

Distr.  
GENERAL

LC/G.1411(CEG.11/6)  
13 March 1986

ENGLISH  
ORIGINAL: SPANISH

Twenty-first session  
Mexico City, 17-25 April 1986

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

(Bogotá, Colombia, 3 to 6 March 1986)



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## I. ORGANIZATION OF WORK

### Date, place and purpose of the session

1. The eleventh session of the Committee of High-Level Government Experts (CEGAN) was held at Bogotá, Colombia, from 3 to 6 March 1986. CEGAN, which was established by ECLAC resolution 310 (XIV), is made up of the developing member countries of the Commission and, in accordance with paragraph c) of resolution 419 (PLEN.14), its sessions should normally precede the regular sessions of the Commission. Pursuant to this mandate, the eleventh session of CEGAN took place prior to the twenty-first session of ECLAC; its main purpose was to analyse, firstly, the implementation of the International Development Strategy and the prospects of Latin America and the Caribbean for the rest of the 1980s in the light of the evolution of the crisis and, secondly, the external debt of Latin America and the Caribbean.

### Attendance

2. The meeting was attended by government experts from 17 member States of the Committee: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela.

3. A representative of the United Nations Development Programme (UNDP) attended on behalf of the United Nations Secretariat.

4. A representative of the World Bank, a specialized agency, was present at the meeting.

5. The following intergovernmental organizations were also represented: Inter-American Development Bank (IDB), Organization of American States (OAS), Latin American Economic System (SELA) and the Permanent Secretariat for the General Treaty for Central American Economic Integration (SIECA).

### Election of Officers

6. The following Officers were elected by the participants:

Chairman:	Jorge Luis Ordóñez (Colombia)
First Vice-Chairman:	Miguel Angel Olea (Mexico)
Second Vice-Chairman:	Oswaldo de Rivero Barreto (Peru)
Third Vice-Chairman:	Angela Lelany Bigueur (El Salvador)
Rapporteur:	Carlos Pérez del Castillo (Uruguay)

Agenda

7. The following agenda was adopted:
  1. Election of Officers
  2. Adoption of the agenda
  3. Implementation of the International Development Strategy and the prospects of Latin America and the Caribbean for the rest of the 1980s in the light of the evolution of the crisis
  4. The external debt of Latin America and the Caribbean
  5. Consideration and approval of the report

Documentation

8. The Secretariat submitted the following documents to the Committee for its consideration: "Economic development: An appraisal, and projections 1985-1995" (LC/L.367(CEG.11/3)), "The problem of the external debt: Gestation, development, crisis and prospects" (LC/L.371(CEG.11/4)) and "List of main resolutions adopted with regard to the International Development Strategy and the Regional Programme of Action by the General Assembly, United Nations Economic and Social Council, Economic Commission for Latin America and the Caribbean and Caribbean Development and Co-operation Committee" (LC/L.373(CEG.11/5)).

Organization of work

9. The Committee held five plenary meetings at which delegations referred to the subjects mentioned in the summary of the debate. It also established an open-ended working group to prepare the Latin American and Caribbean position paper and draft resolution reproduced in chapter III of this report.

Opening meeting

10. At the opening meeting, statements were made by the Executive Secretary of ECLAC; the head of the delegation of Mexico, who spoke on behalf of all the participating countries; and the Minister for Foreign Affairs of Colombia.
11. The Executive Secretary of ECLAC said that the crisis had interrupted the economic progress that was being achieved and had sharpened existing contrasts. That had led to a rise in open unemployment, especially among youth and women; the deterioration of real wages; an increase in critical poverty; and the limitation of the public sector's ability to meet the needs of marginal urban sectors, as a result

of the necessity of servicing the external debt. Those factors could generate growing social tension because the low-income sectors of the population were the most seriously affected.

12. With regard to the outlook in that regard, he pointed out that greater external financing must be obtained and savings and investment must be increased merely to recover the 1980 level of per capita GDP by 1990. Even so, all the phenomena he had just mentioned would actually be more intense by that time. It would be a much more positive development if the terms of trade were to improve, interest rates were to decrease, protectionism were to be reduced or international co-operation were to increase.

