once again begun to rage of late on the subject of Latin American industrialization. Without going into details, it may be recalled that some arguments have been carried far beyond the analysis and verification of the negative features of the process, and have called in question its very *raison d'être*. Some have regretted that the open, liberal model of the primary-exporting economy has been abandoned, or have deplored the fact that Latin America has followed its present path instead of opting for patterns which are to be found in other regions.

These schools of thought appear to disregard the historical and spatial context of the problem.

Moreover, despite frustrations and disappointments, and sometimes excessive protectionism, Latin American industrialization is now a reality. And it is a reality that forms the basis for progress which has reached many social sectors.

The elimination of critical poverty: a priority task now practicable

Our intention to formulate positive criticism, however, is directed especially towards the attainment of another objective of more decisive significance, which is the natural corollary of the foregoing testimony to the production potential created by the regional effort.

I must repeat that if I have dwelt on its existence I have done so neither in a defensive spirit nor from a propensity to optimism, but because it enables me to reaffirm a point made in my statement

in Trinidad and Tobago: namely, *that this production potential is the condition which allows and obliges us to reach goals that may have been difficult or impossible to make for in the past but are so no longer. Today they are objectively and materially attainable.*

At the head of the list, as I indicated earlier, is the substantial alleviation or elimination, within a reasonable time, of the critical poverty in which a considerable proportion of the Latin American population still lives.

The new regional economic situation, the 'critical mass' accumulated, mean that this war on poverty can now be waged, as I shall go on to demonstrate. It must be waged for manifest reasons of justice: the deprived sectors of the population have borne the brunt of the arduous collective effort made in order to create the production potential.

Furthermore, concern for this problem currently forms the ethical or moral backdrop of a much wider conflictive dialogue, between the developed North and the developing South. What is being discussed both at the world and at the regional level is *if and how* it is possible to improve the living conditions of those who are excluded from the advances and benefits attendant on the revolution of technical progress.

It is worth while to bear in mind some relevant round figures at the world level, so as better to appreciate the specific situation of Latin America in this supremely important area.

The World Bank has been consistently concerning itself with this problem, thus contributing to the efforts made to identify and come really to grips with the situations of critical poverty confronting mankind.

Some unofficial estimates have been issued respecting the investment that

might be needed to bring about a significant improvement, within a decade, in the situation of the 750 million people (650 million in rural and the remainder in urban areas) whose per capita income is currently under 200 dollars a year.⁹

As may easily be foreseen, the investment required to provide this huge mass of people with acceptable minimum standards of nutrition, drinking water supplies, education, public health and urban housing is enormous. It is calculated at between 110 000 and 125 000 million dollars, or between 11 000 and 13 000 million dollars annually for a decade.

It should be noted that this covers only the limited and partial –although not unambitious– goal of establishing the infrastructure, both material and human (as in the case of teaching staff), on which to base a programme and with which to put it into effect. Thus no allowance is made for the sizable operating and maintenance costs stemming from the investment.

These vast sums appear in a different light, however, when it is recalled, for instance, that world expenditure on armaments *in a single year* –1975– amounted to some 300 000 million dollars. Many other comparisons may be drawn –with the total product of the developed countries, with the current level of investment or of specific forms of mass but non-essential consumption, etc. In every case the conclusion must be reached that the above requirements, while great, are within the domain of reality rather than utopian. I am speaking, of course, strictly from the angle of economic feasibility, and without consi-

⁹ See Nahbub Ul Haq, *The Third World and the International Economic Order* (lectures delivered in Georgetown, Guyana, November 1975), Georgetown, Ministry of Foreign Affairs.

dering the political obstacles which may certainly constitute a major handicap. But this, I would emphasize, does not detract from the historic importance of the point I have made: *from the standpoint of the development of productive forces, it would seem that human society as a whole, irrespective of the barriers between nations and classes, has potentially passed beyond the threshold of what has been called the realm of necessity.*

This generalization is particularly true of a Third World region such as Latin America, whose per capita income and production potential are considerably higher than those of Asia or Africa.

Income redistribution and development style

To clinch this assertion it is worth recalling the conclusions reached in a recent study.¹⁰

If the annual growth rate were to remain the same as in the past—about 6 per cent—, the poorer half of the population of the region could satisfy its basic food and clothing needs within a decade if, by means of wage increases and/or social security benefits, its share of total income were raised from approximately 14 to 20 per cent.

What would be the primary requisite for attaining this modest but vitally important goal?

The share in total income of the top 10 per cent in the income scale would need to be reduced from 44 to 41 per cent, and that of the middle strata from 42 to 39 per cent. It should be noted that this would not prevent the *absolute*

income of these groups from rising during the period considered.

It may be asked, however, whether these estimates and others of the same kind are not somewhat naive. Do they not give a misleading impression of the scope and complexity of the undertaking?

Such possibilities and risks certainly do exist. We must therefore combine a realistic appreciation of what present circumstances have placed objectively or materially within our reach with a more detached and clear-sighted awareness of the major obstacles to attainment of the objectives considered viable. But this mental exercise must be accompanied by a passionate feeling of involvement with the task ahead.

While pondering these questions, I came across some apposite remarks by a leading authority on international development problems: Mr. Maurice Williams, Director of the OECD Development Assistance Committee. In a recent article he wrote:

“From years of working in development, I have found that one needs to have a cautious optimism and a towering impatience. Optimism, a belief in the prospect of social and human progress is what development is all about. Yet so much is wrong, people’s needs are so great and change for the better depends on constant effort. Consequently, a towering impatience with the slowness with which prospects for progress are realised is also necessary for development work.”¹¹

¹⁰ See Aníbal Pinto, “Styles of development in Latin America”, CEPAL Review, No 1, p. 125, table 11.

¹¹ See Maurice Williams, “The emerging new realism in North-South co-operation”, OECD Observer, No 84, November-December 1976.

Cautious optimism. Towering impatience. These are two fundamental ingredients in the approach to the issue we are considering.

I wish to repeat, then, that we should be the last to underestimate the tremendous difficulties of many kinds which lie between the objective possibility of reducing or eliminating critical poverty in the region and a policy to convert this potential feat into reality.

We have no wish to cherish fond illusions.

Indeed, we could not do so, for apart from the political unknowns affecting the issue—which it is not for me to analyse here—we do know that the undertaking involves much more than an old-fashioned redistribution operation in the so-called populist style.

As was stated long ago by the well-remembered Jorge Ahumada, it is not simply a question of building a few more dwellings, a few more schools and a few more hospitals, or of transferring part of the national income, through social services, to people whose basic needs remain unsatisfied.

Everything achieved through these channels is worthy and useful, but even in the best of circumstances it will be insufficient, particularly in the long-term perspective, and when the intention is to bring about *permanent, irreversible* and *cumulative* effects.

The endeavours referred to must be accompanied by others, just as strenuous and more complex, in order to transform the prevailing development style in such a way that the production system may be geared in greater measure to supplying the basic wants of the broad masses. The alternative—clearly undesirable—is that it should continue to give overwhelming

priority to meeting the increasingly varied demands of a minority which is striving to reproduce the consumption patterns found in the countries where average income levels are high.

It would be short-sighted to deny that there are a good many countries in which the numbers and proportions of their inhabitants incorporated in this process have risen over the past decade. But neither should we forget that a major part of the population was inevitably excluded from it, and that even in the case of some groups it has apparently benefited, it has taken place at the cost of a deterioration in essential consumption and services, both public and private.

What is needed, then, is a substantial change in the use made of the economic surplus, which is already considerable in Latin America, as witness the investment rates attained and the conspicuous and wasteful consumption observable in the region.

This reallocation of resources involves, first and foremost, a radical change in the conditions of work and productivity of the many who vegetate in activities as yet untouched or barely reached by technical progress. In many cases the process will mean shifting manpower from areas in which its presence is not justified to places where opportunities for better-paid and certainly more productive employment must be opened up.

It will be very difficult to initiate and subsequently consolidate this process if it is not at the same time supported and reinforced by progressive changes in the structure of income distribution. Especially, although not exclusively, in a market economy, a transformation of this kind is a *sine qua non* for achieving the advocated reallocation of resources.