13. He suggested that the approach taken to the question of the debt should be based on the idea that the growth and development of the economies of the region could not be spinoffs of the servicing of the debt but must instead be fundamental objectives. Therefore, the adjustment and the debt service should be approached within a framework of growth, not recession. He added that the burden of adjustment must be distributed more equitably between debtor and creditor countries and, within the former, among different social groups if the consensus necessary in order to carry out the adjustment over an extended period of time were to be achieved.

14. Finally, he said that despite the considerable obstacles being faced by the region, a pessimistic or discouraged attitude should not be taken. The diversification which had been achieved in production and trade opened up several options to the countries of the region; if they took advantage of them, they would be able to lay the foundations for dynamic and just development.

15. Speaking on behalf of the participating delegations, the representative of Mexico thanked the Government of Colombia for its warm hospitality, expressed confidence that the meeting would be successful and stated the hope that it would contribute in a useful and decisive manner towards the solution of the crisis affecting the region. The representative also looked forward with pleasure to the twenty-first session of ECLAC, to be held in Mexico City, from 17 to 25 April 1986.

16. The Minister for Foreign Affairs of Colombia said that the worst crisis experienced by the region in the last fifty years would have unforeseeable consequences. In the best of cases, there would be no recovery before the end of the century, and even that was an unlikely prospect, now that a drop in oil prices had been added to the sharp decline of commodity prices.

17. He pointed out the contradiction involved in the fact that the developed countries applied discriminatory protectionist measures against the developing countries while at the same time advocating free trade. For example, they granted all kinds of privileges to Latin America's competitors, while the region was besieged, in terms of its commerce, by quotas, countervailing duties, subsidies for inefficient production, so-called "gentlemen's agreements", etc.
18. With regard to the external debt, he stressed that it was not a purely economic problem, but that it also had a political dimension, the latter element being essential to the discussion of the issues of co-responsibility and symmetry of adjustment in the distribution of losses. That view was confirmed by the efforts of the countries belonging to the Cartagena Consensus and by the Baker proposal.
19. In a special reference to the situation in Central America, he said that the heavy external dependency of the countries of that subregion, added to the political and social tensions affecting them, had impaired their economies to such a point that not even their entire export earnings would be sufficient to cover the interest on their external debt.
20. Finally, he underscored the profound political issues involved in the problems posed by the debt, trade, the terms of trade and protectionism. While regretting that the efforts made by the developing countries over the last thirty years to improve their economic and social situation had been fruitless, he said that it was important to insist on the integrationist approach with renewed conviction, for never before had ideological and political positions coincided in so many respects.

#### Closing meeting

21. Statements were made during the closing meeting by the Executive Secretary of ECLAC, the Deputy Minister for Economic Affairs of El Salvador and the Under-Secretary for Economic Affairs of Colombia in his capacity as Chairman of the eleventh session of CEGAN.
22. The Executive Secretary thanked the host country, the Chairman and the participating delegations for the excellent work which had been carried out at the meeting. He went on to speak about the twenty-first session of ECLAC, which was to be held in Mexico City from 17 to 25 April 1986, and underscored the most important issues to be dealt with on that occasion, as well as some of its organizational aspects.



23. He also reminded the representatives of the procedure traditionally used at the sessions of ECLAC with respect to the consideration of documents and resolutions issued by CEGAN. The position paper setting forth the shared attitude of Latin America and the Caribbean would be submitted to Committee I for its consideration. The Committee's report, which would be contained in the corresponding summary of debates, would set forth the text of the position paper as well as the technical and political considerations raised by all the governments of the member States of the Commission during the exchange of ideas, concepts and proposals to which the submission of the paper would give rise. The report of Committee I, consisting of the text of the position paper and the summary of the debates, would be submitted to the Commission when it met in plenary. The Commission would then take note of it and include it in the report of the session. In accordance with the procedures of the Commission, the resolution adopted at the eleventh session of CEGAN concerning the implications and prospects as regards the external debt of Latin America and the Caribbean would be presented to the twenty-first session of ECLAC for its consideration.

24. Speaking on behalf of the participating delegations, the Deputy Minister of Economic Affairs of El Salvador thanked the participants and the Secretariat for their valuable collaboration. She underlined the fact that, in formulating the position paper in question, the region had assumed a major commitment to redouble its co-operation efforts in order to make its contents a reality.

25. The Chairman of the eleventh session of CEGAN stated that the position paper was an accurate reflection of regional unity, of the professionalism of the participants and of the friendship which united them. He also spoke of the need to define the region's identity by strengthening regional forums, avoiding bilateralism and making a commitment to multilateralism.

## II. SUMMARY OF THE DEBATE

26. The debate began with statements of a general nature which indicated that there was a considerable degree of agreement regarding a number of the issues summarized below.

27. After thanking the Secretariat of ECLAC for the documents it had submitted, whose quality and contribution to the work of the session were underscored by numerous speakers, the delegations agreed to draw attention to the interrelationship between items 3 and 4 of the agenda concerning the implementation of the International Development Strategy and the external debt of Latin America and

the Caribbean, respectively, and expressed the view that the two questions should be addressed jointly during the meeting.

28. A number of representatives spoke of the vast distance separating the goals set in the Regional Programme of Action from the real situation in the countries of the region as a result of the deep and prolonged economic crisis affecting them. They indicated that the adverse international situation had placed these goals out of reach and stated that one fundamental problem was the severe external constraints which stemmed from the unsustainable level of debt service, the drop in commodity prices, the increase in protectionism, the reduction of capital flows to the region and severe internal adjustment measures which were seriously jeopardizing the countries' economies and doing great harm to the prospects for development and the fulfilment of the Regional Programme of Action.

29. In that connection the representatives stressed that one of the main obstacles to an economic recovery was the enormous transfer of resources represented by the servicing of the external debt, which was adversely affecting the countries' import, saving and investment capacities, their ability to eliminate the imbalances in their public finances and, ultimately, their opportunities for sustained and dynamic economic and social development.

30. The representatives repeatedly drew attention to the issue of international trade and the need to change the norms currently governing it. Another important problem was the unprecedented growth of protectionism on the part of the developed countries, which had a severe impact on the economies of the Latin American and Caribbean countries. One of the aspects mentioned in that regard was the effect it had on the terms of trade for the main products of the region.

31. The elimination of the factors which caused and perpetuated the present injustice of international economic relations was regarded as essential. Attention was also drawn to the need for the rapid institution of the New International Economic Order.

32. The attitude of the developed countries towards world trade created conditions which were not conducive to international co-operation for development; as a result, regional co-operation in trade was of even greater importance. Many speakers pointed out the need to promote equitable schemes for reciprocal trade in the region and to participate on a co-ordinated basis in international trade negotiations.

33. Special emphasis was placed on the need for the countries of the region to adopt a united position with respect to negotiation objectives, strategies and methods with a view to achieving a commercial environment more conducive to the development of the

countries of the region at the proposed round of trade negotiations within the framework of GATT. The importance of the forthcoming round of ALADI negotiations in that regard was also underlined.

34. Reference was also made to the developed countries' lack of macroeconomic discipline and to the disorder of the international financial system. Various delegations said that those circumstances had a negative impact on the economies of the rest of the countries of the world, especially those of the developing countries. The type of conditionality imposed by international financial agencies hampered the development process by imprinting the adjustment process with a recessionary bias. That type of approach had to be prevented from spreading to other regional lending agencies.

35. The representative of Argentina voiced his agreement with the views previously expressed by various delegations concerning both items on the agenda. He went on to request that, for the upcoming session, the Secretariat of ECLAC adjust the projections contained in the documents it had submitted in the light of recent variations in the prices of the region's major export commodities.

36. The representative of Bolivia said that the social problems affecting the majority of the region's population as a result of the crisis could no longer be ignored. He agreed with the representative of Brazil that the practice of according preferential and differential treatment to developing countries in international negotiations should be continued.

37. The representative of Brazil noted that the crisis had created the need to rethink the prevailing industrialization and growth patterns of the 1970s. In that connection, he indicated that in Brazil those patterns were coupled with a concentration of income and an increase in poverty. His country was going to undertake to adopt a new development strategy whose main focus would be the restoration of greater social justice. He further noted that the fight against inflation need not entail an economic recession.