The responsibility of the State and the role of planning

The magnitude and complexity of these tasks —which I am merely outlining in the most summary fashion— are such that no ideological significance can attach to the elementary conclusion that they can be tackled only with the decisive and enlightened participation and even leadership of official policy —that is, of the State— and that such participation necessarily calls for the use of some form of overall planning.

This conclusion does not stem from a doctrinaire urge, but from the very nature of the problems facing modern society, and particularly those of the kind encountered in our region. Such an assertion obviously does not contradict but rather reinforces the widespread concern displayed over the definition of the responsibilities of the State, its relations with domestic and foreign private enterprise, suitable planning methods, and other related subjects.

Indubitably, these are far from having been adequately clarified as yet. And the more comprehensive and demanding the objectives pursued, the more important any effort in this direction becomes.

To conclude this part of my statement —and aside from the legitimate reservations and objections which may be made with respect to my opinions in this connexion— I should like to reiterate my initial argument that the expansion of the region's productive potential makes it possible and indeed imperative to take action aimed at drastically reducing the critical poverty which offends the moral conscience of Latin America.

This may be an appropriate moment to recall some words of Alexis de Tocqueville which were written with reference to the French Revolution, but which aptly epitomize what many of us feel about the question now under discussion:

“Although patiently endured as long as it seems inevitable, suffering begins to be intolerable once men realize that it can be eliminated.”

The under-privileged have now awakened, and with good reason, to the fact that their condition not only must out also *can* be changed. It is unfair to shirk facing this truth; and it is unwise to underestimate the force implicit in this awareness.

B. The problems posed by the growth of the population and of the labour force

The reasons for sponsoring a development policy whose central purpose is to satisfy the basic needs of the masses, and therefore to improve their conditions of employment and remuneration, are not solely ethical.

Facts and forecasts tell us quite clearly that unless we proceed in this

way we shall run into increasingly grave and conflictive problems. This becomes quite clear when we consider a subject which is closely linked with the one we have just discussed: namely, the challenges and problems stemming from the growth of the population and of the labour force.

Population and labour force: a forward look

Recent CEPAL studies made in connexion with the programme on development styles have estimated probable population and labour-force trends over the next few decades.

This is of course a controversial issue, which, moreover, varies markedly according to the particular conditions prevailing in individual countries.

I do not propose to discuss the conflicting views on the subject, but I do want to take as my starting-point an objective and non-controversial fact of vital importance for the matter which is of concern to us here.

This basic fact is very simple: *whatever the policies adopted in the future with respect to population growth in Latin America, the total number of inhabitants of the region will continue to increase rapidly up to and beyond the end of the century.*

Even assuming that there is a drastic fall in the rate of growth of the population —i.e., that it drops by half (from 2.9 per cent to 1.4 per cent) between 1970 and the end of the century— the population of Latin America would in any event number more than 500 million by the year 2000. Incidentally, if the 1970 rate of increase were maintained —which is admittedly improbable in view of the tendency towards a moderate decline in the rate— the total number of inhabitants is likely to reach 720 million by the year 2000.

Whatever the final outcome —and it will depend on a series of factors which cannot be examined here— this trend will certainly cast some doubt on the current notion of Latin America as an underpopulated region well-endowed with resources in relation to its popula-

tion, although its situation in this respect will continue to be relatively favourable in comparison with that of such high-density areas as India, Japan or even Western Europe itself.¹²

On the other hand, it is true that a population of the size indicated would represent a potential market which, taken as a whole, could serve as a broad base even for modern industries with large economies of scale.

The outlook for the labour force is even more striking. Owing to a number of factors, such as the high growth rates of the past few decades and the age structure of the population, the number of persons seeking employment will increase at an annual rate of 3 per cent, or slightly more, for several decades. In this respect, it should be noted, the differences between countries are less marked than they are in the case of the population as a whole. Estimates relating to a large part of the region (20 countries) indicate that the number of economically active inhabitants is likely to rise from about 97 million in 1975 to approximately 252 million in the year 2000.¹³

For purposes of comparison, it may be recalled that the rate of expansion of the labour force in the European countries between 1950 and 1970 was well below 1 per cent per annum, and that in some cases it even decreased in absolute terms. In Japan and the United States higher growth rates were recorded (2 per cent and 1.6 per cent, respectively), but

¹² In 1970, the population density in Latin America was 30 persons per square kilometre, as against 180 in India, 290 in Japan, 155 in Western Europe, 22 in the United States and 11 in the Soviet Union.

¹³ See CEPAL, *Long-term trends and projections of Latin American economic development*, E/CEPAL/1027, March 1977.

they were considerably lower than those found in Latin America.¹⁴

The challenge of providing productive employment

The figures given show beyond all doubt that in the foreseeable future our region will not only have to increase its output substantially and continually in order to satisfy the needs of a growing population but will also have to create employment opportunities for an even more rapidly expanding labour force. It should be emphasized that the second requirement must be fulfilled if the first is to be met.

There is no need to call attention to the magnitude of this challenge. A little information on the increase in the labour force in some of the large industrialized countries has been given simply in order to illustrate the differences in historical situations in this respect and thus show how much harder in our countries is the task of productively absorbing the population increments. As has been said more than once, the problems of creating employment—which are difficult *per se* in the industrialized economies—would have been considerably greater if they had been compounded by labour force growth rates like Latin America's, which are several times higher.

This situation largely accounts for what has been termed the inadequacy of the regional system to generate the

necessary employment opportunities, and it cannot be disregarded in any study of the subject.

To cope with it, as we all know, two paramount and concomitant requisites need to be met: a faster growth rate and higher proportions of investment.

The region's performance in both respects has not been unsatisfactory, especially between the end of the 1960s and the beginning of the 1970s. Sustained rates of economic growth above 6 per cent a year, and coefficients of investment amounting to more than 20 per cent, are ample evidence of the fact.¹⁵ To maintain and, as far as possible, intensify this trend is clearly essential.

However, the problem is not entirely one of tempos and rates! The means, however legitimate and necessary they may be, must not be confused with the ends.

Such confusion is the essential fault found with 'spurious developmentalism'. And there are few today who would not endorse the criticism, either in the central countries or, even more understandably, in the countries of the periphery.

The first objection has to do with a question that has already been considered, and which we have reiterated with some insistence: growth, however essential, is not enough; it is equally, or even more, important to decide *whom this growth is for*.

I shall not harp on this issue, but I will point out that it is inextricably bound up with another of the same kind: *how we should grow*, that is to say, the development style to be adopted.

If we take as our point of reference the difficult problem posed by the

¹⁴ During the period indicated the annual growth rates of the labour force in the countries referred to were as follows: Austria, -0.4 per cent; Federal Republic of Germany, 0.9 per cent; Norway, 0.5 per cent; France, 0.4 per cent; United Kingdom, 0.5 per cent; Spain, 0.5 per cent; Italy, -0.2 per cent. Source: *ILO Yearbooks*, census data.

¹⁵ See CEPAL, *Long-term trends and projections of Latin American economic development*, *op. cit.*

increase in the labour force, we can easily agree that its solution does not depend only on achieving satisfactory growth rates and adequate capital formation levels. These efforts must also lead to an apportionment of resources involving access to better income and productivity conditions for the *entire* active population—due allowance being made, of course, for differences inherent in the nature of the technical progress achieved or the global development strategy adopted.

In contrast, if the process does not follow these lines and is not supported by income redistribution policies, the spontaneous trend will be towards a familiar threefold concentration: in the modern sector, comprising the large enterprises (private—both domestic and foreign—and public); in the social groups linked to this sector; and in the areas and towns forming the focal points of that powerful centripetal movement.

I repeat that in many cases this form of growth has meant radical changes and notable advances, particularly towards establishing a far from negligible production potential. But it is also evident that it can hardly, within a reasonably short space of time, meet the requirements in respect of the basic needs of the majority and the productive absorption of the labour force.

Where and how to absorb the labour force

All the forecasts suggest that the tendency for the active population to move into industrial activities—in the broadest sense of the term—and into services will continue in the future. Latin America's experience in this regard is not at variance with the trends observable throughout the world, whatever the institutional system adopted.