38. His country was concerned by recent trends towards a liberalization of trade whose conceptual framework was such that it was not confined to goods, but could encompass services and direct foreign investment as well. This type of neo-liberalism, even in respect of merchandise trade, posed a great challenge to the Latin American economy and did not provide for a differential treatment for developing countries but was instead based on a strict observance of the principle of reciprocity.

39. The representative of Colombia said that, although the impact of the crisis on the Colombian economy had been relatively less severe as a result of certain favourable economic circumstances and the country's independent management of its adjustment process, that state of affairs did not diminish his Government's solidarity in voicing the need for a political treatment of the debt problem. He underscored the need to combat the protectionism practiced by the countries of the region themselves and to strive for greater co-ordination of regional economic policies. Multilateral agencies should be financially strengthened as part of a strategy to change the debt profile. Finally, it was important to defend commodity agreements, inasmuch as they served as a means of guaranteeing fair and remunerative prices for producers and regular supplies for consumers, especially in the case of coffee.

40. The representative of Cuba said that the region was going through one of the most critical stages of its history, not only because of the crisis besetting it, but also because of the unbearable external debt, which represented an overwhelming burden to the countries of the region, seriously affected their standard of living and their possibilities for development, and threatened their very sovereignty and national independence. The external debt was unpayable and, moreover, uncollectable; hence, the only viable solution, technically and politically, was to cancel it. It was not a question of shirking a commitment. It was simply that, even if they wanted to, the countries could not pay; consequently, timely and negotiated solutions would always be better than the social explosions which were the only alternative.

41. He also stressed that the only viable path was that of unity with the rest of the underdeveloped nations, concerted efforts in conjunction with those developed countries in favour of restructuring the current international economic order, and the creation of a common front of broad-based and monolithic opposition to the injustice and oppression to which the Latin American and Caribbean countries were subject. The region must stand together with those member States which, as a result of the crisis and the conditions imposed by their creditors, had found it necessary to suspend, either totally or partially, their external debt payments, as well as with those which, exercising their sovereignty and independence, had dealt decisively with the interference of the International Monetary Fund.

42. Finally, he said that ECLAC should play a major role in dealing with those problems. Decisiveness and creativity were called for in order to carry out co-operation activities (an essential element in reducing the region's external dependence) in support of the economic and social development of the peoples of

Latin America and the Caribbean. It was important to realize that only if the region were united could it play its proper political, economic and social role in the international arena.

43. The representative of Chile said that considering the impact of the crisis and the new outlook for the international economy, his country had set less ambitious targets for its economic programmes than those set forth in the Regional Programme of Action; indeed, the targets of the International Development Strategy, and specifically of the above-mentioned Programme, should be reconsidered. He went on to speak of the need to dismantle protectionist barriers, stressed the importance in that connection of the new multilateral trade negotiations to be carried out within the context of GATT, and pointed out that any concerted action to be taken at the international level must have credibility.

44. The representative of Ecuador proposed that the industrial reorganization of the region should be carried out with the assistance of UNIDO and that its goals should be those set forth in the Caracas Plan of Action. He also noted that the document concerning the debt which had been submitted by the Secretariat did not take into account the effect of the recent drop in oil prices.

45. The representative of El Salvador expressed concern about the fact that although many analyses and studies had been made of the problems pertaining to the region's underdevelopment over the past 20 years, those efforts had still not led to any significant progress in overcoming the obstacles which hindered the development of the countries of the region. That was due to the protectionist policies of the developed countries and the lack of unity on the part of Latin America and the Caribbean in their efforts to improve their options in respect of their international relations with other countries. In that regard, he also pointed out that on many occasions the countries of the Central American subregion had not received the aid and co-operation that was to be expected from the more developed countries of the region. He asked that the Latin American and Caribbean countries should ensure that the development strategy to be approved for the latter part of the 1980s included an expression of greater interest in the problems of the subregion, the expansion of mechanisms for regional co-operation with those countries and incentives for providing greater access to their markets for merchandise from Central America. He also stressed that, although, in relative terms, the Central American external debt was lower than that of the region as a whole, the same priority should be assigned to its renegotiation.

46. The representative of Guatemala said that in response to the crisis, his country had decided to carry out a plan of economic and social reactivation based on the reduction of unemployment, a decrease in the fiscal deficit without detriment to public investment or social programmes, the promotion of regional development, respect for human rights and a campaign against corruption.

47. The representative of Mexico, after expressing his agreement with the statements summarized in the initial paragraphs of this report, made particular reference to the change in the direction taken by the external economic relations of Mexico and, in that connection stated that the debt service would be adjusted in line with the country's payment capacity. In conducting external negotiations, attention should be given to priority action in four areas: the adjustment of the debt service so that it would be in keeping with the debtor countries' real payment capacity, efficient mechanisms for financing and for reducing its cost, the opening up of markets and the expansion of intra-regional trade, and the creation of an international environment which would be conducive to positive and lasting solutions in the various areas of international co-operation. Short-term measures which should be adopted in order to lessen the constraints created by the burden of the debt service included the return of interest rates to their historical levels, the narrowing of bank spreads, an increase in the flow of funds, the separation of the current debt from future debts and the limitation of net transfers of resources to levels that would allow a minimum growth target for the gross domestic product to be reached.

48. In addressing the subject of trade, the representative expressed interest in the definition of extraregional and intra-regional measures designed to help give the region's exports greater access to international markets.

49. He also spoke of the need to draft a position paper for use by the Ministers incorporating priority proposals which could serve as a short-term programme of work for the region within the framework of the International Development Strategy. The position paper would cover lines of action with respect to the debt, monetary and financial matters, and international trade.

50. The representative of Nicaragua said that consensus and concerted action on the part of the Latin American and Caribbean countries were essential to their success in dealing with the serious crisis being experienced by the region. He rejected the managed conditionality used by some international financial agencies as a weapon for exerting political pressure, called for more active participation on the part of Latin America and the Caribbean in the reactivation of integration processes and stressed the need to increase regional co-operation in all its aspects.

51. The representative of Peru stated that the region's transformation into a net exporter of capital constituted a negation of the International Development Strategy and of international co-operation. He added that the above situation constituted a political problem and that the first priority was to launch an effort to halt the outflow of financial resources in the form of debt service payments and, then, to establish an international or national strategy. In that regard, his country had established a policy under which 10% of its export earnings would be allocated for the debt and had subsequently implemented an overall economic recovery policy to take the place of conventional measures based on a recessionary adjustment. The economic and social benefits of this course of action were already being reaped.

52. In addition to addressing the issues discussed above, the representative of Uruguay referred to possible growth scenarios envisaged for Latin America and the Caribbean and called into question those which continued to be based on increased borrowing by the region. It had become imperative to devise ways of substantially modifying current policies, of reforming the international monetary, financial and trade systems, and of distributing the costs involved in the adjustment of the external debt more equitably between creditors and debtors. Special emphasis was placed on the problem which existed with respect to commodities. The failure of the efforts undertaken within the framework of UNCTAD under the *Integrated Programme for Commodities* had been reflected in a decline in prices which had had a significant effect on Latin America and the Caribbean. Without an improvement in the terms of trade it would be difficult to envision any change for the better in the situation of Latin America and the Caribbean. In that regard, the representative said that action must be taken to increase regional co-ordination and proposed that a regional meeting on the subject be convened within the framework of SELA with the support of ECLAC and UNCTAD.

53. The representative of Venezuela said it was not very likely that external changes would occur. It was therefore essential to strengthen intra-regional co-operation and promote concerted efforts on the part of Latin America and the Caribbean to take a united stand in any negotiations that might be held in connection with external financing, commodities, protectionism and so forth.

### III. CONCLUSIONS AND RECOMMENDATIONS

54. A Latin American and Caribbean position paper on the crisis, debt and development was adopted by consensus at the session, as was a resolution concerning the implications and prospects in respect of the external debt of Latin America and the Caribbean. The texts of the position paper and the resolution are set forth below.