But our own experiences in the past and others elsewhere—whether positive or frustrated—clearly show the dangers to be confronted and the conditions to be fulfilled.

The first factor to consider is that the relative or absolute decrease in the labour force in the primary sector must be accompanied by intensive dissemination of technical progress in these activities and particularly of techniques designed to increase the productivity of the land. Otherwise, rural poverty persists or increases, agricultural supply shortages are aggravated, and the exodus or expulsion of rural population to the cities may be accelerated to an excessive degree. Gradual changes in the structure of ownership would seem to be a necessary complement to this policy in most countries.

In so far as the objectives indicated are achieved, the trend towards the transfer of labour to other sectors will be moderated, but not halted. This relative retention of manpower will also mean increases in agricultural productivity and supply, and higher incomes for those who work in mining and agro-industry.

The second factor has to do with industrialization strategy, as industry-related activities will have a key role to play in the creation of employment opportunities.

In this area the main objectives would seem to be the priority development—in quantity and productivity—of branches connected with the satisfaction of essential needs; broadening of the supporting platform constituted by the basic industries producing capital goods and inputs; and the projection of these activities into the regional and world ambits. Naturally, these objectives will assume different forms and combinations in each country.

Metropolization and regional development

Lastly –to touch only upon what I believe to be of paramount importance—there is the great challenge of urbanization, of the growth of the towns, where an increasing proportion of the population will go, or will remain, whether we like it or not.

I shall not attempt to cover all this very broad and complex field, but will confine myself to highlighting two subjects which are of particular concern to our countries.

One of them is what we might term the spectre of metropolization or the rise of the megalopolis. In varying degrees and with varying characteristics, this phenomenon, with all its serious and well-known implications, is looming up in a great many countries.

Although the trends towards over-concentration in the towns are likely to diminish in the future, as has occurred in the case of other huge cities of the industrial society, such as New York, London and Paris, this can by no means constitute any consolation or any justification of passivity in the face of such a situation.

The first and most general reason is that the consequences of the process are already too acute and harmful in terms of urban pollution, congestion and deterioration in many dimensions which are too well-known to need describing.

The second is that the process of metropolization represents a bottomless pit in that it absorbs increasingly copious resources, and their exponential growth, instead of solving the problems in view, reproduces them on an ever-larger scale. There is no doubt that the social opportunity cost of this investment is immense. These cumulative demands substantially reduce the margin of resources which

could be applied for other purposes with high social and economic productivity.

This is not the place to review the policies that aim at making a direct attack on urban hypertrophy. They pertain and are giving substance to specific disciplines concerned with the environment and human settlements, which are already being practised in many countries and which have been incorporated into the work of the United Nations.

However, I should like to note the fundamental importance in this respect of an approximation which, even if indirect, is of great efficacy as a medium- and long-term expedient: namely, the energetic and persevering implementation of policies designed to promote more balanced regional development.

Both Latin American and extra-regional experience is eloquent in this connexion. In those of our countries whose historical evolution and/or deliberate policies have led to the proliferation of dynamic urban centres, attempts to counteract impulses towards exaggerated monocentricism have been more viable. This has also made it possible to absorb the demand for jobs in a more balanced fashion and at a lower cost.

In this connexion I will venture a reminder that both CEPAL and ILPES have contributed significantly to the knowledge of matters connected with regional diversification.

Opportunities in the services sector

Lastly, I should like to refer to another much-debated subject of obvious significance for the question of employment, namely, the role of the services sector.

For many and varied reasons, which have already been extensively analysed, these activities have expanded consider-

ably and prematurely, as was pointed out some time ago in CEPAL studies. In contrast to what occurred in the industrialized economies, the phenomenon did not arise as a natural consequence of the dissemination and intensity of technical progress in the goods-producing sectors but, on the contrary, as a result of the inadequacy of that process. As was once said, for us it is not so much a symptom of development as an indicator of under-development.

At all events, it constitutes a situation built up over the years which is difficult to change radically, although more vigorous and better-oriented growth may alter the distribution of the labour force in the future.

Even with these limitations, there is indubitably broad scope for action to bring about internal changes in employment in the services sector, in the sense of increasing the more skilled or socially meaningful occupations in preference to those which only represent forms of disguised unemployment.

Urban development itself, of course, entails a greatly increasing number of jobs in both the public and the private sectors, which can be filled by means of this qualitative change in the structure of

services. Thus, what today may appear to be a burden, tomorrow may prove to be of unquestionable value.

Given that investment per employed person is much lower than in other sectors, the above process depends primarily on a systematic mass effort in the field of education and training.

Once again it should be noted that there is nothing utopian about this prospect. In fact, it corresponds to what has actually occurred, both in the developed and in some of the developing countries. Among the latter there are striking examples of what can be achieved—in relation both to the major goals of the community and to the specific objective of absorbing labour—by giving priority to the sustained expansion of the educational and health services, as well as those concerned with recreation, sport and culture, conservation and security, and many others of similar utility.

In short, while the challenge of the employment problem is immense, there seem to be clear possibilities of confronting it if it is placed in the context of a development style whose primary goal is the satisfaction of the cardinal needs of society.

C. *The external economic relations of Latin America*

I remarked earlier that a second major issue raised by the Latin American economic situation has its origins in the nature of the region's links with and position in the international economy. I wish, therefore, to review briefly the problems confronting us today and the objectives and tasks relating to the establishment of a New International Economic Order.

Improvement in the defensive capacity of the Latin American economy

First, I should like to refer to my initial assertion that Latin America has shown in recent years a greater capacity than in the past to face an external crisis of such intensity and duration as that which is still continuing, somewhat abated but as yet unresolved.

The unquestionable recorded facts are that in 1974 Latin America was still achieving vigorous growth while the central economies were sliding towards the worst and most extended recession since the Great Depression of the 1930s; that in 1975 the total product of the region increased once again—although at a considerably lower rate—, while in the industrialized countries the product fell that year in absolute terms; and that in 1976, in the great majority of Latin American countries, there was yet another boom in economic activity.

Of course, this does not mean that the economic evolution of our countries has become independent of that of the central economies, whose contraction during the recent recession was partly due to deliberate economic policy designed to restore external equilibrium and to curb inflation.

However, neither can there be any doubt that the recent performance of the economies of the region has contrasted markedly with the much more unfavourable results they recorded in past world economic crises which were of less intensity and shorter duration than that of 1974-1976.

I wish, nevertheless, to stress that my postulate has limited connotations. First, it rests on an irrefutable contrast between our countries' critical vulnerability in the past and their clearly different position in that respect at present. Secondly, it refers to a limited and specific experience—to what happened between 1974 and 1976—in connexion with a specific external problem. It does not, therefore, imply any forecast of what might occur at other times and in other circumstances.

This clarification, however, does not detract from the importance of the fact in question, which in my opinion is considerable.

To what factors should we attribute this improvement in the region's capacity for adapting itself to meet external challenges?

In my press conference last December I cited what I thought to be the chief of them, and I hope you will bear with me if I outline them briefly again. They are as follows:

- The greater structural solidity of the economies of the region, due in the main to the diversification of its production system by virtue of industrialization;
- The more diversified composition of exports and, in particular, the increase in exports of manufactures;
- The domestic potential for producing intermediate and capital goods which could previously be obtained only through imports;
- The greater access to international financing, especially of a private nature, even at times of acute disequilibrium in the balance of payments of some countries;
- The limited, but significant, transformation of agriculture, and particularly of an appreciably dynamic modernized sector.

Furthermore, there is the fact—just as significant as the aspects mentioned—that in most cases Latin American economic policies have taken pains to reconcile the balancing of external accounts with the objectives of maintaining the growth rate and level of employment and controlling inflation. Naturally, these purposes have not all been fulfilled simultaneously or to the desired extent, but there have rarely been deviations which have jeopardized the general policy scheme. This undoubtedly testifies to the greater maturity attained by the decision-making and technical groups in the global concept of

the task that economic policy implies and in the management of its various instruments.

Does this mean that Latin America has overcome its main problems in relation to the external sector?

Most certainly not! This indisputable reality is not in contradiction with the fact that old weaknesses persist, new ones have emerged and very serious uncertainties have arisen regarding the incorporation of the region into the external scenario that is taking shape.