CRISIS, DEBT AND DEVELOPMENT

Latin American and Caribbean position paper

1. Since the beginning of the 1980s Latin America and the Caribbean have been undergoing the severest, longest and most widespread crisis of the last 50 years. The regression seen in the development processes of the countries of the region has resulted in a decline in the per capita gross domestic product, the intensification of social problems, and serious internal and external structural imbalances. The length, intensity and scope of the crisis make it a structural phenomenon. It basically has its origin in external factors which have given rise to severe balance-of-payments problems as a result of the steep rise in real interest rates; the steady, increasingly marked deterioration in the terms of trade caused, essentially, by the continuous decrease in the prices of the region's commodity exports, including the recent collapse of oil prices; and the proliferation of protectionist barriers in the developed countries.
2. In analysing the progress made with respect to the goals and objectives of the International Development Strategy for the Third United Nations Development Decade and of the Regional Programme of Action, the countries of Latin America and the Caribbean feel it is incumbent upon them to point out that the achievement of these goals and objectives has been seriously jeopardized by the setbacks which have occurred as regards multilateral co-operation for development and by sectoral policies of the developed countries which have helped to exacerbate the regional economic crisis.
3. The net flow of real resources into the region has reversed its direction, and Latin America and the Caribbean have thus become net exporters of capital. This transfer of resources has amounted to over US\$ 100 billion over the past four years. The Latin American countries transfer nearly 4% of their gross national product to the industrialized countries in debt service payments alone. This situation is flagrantly at variance with the goal of the International Development Strategy (IDS) of transferring 1% of the industrialized countries' gross national product to the developing countries.
4. Latin America and the Caribbean are faced with an external debt which totalled US\$ 368 billion in 1985. This is the most serious manifestation of the regional economic crisis: it severely trammels the region's development efforts and has a decisive impact on the prospects for its recovery. It is no longer solely a question of servicing the debt; it is now an eminently political issue and a question of the



allocation of resources for development. The solution to the debt problem should therefore be sought through a political dialogue --which should be begun immediately-- between the governments of debtor and creditor countries. Based on an integral approach and with due respect for the principle of shared responsibility, this dialogue should establish an equitable distribution of the costs of the adjustment process and ensure that the aspirations for economic development of the countries of the region are safeguarded.

5. Latin America and the Caribbean have made an enormous effort on the internal front to adjust their economies, and the cost has been high in both political and social terms. Nonetheless, this sacrifice has not enabled them to service the debt while, at the same time, achieving their development objectives. This is an intolerable situation, for if it continues, the current recessionary conditions will persist and the outlook for an economic recovery in the region will remain dim. Hence, the external debt cannot be paid under the present terms and conditions or in the absence of sustained economic development. Adjustment processes, which were regarded as temporary measures while the international economy was being reactivated and progress was being made in bringing about internal structural change, have been prolonged over time. They have thus come to represent an unbearable burden for our societies and threaten to become a regular part of the operation of the economy, thereby endangering the region's stability and its consolidation of democratic processes. In this connection, it should also be borne in mind that a very close link exists between development and peace, for without peace, the development to which our peoples so fervently aspire cannot be achieved, and without development, peace will always be precarious.

6. In order to compensate for the reduced availability of resources, the countries have, in some cases, had to endure (as a consequence of renegotiation agreements and international financial agencies' policies) severe internal economic adjustment programmes which have proven to be inadequate and which have led to recession and unemployment.

7. Latin America and the Caribbean thus face the challenge of re-creating conditions which will foster the development of their economies on the basis of equity and justice as regards their economic links with nations outside the region. To this end, it is deemed necessary to set forth guidelines for concerted action by the countries of the region aimed at reducing the vulnerability of the regional economy vis-à-vis the international situation and, especially, reversing the outflow of real resources

from the region, making progress towards the establishment of the New International Economic Order and strengthening the processes of regional co-operation and integration. These guidelines are as follows:

- a) A comprehensive and organic approach to the problems of the international economy which would provide for simultaneous and energetic action on priority fronts directed towards increasing the region's participation in the world economy by bringing about the structural changes necessary in order to modify the existing commercial and financial order. This would create a situation conducive to the internal economic and social transformations of a structural nature required in order to achieve a more just and equitable form of economic and social development.
- b) New forms of international insertion which would reduce the vulnerability of the regional economy and eliminate the constraints affecting the external sector, expand co-operation within the region and among developing countries, and shape policies for altering the structure and role of domestic markets.

8. A comprehensive and organic approach to the problems of the international economy and the search for new forms of international insertion for the region will require that action be taken in the following priority areas: the external debt, the international monetary and financial system, international trade and intra-regional economic co-operation.

9. With regard to the external debt, political action must be focused on the following areas in order to lessen the constraints imposed by the burden of the debt service and to bring about a prompt reversal in the direction of net transfers of resources:

- a) The adjustment of the debt service so that it is in line with the debtor countries' actual payment capacity;
- b) The establishment, in some instances, of ceilings on debt service based on export earnings which will be compatible with the development needs and the economic and social requirements of each individual country;
- c) The return of real interest rates to their historical levels and the reduction of bank spreads; and
- d) An increase in the flow of funds, an improvement in the terms on which loans are granted and a differential treatment of present and future debts with a view to the furtherance of development.

10. In this regard, the Committee of High-Level Government Experts noted with satisfaction the great degree of Latin American solidarity, which was reaffirmed at the meeting of the Cartagena Consensus Follow-up Committee, in connection with the need for certain countries to take concrete measures to protect their economies, particularly in respect of the debt.

11. Although the proposal made by the United States Secretary of the Treasury acknowledges the principle of co-responsibility for solving the problem of the debt and the need to foster the growth of the debtor countries through the restoration of financial flows to them, it does not go far enough, inasmuch as the financing targets announced are much too low to cover the service of the debt, much less promote sustained economic development. The proposal includes additional elements of conditionality which would make the adjustment process more difficult. It has become evident that the problem of the debt is not merely one of a need for flows of financial resources, since it is unlikely that they would be sufficient to enable the debtor countries to meet their commitments with their creditors and still ensure sustained economic development.

12. With regard to international monetary and financial matters, action should be taken in connection with:

- a) The implementation, on the part of the main developed countries, of macroeconomic policies designed to avoid having a negative impact on the international economy;
- b) The control by means of the corresponding mechanisms, of fluctuations in exchange rates and of their effects on international trade;
- c) The reversal of the current transfer of resources from the developing to the developed countries;
- d) The review of the forms of conditionality applied by international financial agencies which are detrimental to the economies of the region;
- e) The expansion of the capital base of the international financial agencies to levels that will enable them to meet the development needs of the countries of the region;
- f) The expansion of the IMF Compensatory Financing Facility in order to take into account the impact on the balance of payments of other factors, such as the deterioration of the terms of trade, the high level of real interest rates and natural disasters;

- g) A far-reaching review of the present international monetary and financial system within the context of multilateral negotiations, which should run parallel to any multilateral trade negotiations that may be held.
13. With regard to international trade, special emphasis should be placed on:
- a) The fulfilment of the Declaration and programme of work adopted at the ministerial meeting of the contracting parties of the General Agreement on Tariffs and Trade (GATT) in 1982;
  - b) The prompt negotiation of new firm, specific and verifiable commitments to preserve the status quo and, further, to dismantle protectionist barriers on the part of the developed countries;
  - c) Stable and more remunerative prices for the export commodities of the countries of the region with a view to improving their terms of trade;
  - d) The strengthening of international commodity agreements and the negotiation of new agreements as a means of achieving the objectives set forth in subparagraph c) above;
  - e) The preservation and improvement of the principles of the multilateral system of trade and particularly the unconditional application of the most-favoured-nation clause and the special, more favourable treatment of developing countries, as well as the full application of these principles in trade negotiations between developed and developing countries;
  - f) The opening up of markets to exports of agricultural and tropical products from the region and the elimination of subsidy policies applied by the developed countries in the agricultural sector;
  - g) A substantial liberalization of access for textiles to the markets of the industrialized countries;
  - h) The elimination of the practice of discrimination and graduation in trade relations between developed and developing countries;
  - i) The establishment of a concerted position on the part of Latin America and the Caribbean with regard to the objectives, characteristics and possible modalities of a proposed new round of multilateral trade negotiations.
14. With regard to trade within the region and trade with other developing countries, the proposals set forth in the Quito Plan of Action are still valid; among these, priority should be given to the following:

- a) The substitution of imports from third-party countries and their diversion to suppliers within the region;
- b) The elimination of non-tariff barriers to imports from the region;
- c) The improvement and expansion of credit and payment mechanisms envisaged in the 1980 Montevideo Treaty;
- d) Real and effective support for the regional round of trade negotiations within ALADI, particularly as regards the renegotiation of a broader and more effective regional tariff preference which could be extended to include the Central American and Caribbean countries.