In considering these questions it is useful to bear in mind some general aspects that are indubitably of supreme importance.

One of these is linked with what has been called the 'internationalization' of the Latin American economy.

I shall try, then, first of all to present concisely some of the main background material that should be taken into account when analysing this process, and next to consider, equally briefly, the problems and tasks deriving from it.

The internationalization of the Latin American economy

Because of the rapid expansion of commercial and financial transactions since the closing years of the past decade, this phenomenon has been identified with the increasing openness of our economies, i.e., with a development of the international division of labour in relations between Latin America and the rest of the world, just as has occurred in other areas, and particularly in the case of the central and the socialist economies.

While this trade and financial expansion of recent years certainly did take place, it diminishes in significance and assumes a different guise if it is viewed in

a longer-term perspective and internationalization is considered firstly from the angle of foreign trade, then from that of external financing, and lastly from that of the role played by the transnational corporations.

Internationalization from the angle of foreign trade

Let us begin with a definite fact: in recent years Latin America has achieved a praiseworthy degree of openness to the exterior which means that it has finally set out along the road to an industrial export trade, in some cases with notable success.

On the other hand, consideration of export and import coefficients in relation to the region's total product at the beginning of the 1950s, i.e., more than 25 years ago, leads to the conclusion that they were higher then than in 1972-1974, the recent phase of maximum import-export expansion, since the coefficient of these transactions, taken together, amounted to 13.3 per cent of the regional product in 1950-1952 and only 10.3 per cent in 1972-1974. This decrease in the degree of openness to external markets was not due to a steady downward trend between the two periods considered, however, but reflects the influence of two clearly differentiated phases. In the first of these—which lasted until about 1967-1968—the share of foreign trade in the product fell more or less continuously. This declining trend was subsequently reversed, but the recovery was not sufficient to bring about a return to the levels of the early 1950s.

It may be noted in passing that this trend obtained in most of the large and medium-sized countries, with varying degrees of intensity, but affecting Brazil—with its dynamic openness to the exte-

rior during the current decade— as well as Argentina and Mexico, Colombia as well as Peru. In contrast, it by-passed the Central American countries as a whole, together with a few South American economies, as their export and import coefficients were higher in the 1970s than at the beginning of the 1950s.

To sum up, then, from the angle of trade transactions the so-called 'internationalization' of the Latin American economy is not in evidence throughout the region.

This phenomenon can be attributed to various factors.

The first and most obvious of these is that Latin American exports did not keep up with the growth of world demand for raw materials and foods. While the latter increased by just over 4 per cent a year between the beginning of the 1950s and the mid-1970s, the volume of Latin American exports of primary commodities grew at an annual rate of only 3.8 per cent. Contributory causes were the greater absorption of such products by domestic demand, the return of traditional suppliers to the world market after the Second World War and the appearance of new suppliers, and last, but not least, the scant emphasis generally placed by economic policies in the 1950s and part of the 1960s on the expansion of exports of raw materials and foodstuffs.

Another obvious fact is that until about 1965 the domestic product of the region increased more rapidly than the volume of trade. Although, as already mentioned, the rate of expansion of the latter subsequently rose, the growth rate of the product did so too, albeit to a lesser extent.

Primarily, however, the trend described stemmed from the far-reaching change in the structure of world trade.

The share of manufactures climbed from 44 per cent of the total in 1950 to more than 63 per cent in 1973 (that is, before the substantial rise in the price of petroleum), while the proportion of world exports represented by food and raw materials fell from 46 per cent to 24 per cent over the same period.¹⁶

These are unquestionably radical changes, which, while accounting for the increase in the industrialized countries' share in world trade, at the same time constitute the fundamental cause of the decline in the proportion corresponding to those regions and countries which, for various reasons, could not keep up with the process to the same extent.

As regards Latin America, the increase in industrial exports (whose contribution to total exports rose from around 3 per cent at the beginning of the 1950s to some 15 per cent in recent years) was not sufficient to avert the reduction of the region's share in international trade.

The other and more problematical form of internationalization

Although the development of trade transactions does not confirm some of the assumptions made about the internationalization of the Latin American economy, it is none the less true that the term can justifiably be applied in other connexions, although in doing so we find ourselves on thornier and more contentious ground.

Indubitably, Latin America has become 'internationalized' with respect to its financial ties and to foreign participation in the ownership and manage-

¹⁶ See CEPAL, *The economic and social development and external relations of Latin America*, E/CEPAL/1024.

ment of a considerable proportion of what are among the region's most dynamic economic assets.

A clear sign of the first of these phenomena is to be seen in the considerable variations in the deficits on current account and in the amounts of the external debt that correspond to the non-oil-exporting countries. The average balance-of-payments deficit on current account of these countries rose from just over 1 500 million dollars a year in 1965-1970 to a little over 4 000 million dollars a year in 1971-1973, jumping to nearly 14 000 million in 1974-1976.

For the countries in question, the officially guaranteed external debt (not including commitments with the International Monetary Fund or loans for terms of less than one year) increased from 8 700 million dollars in 1965 to 42 000 million in 1975. Credit provided by private international banks, for its part, soared from some 2 500 million dollars in 1965 to about 25 000 million in 1975, and continued to rise rapidly in 1976, exceeding 30 000 million dollars by the middle of the year.

In short, all in all the region's total external debt amounted to over 70 000 million dollars by 1976. It is worth recalling that in 1969-1970 the corresponding figure was little more than 23 000 million.¹⁷

The magnitude of these figures and the implied differences from comparatively recent situations speak for themselves, and have rightly aroused concern both within Latin America and abroad.

To assess the position properly, however, a number of important circumstances must be taken into account.

¹⁷ See CEPAL, *The economic and social development and external relations of Latin America*, op. cit.

One of these is the difference in the situations of the individual countries, above all where the oil-exporting as against the non-oil-exporting countries are concerned. Within the latter group, too, the disparities are substantial, so that the average figures for the region as a whole are of only relative validity. Even so, it is useful to note that neither the percentage relation of the external debt to the total product nor that of interest and amortization payments to the value of exports has risen excessively in the last few years.¹⁸

Another factor to bear in mind is that in several countries, and particularly in some that carry great weight in the area, where the debt grew most rapidly, the trend followed was largely determined by their effort to maintain import levels and even build up stocks in the unsettled years of 1973-1975. Generally speaking, this led to a rise in the rate of investment and external saving, which unquestionably helped to lessen the effects of the fall in external demand on growth rates. In other words, the higher level of external indebtedness was an alternative to the orthodox solution of seeking external equilibrium by restricting domestic development.

In addition, due importance must be attached to the fact that this greater flow of credit not only represented an example of the recycling of the petrodollar surpluses to the region, but also did much to stimulate the exports of the industrialized economies, and helped them to redress their balance-of-payments situations.

¹⁸ The first of these relations was about 18 per cent in 1974-1975 (the same as at the beginning of the decade), while the second rose from roughly 23 per cent in 1965-1973 to 28 per cent in 1975. See CEPAL, *The economic and social development and external relations of Latin America*, op. cit., tables 19 and 20.

Internationalization and the transnational corporations

Another unmistakable sign of internationalization in Latin America is the presence and growth of transnational corporations. This has meant, among other things, a substantial enlargement of the area of foreign ownership within our national systems and the creation of links of dependency between much of the productive, commercial and financial activity of the countries and a matrix of big corporations whose behaviour is governed by a world outlook.

A few figures will suffice to give a rough picture of their present strength in the regional economy.

According to a recent study, in 1975 the total value of sales in Latin America by United States affiliates amounted to 57 000 million dollars.¹⁹ Taking into account the sales of European and Japanese subsidiaries – whose share has risen appreciably in recent years – the total may have reached 80 000 million dollars, almost double the value of Latin American exports in that year.

Latin America's new external relations: uncertainties and future tasks

Given these factual aspects of the internationalization process, the question arises of what we can and must do in face of them: a question which is also closely linked with the positions Latin America must adopt in relation to the features of the New International Economic Order.

Let us therefore begin by studying various aspects of foreign trade policies, and then go on to discuss other questions

arising in connexion with external financing and the transnational corporations.