15. The severe crisis being experienced by the Central American subregion is a matter of special concern to the Latin American and Caribbean countries. In order for it to be possible to devise a strategy for the development of the region, the more developed countries must undertake to pay greater attention to the economic and social problems of the Central American countries. In view of this fact, the Latin American countries reiterate their support for the Central American integration process and for the efforts of the individual countries of the subregion to move forward with their economic and social development. They realize that the necessary financial and technical resources should be available for these development programmes, that they should be further strengthened through direct regional co-operation programmes oriented towards the priorities identified by the Central American countries, and that active support should be given to any proposals the subregion might present to international forums and agencies.

16. In view of the steady deterioration of multilateral relations brought about by the policies applied by the main developed countries aimed at channelling co-operation along bilateral lines, it is urgent that such policies be changed with a view to revitalizing multilateral international co-operation and strengthening international development co-operation institutions. The strengthening of these institutions will require active participation in them and the granting of the financial resources required for their programmes.

THE EXTERNAL DEBT OF LATIN AMERICA AND THE CARIBBEAN:  
IMPLICATIONS AND PROSPECTS

The Committee of High-Level Government Experts,

Bearing in mind that at its eighteenth session the Committee of the Whole, in resolution 475 (PLEN.18), decided that the subject of the Latin American and Caribbean external debt should be included on the agendas of both the eleventh session of the Committee of High-Level Government Experts (CEGAN) and the twenty-first session of ECLAC,

Also bearing in mind that one of the objectives of the aforementioned resolution was to permit an exchange of views among the member countries of the Commission in order to further the search for ways of overcoming the important and pressing problem posed by the region's external debt,

Deeply concerned by the exacerbation of the economic and social situation of the region and by its overwhelming external debt burden, which is becoming increasingly difficult for the region to bear and which is aggravated by the drastic decrease in the prices of the export products of the countries of the region, by the increase in the protectionist measures of the countries that constitute its principal markets and by the absence of the financial flow necessary for the sustained economic and social development to which the region aspires,

Convinced of the imperative need to carry forward the dialogue begun within ECLAC in order to help resolve the serious problem of the Latin American and Caribbean external debt, which continues to be the main obstacle to the economic recovery of the countries of the region as it causes them to become, for the most part, net exporters of capital,

Taking into account the initiatives of the Latin American and Caribbean countries aimed at tackling the problem posed by the region's external debt, the essentially political nature of this issue, the necessity of addressing it on the basis of a comprehensive approach, and the urgent need to respond to the demand for an appropriate forum for a dialogue between debtor and creditor countries in order to solve the problem of the region's external debt on a joint basis,

1. Decides to recommend to the Commission at its twenty-first session:

- a) That the subject of the external debt of Latin America and the Caribbean should continue to be examined by ECLAC and that the Commission should

assign the issue a priority in keeping with its importance to the countries of the region; and

- b) That this subject should be a major focus of meetings to be held in 1987 and should be included as a main item on the agenda of the twelfth session of the Committee of High-Level Government Experts (CEGAN) in preparation for the session of the Committee of the Whole of ECLAC and on the agenda of the session of the Committee of the Whole itself so that the member States of the Commission may continue to advance in their search for the necessary solutions to this pressing problem of the region.

2. Decides to request the Executive Secretary of ECLAC to:

- a) Submit to these meetings the corresponding study on the implications of Latin America's and the Caribbean's external debt as well as the prospects in this regard and proposed solutions; and
- b) Keep the member countries of the Commission informed about the external debt of Latin America and the Caribbean on a regular and systematic basis so that the governments of the region may be in possession of full and up-to-date information on how this important issue is evolving.