Problems and objectives of external trade policies

As I have already noted, despite the spell of prosperity in Latin America's foreign trade which began in the second half of the last decade and came to its peak in the period 1972-1974, the share of external trade in the region's aggregate product was nevertheless smaller during that period than at the beginning of the 1950s.

This relative stagnation of the degree of openness to the outside world over such a long space of time clearly brings out one of the most striking distortions or contradictions in regional development. It derives from the contrast between the changes in the *overall structure of production* and those that took place in the *structure of foreign trade* and particularly of exports. Whereas in the former the changes were profound, and reveal a substantial modification of the 'internal division of labour' as a result of industrialization, in the latter the broad lines of the primary-exporter economy – in other words, of what Dr. Prebisch used to call the 'outworn scheme' of the international division of labour – are still maintained.

Generally speaking, this asymmetry means that the Latin American economy is still not reaping all the benefits inherent in the progress and modification of the international division of labour, as the dynamic economies of the capitalist and socialist worlds have done.

From another point of view, more specific and more significant for everyday economic life, the distortion in question is reflected in another well-known feature, namely, the asymmetry between

¹⁹ See *Survey of Current Business*, February 1977.

the dynamics of exports and that of imports. This aspect of the problem has been brought out by CEPAL from the time of its earliest studies.

The position is that the dynamics of exports is influenced by a number of circumstances, ranging from the lower income-elasticity of demand for most primary commodities to the restrictions hindering their access to the central economies. Demand for imports, in contrast, is spurred by other factors which include the nature of Latin American development itself, and the higher income-elasticity of demand for goods which incorporate spearhead technology or are associated with the spending of the higher-income groups.

In practice, this distortion—underlying which is the structural asymmetry to which I referred before—makes itself felt in the long-standing tendency for import demand (in normal development conditions, unaffected by restrictive policies) to outstrip demand for exports. This adversely affects the trade balance and, as an all-too-familiar corollary, deficits on current account and the problems of indebtedness either make their appearance or grow worse.

These aspects of the situation testify to the serious deficiencies from which the Latin American trade system suffers in its dynamics and in its very structure. At the same time, they point to the key tasks incumbent upon external trade policy in our countries.

Naturally, on this occasion I can only put forward a few basic ideas respecting trade policy. Before doing so, however, I should like to stress that any success the Latin American countries may have in overcoming the handicaps affecting their external trade will not only depend on the rationality and coherence of their economic policy but

will also be conditioned decisively by the speed with which progress is made towards the establishment of a new international economic order and by the specific forms it takes.

Leaving aside for the time being these aspects of the problem—I shall deal with them in the final part of this address—I should like first of all to consider some major questions linked to the development of exports.

It seems obvious, of course, that the real possibilities of a genuine 'internationalization' of trade—in the sense of taking greater advantage of the benefits of the international division of labour—will increasingly depend upon the degree of dynamism that can be infused into industrial exports. Everything suggests that trade in such products will continue to grow more rapidly than aggregate primary commodity trade. To some extent, then, the progressive 'opening outward' of the economy and the maintenance or enlargement of Latin America's share of world trade are synonymous with, and a consequence of, the results achieved in that field.

Latin America has made steady progress in this area during the past decade, and as a result most of the countries of the region have considerably augmented and diversified their exports of manufactures.

Despite this sizable increase in exports of industrial products in recent years, it must be remembered that sales of primary commodities still represent about 85 per cent of total Latin American exports. Furthermore, the range of commodities exported by the countries of the region today is much wider and more diversified than in the past.

These are fundamental and decisive circumstances. Undeniably, the performance of total Latin American exports

will continue to depend for quite a long time on the course followed by sales of raw materials and foodstuffs, because of their great preponderance in the whole. The maintenance of domestic policies which do not discriminate against the production and/or export of primary goods but, on the contrary, promote their expansion and diversification is consequently, in most of our economies, an essential requisite for the success of a programme aimed at overcoming external restrictions.

Together with these requirements of an internal nature, however, there are others of equal importance which can only be met if the Latin American countries co-ordinate their action and a decided spirit of co-operation prevails in the international economic community. Such a spirit is essential, for example, in order to reach agreements designed to diminish the marked and persistent instability in the international prices of primary commodities.

Concerted action by the Latin American countries, in its turn, is essential in order to ensure that their exports of raw materials and food are not subjected to discriminatory treatment on the large markets of the central countries. I must confess, however, that in this latter respect we cannot speak uninhibitedly. We demand that the centres should eliminate obstacles, but, except in a few cases, we have not been able to achieve this extensively and decisively in our own intra-regional trade. The boom in exports of Latin American manufactures to the centres during the final years of the protracted spell of prosperity which the latter enjoyed during the post-war period perhaps created the illusion that the only true way of escape from the external restrictions on our economies lay in that direction.

Nothing could be further from my mind than to underestimate the decisive importance of this increase in Latin American sales of industrial products to the central countries. However, when evaluating the prospects of these exports, it must be remembered that there are great uncertainties regarding their growth in the next few years and also in the more distant future.

This is one of the reasons why we should not continue to neglect the great potential of intra-regional trade, which would make so valuable a contribution to solving the ever-latent problem of the external bottleneck. This potential is particularly important in the case of the dynamic industries which are indispensable for securing more vigorous and more autonomous development. Furthermore, the intensification of reciprocal trade, far from operating to the detriment of fuller opening-up to the world market, would tend to facilitate this after a time, since it would initially provide a broader market than the national one and thus make it possible to establish or expand industries which require larger scales of production if they are to be internationally competitive.

In addition, another priority objective is indubitably the diversification of our markets, for this would be a further element that would help to reduce the external vulnerability of the economies of the region. Accordingly, the important traditional trade, financial and investment links with the United States and the countries of the European Economic Community should be reinforced. It is also necessary that the region should continue its policy of expanding and intensifying its relations with the socialist countries. Secretariat programmes now under way with co-operation agencies in the socialist area

are pointing in this direction. We have also been stressing the need to strengthen our links with Japan. Lastly, we should deepen and extend the relations between Latin America and Canada. This country forms part of our regional community, and has been carrying out ambitious programmes of regional interchange and co-operation with exemplary determination and farsightedness.

Reservations in respect of opening outwards

Lastly, I should like to make two additional observations on export policy. The first concerns the need to make an adequate evaluation of the costs and benefits of the expansion of exports in order to ensure its efficiency. It would be desirable not to repeat in this sphere excesses such as formerly occurred in the import substitution process. As is well known, one of the legitimate criticisms of the process in question is that it was carried out in certain sectors and periods with the aid of over-protection, which in some cases led to an inefficient allocation of resources. Acceptance of this justified reservation regarding that feature of import-substituting industrialization should not, however, lead us to swing from import substitution at any cost to the promotion of exports at any cost. In other words, the argument relating to the distorting effect of a tariff structure with excessively high and heterogeneous rates is equally applicable to a system of excessive export subsidies.

My second observation relates to another aspect of the growth of exports and, more generally, of the greater openness of the economy. Obviously, in so far as exports expand rapidly and the export coefficient rises, imports of goods

and services and the import coefficient will also tend to increase.

Nevertheless, both for the rate of economic growth and, above all, for the development style or model, the *structure* or composition of the new imports is decisive. To put it in extreme terms: the greater capacity to import can be used either to purchase the machinery and equipment necessary to broaden the production base and raise the level of employment in the economy, or to bring in imports of luxury consumer goods which are only within the means of very small groups of the population.

The economic, and in particular the ethical and social significance of these two options is very different, of course; undoubtedly, too, intermediate situations arise in practice. It does, however, seem legitimate and necessary to ask whether some of our countries which have been successful in boosting their exports have taken sufficient advantage of the possibilities thus opened up for strengthening and diversifying the economy's production capacity and satisfying the needs of the majority sectors.

I fear that in not a few such situations this has not been the case, and the progress made in opening outward has been linked, in reality – and in the consciousness of large groups – with an intensification of the already glaring differences between the consumption patterns and life styles of the high-income strata and those of the under-privileged sectors of the population.

There have been exceptions, of course, and – much more important – this is in no way an inevitable consequence of a progressive opening-up of the economy. Needless to say, whether the greater capacity to import is used to promote development and social justice

or spent on non-essential consumption for the benefit of only a few ultimately depends on the capacity for domestic saving and the degree of equality of income distribution. This means that if full advantage is to be taken of the opportunities offered by the growth of exports for furthering economic and social development, it is indispensable to increase domestic saving likewise and to make income distribution more equitable.

Let there be no misunderstanding: these remarks on some of the adverse consequences which may stem at times from the expansion of exports are not arguments in favour of abandoning this course. On the contrary, I am firmly convinced that unless Latin America succeeds in steadily boosting its exports, it will have difficulty in achieving rapid and continuous economic growth. And this, I am also convinced, is an essential prerequisite —although of course not the only one nor sufficient in itself— for securing a significant improvement in the well-being of the groups which until now have not received an equitable share in the fruits of development.

My purpose in putting forward these views is to draw attention once again to *how* growth occurs and, above all, *for whom*: two aspects of the question which, as I have already pointed out, are closely and indissolubly linked with the development style or model followed and must be constantly borne in mind if economic growth is to be accompanied by greater social justice.

External financing and transnational corporations: queries and suggestions

I have already spoken of the nature and magnitude of the situation created by the new forms of external financing and by the presence of the transnational

corporations, which constitute the most obvious manifestation of the 'internationalization' of our economies. Although the two phenomena are closely linked, I shall consider them separately for the sake of clarity.

With regard to the first question, it is clear that future developments will depend mainly on the degree and way in which changes occur in the structure and dynamics of the export and import flows within the framework I have just sketched out.

The problems of financing and external indebtedness cannot be considered statically, but must be viewed in a dynamic context, together with the future evolution of the foreign trade of the countries of the region. If exports are growing dynamically and wise policies are being applied as regards the growth of imports, then the significance of a relatively high external debt and the needs for international co-operation in respect of financing will not be the same as in cases where the Latin American countries experience difficulties in achieving a favourable trade performance. In any event, however, international co-operation in the financial field is indispensable.

A few comments are also called for on some important specific aspects of our recent experience.

Although the role played by international private credit in alleviating the balance-of-payments troubles of recent times should not of course be underestimated, it is equally clear that the characteristics and current high level of participation of such loans raise questions which warrant reflexion.

The main problem concerns the compatibility of the normally accepted practices of private banks with the needs which external financing should satisfy

from the standpoint of development policies. This is a broad and complex subject to which I cannot do justice in the present statement. It may be asked, however, whether it is not necessary and possible to achieve adequate harmonization of these two points of view.

Thus a very delicate and potentially conflictive situation seems likely to arise unless efforts are made in good time to devise satisfactory compromise formulas that will protect and reconcile the legitimate interests of the parties involved.

Beyond this problem looms up another of a general character, to which we have long been drawing attention. Those that are considered to be 'middle-income' countries or areas have relatively little access to the sources of multilateral credit, and virtually none at all to concessional treatment.

I shall refer to this subject later on, but I should like to put forward two considerations here and now. First, this is one of the points that are of vital interest to Latin America in the re-organization of institutions and practices which the New International Economic Order is bound to involve. Secondly, stress must be laid on Latin America's need to continue being able to obtain financing from official sources, both national and international. This does not of course imply any failure to recognize the principle of justice which underlies the new orientation of the official financial institutions towards assigning a greater proportion of their resources to other Third World nations whose level of development is lower than Latin America's. Nor does it signify any under-estimation of the contribution which has been and must continue to be made by private credit and investment.

Unquestionably, however, the region cannot come to depend entirely on these sources for its external financing. This is even more evident in the case of the smaller Latin American countries and those at an earlier stage of economic development, for which access to official sources of financing and 'concessional' loans is still a factor that determines their possibilities of achieving a higher and more sustained growth rate.

Lastly, I should like to revert to an aspect of the external indebtedness question which seems to me to be of fundamental importance: namely, the balance that must be kept between the amount and growth of the external debt and the value and rate of expansion of exports.

As I have already had occasion to mention, the aggregate size of Latin America's external debt has been increasing rapidly of late. Although this increase has to a considerable extent reflected the influence of world inflation in recent years, a rate has clearly been reached which would be difficult to maintain and which it would probably be wise to try to reduce.

Patently, however, the urgency and priority of this task are closely linked with the intensity of export growth and the efficiency of import substitution. These will be the final determinants of the extent to which it will be possible to provide for regular and punctual debt servicing without the necessity of deliberately restricting the rate of growth. Consequently, this is another extremely important reason why, in my view, the countries of the region should in the immediate future assign high priority to a strategy aimed, on the one hand, at systematically increasing and diversifying exports and, on the other, at ensuring efficient import substitution.

The need for a code of conduct

As regards transnational corporations, it is common knowledge that their own dynamism and their considerable influence on the operation and structure of production systems has made it essential to clarify the relations between them and the host countries.

In the course of time a consensus of public opinion on the subject has taken shape, in which the official authorities of the host countries also participate, in view of the obvious repercussions which the activities of such corporations have on variables as vitally important as the balance of payments, external monetary flows, the employment situation and others of the same nature.

Of great advantage in tackling this problem today is the unquestionable progress that has been made in many Latin American countries in respect of their bargaining capacity *vis-à-vis* the transnational corporations. The greater integration of these corporations in the national economies—inasmuch as the bulk of their operations are carried out

with a view to the domestic market—places most of them in a position considerably different from that of the big primary export enterprises which dominated the scene in the past.

At all events, there are few who question the need to go farther towards defining, at the national, regional and world levels, operative codes of conduct whereby the governments and the transnational corporations can be guided and their legitimate interests harmonized.

Hence there springs up naturally, once again, another topic and objective proper to the formulation of the New International Economic Order. Indubitably, to the extent that this goal is successfully attained, the disadvantages and risks of the contemporary trend towards 'internationalization' will diminish and the favourable potential which the transnational corporations can offer will be developed.

Let us now pass on to deal for a few moments with the problems of the New International Economic Order and the special interest of the region in its objectives and patterns.

III. The New International Economic Order

The 1970s provided a clear demonstration that the international economic system constructed on the bases established at Bretton Woods, after the Second World War, had run into a crisis. Order among a few had progressively developed into disorder for the many. This is not the place to enter into consideration of the political and economic factors behind this phenomenon, nor to describe once again how that order, which provided the framework for one of the most dynamic

phases in the economic development of the industrialized countries, also led to an accentuation of the disparities among the countries of the world, so that the gap between the rich and poor nations, far from narrowing, actually widened.

It is, however, important to show how the collapse of the international economic system has triggered unprecedented reactions and activities.

On the one hand, the recollection of the hardships of the world crisis in the

1930s, and a greater sensitiveness to social problems, have induced the major centres to adopt economic measures aimed at minimizing the social cost and averting acute depressions, whose uncontrollable economic and political repercussions would have affected a large part of the world. At the same time, the international community has awakened to consciousness of the new forms of interdependence among nations. As a result, a movement has begun—slow as yet, but promising—towards the construction of a new international economic order. The Special Sessions of the United Nations, the Paris Dialogue, the fourth session of UNCTAD and many other world forums held during the past five years to analyse some of the major topics of concern to mankind confirm the existence of this greater critical awareness and a sensitivity more receptive to the urgent necessity of establishing a system of international relations based on new principles, institutions and practices.

I am not among those who believe that all the evils of underdevelopment derive from the pattern of international relations between the rich and poor countries. Anyone who held that view would be turning a blind eye to the profound injustices which still persist in our countries and which are rooted in our own environment. Neither should it be overlooked, however, that international relations have habitually developed as a function of the interests of the more powerful countries, and for the benefit of their own nationals.

The aforesaid critical awareness of the historic juncture through which the international community is passing originates from precisely this situation, and it is responsible for the mounting demand that principles should be established on which to base a different

system of international relations, more conducive to greater equality of opportunities for all nations.

Two facts improve the prospects for this movement towards a new international economic order.

In the first place, the developing world has repeatedly presented a united front in support of common and responsible positions. Despite many differences of all kinds, despite the disparate effects of the international economic situation on the developing countries, despite their varying degrees of economic development, the nations of the Third World have maintained a necessary and commendable unity.

So important a circumstance should be neither overlooked nor underestimated, for without this unity, international negotiations between countries of such unequal economic and political power would be doomed to failure and would disappoint the legitimate expectations of the weaker countries.

In fairness, however, reference should also be made to another factor which inspires fresh hopes. There are certain industrialized countries where new attitudes are beginning to develop, and even to prevail, in some circles of opinion and in their governments. They are making an effort to grasp the problems of the developing countries, and are taking up positions that are more sympathetic and hence more conducive to a better mutual understanding. These attitudes constitute what has come to be called in the industrialized nations 'a new realism'.

Are they perhaps the product of increased awareness of the closer interdependence which now exists between nations and which became clearly apparent during the recent economic crisis? Or do they perhaps derive from

an enlightened realization that there will be no lasting peace in the world as long as international economic relations are still marred by the vast inequalities of opportunity which characterize them to-day?

Whatever the reasons underlying this new willingness to engage in international dialogue, it is to be welcomed. The limited but useful measures that the international community has adopted to palliate through its resources and action the situation of the countries most seriously affected by the recent world economic crisis should be appreciated as a foretaste of what is to come.

Priority objectives of the New International Economic Order

What do the nations expect from the New International Economic Order?

I will not deal in depth here with a subject which has already been so clearly and eloquently expounded by the Secretary-General of the United Nations at this same meeting. Let me simply say that the search for a new order must be conducted at several levels and comprise more than one stage.

The Seventh Special Session of the United Nations has provided us with a frame of reference both for the stages and for the levels required. This new order calls for a series of measures and agreements on the part of the world community that will enable structural changes to be made in international economic relations and will permit of fairer distribution and greater equality of opportunity for all countries.

Radical changes will have to materialize in the final stage of this process, ranging from improved distribution of trade profits, credit and international liquidity and disciplining of the power of

transnational corporations to international control over the communal assets of mankind. These are civilization's collective patrimony, and access to them is a legitimate aspiration of those most in need.

A continuous series of negotiations, gradually reflected in concrete and effective advances, is a *sine qua non* for arriving at this new system of international relations.

The attitude of the developed countries is vital to the success of such a process. But the full participation of the developing countries is also indispensable; and this in turn requires that the negotiation machinery be made more democratic, in which connexion the United Nations, as the most important political forum in the world, must play an essential role.

So far as making the movement towards a new economic order a positive reality is concerned, the next few months will see some decisive meetings. The Paris and UNCTAD negotiations must reach substantive points of agreement. If these meetings are successful—as we all hope—the gates will be thrown open for the negotiating process to continue in the United Nations and at other international gatherings. Conversely, if nothing comes of them, frustration may grow and there may ensue a period of sterile confrontations which nobody wants and which will do nobody any good.

Needless to say, the chances of progress in this area depend primarily on political will and political decisions. These, moreover, must be of a general character; they cannot be partial in their scope, but, on the contrary, must cover all the basic items on the negotiation agenda.

Such decisions must not be made conditional upon the complete economic

recovery of the industrialized world or delayed until it has taken place. This recovery is a necessary and supremely important objective, but it is equally true that any headway made in the movement towards a more equitable and dynamic international economic order would help to promote the growth of the industrialized economies and place it on a sounder footing.

Latin America's interest in a new international economic order

I have already had occasion to refer to the close linkage between the economic development of Latin America and its external relations. However, I would like to emphasize a point inseparably bound up with the problems raised by the New International Economic Order. I am referring to the fact that Latin America, because it has reached a more advanced stage of industrial development and diversification of its production system than other Third World areas, has come to be ranked as an intermediate group or, so to speak, the middle class of the international community.

Does this mean that the region is in a position to dispense with international co-operation? And does the relative progress it has made in the attainment of some of its development objectives signify that it does not participate in the common claims which the Third World is addressing to the central countries?

Allow me to make myself quite clear on this point and to formulate some essential considerations on the subject.

Firstly, the status of intermediate region or 'middle class of the world' is a gross abstraction. As I said at the outset, there can be no denying that Latin America has taken significant strides for-

ward in the economic development process and especially in industrial development. However, it is equally true that both at the national level and at that of large social groups, conditions still apply which are similar to those characterizing other nations of the Third World. Thus, any generalization may be seriously misleading.

Secondly, although, on account of the degree of development now achieved, Latin America's external relations present some special features, its problems can be tackled adequately only on the basis of global approaches in which all the regions of the Third World participate and are associated.

A clear and significant example of this community of interests is to be seen in the field of raw materials. As I have already mentioned, despite the advances made in exports of manufactures, 85 per cent of our exports consists of primary commodities. Thus, manifest links of solidarity with the other Third World nations exist in relation to the defence of commodity trade and prices. That is why Latin America must continue to give unwavering support to the work of UNCTAD and, in particular, to the Integrated Programme for Commodities.

What other matters today compel the special attention of the region in the discussion of the major problems of the New International Economic Order?

As we have repeatedly said, Latin America has a vital stake in assuring itself of expanding markets for its exports of manufactures. This calls for determined persistence in efforts —sometimes doomed to disappointment— which are aimed at eliminating or lowering tariff and above all non-tariff barriers. There are sectors in the developed world which realize the importance of progress in these fields for the countries of the

Third World and, more especially, for those of Latin America. Yet we cannot but feel some disillusionment at the resurgence —sometimes systematic and sometimes sporadic— of protectionist tendencies. As the industrial exports of Latin America are consolidated and expanded, and the region secures an increasing share of world trade in these products, such tendencies might reappear. It is therefore imperative that the countries of the region should call on the highest political bodies to ensure continuous progress towards more open markets and the sanction of a code of conduct to regulate the imposition of non-tariff barriers.

Mention has already been made of the region's need for external resources; and, as I also pointed out, Latin America —without overlooking the needs of other economically more depressed areas— must continue to receive a flow of official credits for periods and at interest rates that only those sources can guarantee. The attainment of the official external assistance targets is vital; and it is also vital to obtain assurance that an adequate proportion of this assistance will be channelled into the region and, in particular, into the least developed Latin American countries. Hence it is that we attach high priority to the strengthening of such regional institutions as the Inter-American Development Bank, as well as to the continuation of the activities of the World Bank in the region. We must be emphatic on this point: Latin America needs official capital and will continue to need it. The activities of the institutions referred to and of those functioning at the subregional level deserve every support from our countries and from the international community.

I also recalled earlier that the role of private credit has been expanding in the

region, and acknowledged the importance of these resources. It is necessary, however, to design and establish safety mechanisms which will enable our countries to face up to balance-of-payments crises without having to depend exclusively or primarily on private sources of capital. It is for this reason that on other occasions, and particularly at the Trinidad and Tobago session of CEPAL, I have spoken of the desirability of establishing a financial safety net which would enable us to cope more adequately with balance-of-payments pressures deriving from abrupt changes in the international economic situation. The necessary mechanisms should be promoted by the central banks of the Latin American countries and backed by resources from outside the region. Similarly, it seems important that Latin America should support initiatives at the international level to open up new financial facilities taking particularly into account the special situation of developing countries in the intermediate group, which at present are so dependent on private capital markets.

The introduction of new technologies has played a fundamental part in the development of the region's production potential, and this process will be of ever-increasing importance in the future. The Latin American countries should therefore promote all such forms of international co-operation as may facilitate the transfer and assimilation of appropriate technologies.

Lastly, another of the region's essential tasks is to support the establishment of codes of conduct regulating the activities of transnational corporations, so as to ensure that their operations are compatible with the legitimate interests of the countries and with the principle of respect for their domestic policies.

Mention of these points does not mean, of course, that we do not attach full importance to other activities of transcendental significance in the movement towards the New International Economic Order, such as the agreements designed to lay the foundations for a new international monetary system. If we have stressed certain points it is because they are the aspects of the question that arouse most interest in the region.

As the developed countries incorporate in their international co-operation policy the general elements which most directly favour the interests of the Third World, Latin America's aspirations will be to a large extent satisfied without the necessity of resorting to vertical or geographical approaches which might be detrimental to the overall relations of the region both with other developing countries and with the industrialized world as a whole. Such approaches might also generate complex political problems, with implications of all kinds.

Co-operation within the region and with the Third World

Regional co-operation and international co-operation are inescapable necessities for Latin America. They must be practised simultaneously and with equal enthusiasm, since neither, on its own, could satisfy the aspirations entertained by our countries.

Clearly, as regards regional co-operation, there are at present ample and varied opportunities to take advantage of the considerable new productive, technological, and above all, organizational

potential which Latin America has at its disposal today. In this connexion, it is useful and instructive to note that in repeated instances of late Latin American firms have had their tenders accepted for large-scale and complex projects in open competition with international enterprises.

Similarly, due importance must be attached to the fact that many Latin American countries have built up a valuable stock of experience in activities as basic to development as oilfield operations, mining, iron and steel, fishing, some branches of agriculture, and public works.

These circumstances make new patterns of regional co-operation viable through specific projects and activities, a domain in which SELA has a major role to play.

Parallel with advances in this area, an indispensable requisite is to make headway in the integration movements through multilateral undertakings that provide a framework within which to insert the aforesaid specific activities and projects. All this will also foster progress towards the goals of Latin American integration and co-operation which the countries of the region need to reach.

Let me say again that we attach enormous importance to the many possible forms of co-operation with other developing countries. Herein lies, in our opinion, another potential which has barely been glimpsed. Factual proof of this is furnished by the contacts and relations which some Latin American countries have established with countries of Africa, and by the mutual desire to increase these links substantially.

Conclusions

It has been my wish to place once more before this plenary meeting the product of my personal thinking and the fundamental ideas which our secretariat has been gradually evolving on the basis of the invaluable experience gained through contact with each and every country in our region.

I have had no intention to pronounce individual judgements on specific situations or to overstep the bounds of our obligation to perform strictly secretariat functions. I trust that the reflections presented here will be viewed as the discharge of what we consider to be our intellectual responsibility—an endeavour to direct attention to the problems that we honestly feel are of major concern to the region.

It is for the governments, in the exercise of their unconditional sovereignty, to accept these ideas or not, and to define solutions for what they regard as their priority problems within the context of the cultural patterns and historical values characterizing their particular economic, social and political systems.

Five propositions have been stated here which we believe to be fundamental.

The first constitutes an appeal for the construction of a new intra-regional economic and social order, taking due account from the outset of the fact that Latin America's actual and potential production capacity now allows it to aim at far more ambitious social goals than in the past.

The pursuit of these objectives should speed up a process whereby much more

rapid solutions can be found for the immense social problems affecting large under-privileged segments of the Latin American population. Accordingly, it is essential to revise our development styles and make social policy the focal point of our concern. The latter should be geared, in particular, to satisfying the basic needs of the population. It is not enough to be efficient in the economic sphere. It is also important to know for what and for whom this efficiency is of service.

The second calls upon the region to renew its commitment to the building of a new international economic order based on principles of distributive justice and equality of opportunity at the world level. As in the past, Latin America has a very important role to play in the North-South dialogue. It must also boldly face up to the task of intensive collaboration in all possible forms of co-operation with the other developing areas. This commitment is a moral imperative stemming both from our relatively advanced stage of development, and from the importance for the Third World of strengthening efforts to achieve collective self-reliance.

To this end, the major work of dialogue and compromise will have to be centred in the United Nations. A heightened political determination must exist at all levels, and above all among the countries which bear the brunt of the responsibility for the success of the process. An appeal must be made to the moral conscience of mankind and the enlightened vision of leaders and governments to forge ahead with the negotiations for a new economic order, as the

Secretary-General of the United Nations said at this meeting, and to avoid sinking into a phase of sterile and wasteful confrontation.

From these two reflections a third logically follows. To carry out these herculean tasks, the State must be modernized and thus prepared to carry great domestic and external responsibilities, within the sphere of the functions assigned to it by each country and each economic system.

To tackle these and other problems of the new international economic order, as well as those of a new internal order, both economic and social, we must study the past objectively, in order to learn the lessons of history and make projects for the future. The latter is an imperative necessity. I am inclined to believe that the inveterate faith in the regulatory forces of the market, both at the domestic and at the international levels, has tended to stifle forethought and blind us to the need to think about where we are going, fix accessible objectives and choose the most rational means of attaining them. The market is of great importance and significance, but it cannot be expected to do what is not within its power. It has neither a social nor a time horizon. These shortcomings can only be made good by deliberate and properly concerted action, in the form of convergent measures and combined national and international efforts. This is another of the major tasks with which the State in Latin America is faced.

A fourth line of thought turns our eyes to the region itself as the cornerstone for the construction of our future. It is essential to breathe new life into regional co-operation, starting from the vital premise that if we tackle our problems together, at the end of the process we shall all be better off than at the

beginning. We are united by a common past, a common geography and a body of interests which, because they are complementary, are shared in common too. The new forms of co-operation recently put into effect in Latin America must be reinforced by pooling efforts, at the bilateral and multilateral levels and at that of groupings of countries. Furthermore, our integration schemes must be objectively and dispassionately reconsidered, with a view to strengthening them by taking heed of the lessons of the past. In this sphere it is necessary to rise above passing disappointments and to formulate new solutions with faith and political vision.

Fifthly and lastly, in order to attain our national, regional and international objectives it is essential to invoke Latin American unity. Latin America has blazed new trails in the terrain of development and co-operation which are now acknowledged in the world forums as initiatives of our region. Of an equally pioneering character have been Latin America's efforts to break new ground and press forward in the field of regional co-operation. And in all these enterprises there has been a common denominator without which any objective becomes harder to pursue: the unity of the region.

We have the impression that sometimes this determination weakens under the influence of passing crises or the unequal degrees in which we are affected by the world situation. It is worth recalling once again, however, that the temptation to 'go it alone' is not a good idea for any country, big or small. This is a lesson taught us day after day by the increasing interdependence of nations.

The diversity and complexity of the problems facing us is in no way incompatible with joint action by the

developing countries both at the regional and at the world level.

In these great tasks of the region, the CEPAL secretariat wishes to play its part side by side with the governments of the

member States, today as in the past, in a spirit of loyal commitment to Latin America and to the objectives of the United Nations Charter.

Statement by Raúl Prebisch

Since I have been kindly invited to participate in this meeting—a gesture which I very much appreciate, together with the encouraging words so generously lavished on me here—I should like to offer a few reflections on certain problems which are causing great concern in our countries. Unquestionably, the most important is that, despite the momentum gained by development, vast masses are still excluded from enjoyment of its results. What has come to be called critical poverty continues to exist, and is growing relatively worse.

This is a problem which CEPAL has long been canvassing, but without managing to get it regarded as of paramount importance, perhaps because of the widespread belief that the very dynamics of development would spontaneously resolve it once and for all.

But that has not happened, and never will. For the persistence of this grave malady is due to deep-seated disorders in the system which mere palliatives cannot cure: disorders that cannot be attacked solely by means of new prescriptions—for example, the establishment of minimum consumption and welfare targets for the underprivileged strata of society. Of the imperative need to attain and even surpass such targets, there cannot be the slightest doubt. But how is it to be done? We cannot allow ourselves to be

beguiled by the manifest justice of this and other similar proposals into shirking that basic question.

This is the first point about which I want to speak now. No sooner are poverty and unemployment mentioned than the image of the technology which comes to us from the centres looms up. The CEPAL economists were perhaps the first to bring this problem into focus, a quarter of a century ago. At that time we imagined a technology adapted to the periphery and designed to serve the purpose of increasing the productivity of capital rather than reducing the labour force. But where is that technology? It would, of course, be inadmissible to put the clock back. Still, there might be a possibility of arriving at such a technology after prolonged efforts. What should we do meanwhile? I would say first what we should not do: take pains to make work for work's sake. Paul Hoffman, that distinguished figure who was the first Administrator of UNDP, used to recall how, in the United States during the great Depression, in face of the persistence in creating work by having earth moved with picks and shovels, a State Governor wondered: Why not go one better and use soup-ladles?

I believe a great deal can be done by intelligently adapting the technology of the centres, and a number of highly