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**REPORT OF THE COMMITTEE OF THE WHOLE**

**(New York, 30-31 March 1989)**



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## A. ATTENDANCE AND ORGANIZATION OF WORK

### Place and date of the session

1. In accordance with the calendar of conferences adopted by ECLAC in its resolution 495(XXII), the twentieth session of the Commission's Committee of the Whole was held at United Nations Headquarters in New York on 30 and 31 March 1989. The session was preceded by the fifteenth session of the Committee of High-Level Government Experts, which was held at the same place from 27 to 29 March 1989.

### Attendance

2. The meeting was attended by representatives of the following States members of the Economic Commission for Latin America and the Caribbean: Argentina, Bahamas, Barbados, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Netherlands, Nicaragua, Panama, Peru, Portugal, Saint Lucia, Spain, Trinidad and Tobago, United States of America, Uruguay and Venezuela.

3. Representatives of the following associate member States of the Commission also attended: Netherlands Antilles and United States Virgin Islands.

4. In accordance with the provisions of paragraph 6 of the Commission's terms of reference, the Union of Soviet Socialist Republics, a United Nations member State which is not a member of the Commission, participated in a consultative capacity.

5. Also represented at the meeting was the Holy See, a non-member State which participated in a consultative capacity.

6. Members of the Secretariat participating were the Director-General for Development and International Economic Co-operation and representatives of the Department of International Economic and Social Affairs (DIESA) and the Regional Commissions Liaison Office.

7. Also in attendance were representatives of the following United Nations organizations: the United Nations Conference on Trade and Development (UNCTAD) and the World Food Council.

8. The following specialized agencies were represented at the meeting: the International Fund for Agricultural Development (IFAD), the International

Labour Organisation (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) the United Nations Food and Agriculture Organization (FAO), and the United Nations Industrial Development Organization (UNIDO).

9. A representative of the Latin American Economic System (SELA) also attended the meeting, as an observer.

#### Election of Officers

10. In keeping with the practice established for meetings of the Committee of the Whole held in New York in the years intervening between sessions of the Commission, the officers from the preceding session were re-elected, as follows:

Chairman:	Ambassador Paulo Nogueira-Batista, Brazil
First Vice-Chairman:	Mr. Winston Dookeran, Minister of Planning of Trinidad and Tobago
Second Vice-Chairman:	Mr. José Eugenio Salarich, Spain
Third Vice-Chairman:	Mr. Jorge García, Cuba
Fourth Vice-Chairman:	Ambassador Pedro Daza, Chile
Rapporteur:	Ms. Ingrid Herrmann, Costa Rica

#### Agenda

11. The Committee of the Whole adopted the following agenda:

1. Election of Officers.
2. Adoption of the agenda.
3. Economic evolution of the region since the twenty-second session of ECLAC: main events.
4. Preparation of the new international development strategy for the fourth United Nations development decade.
5. Other business.
6. Adoption of the report.

#### Opening of the session

12. The opening meeting was addressed by Mr. Antoine Blanca, Director-General for Development and International Economic Co-operation, and Mr. Gert Rosenthal, Executive Secretary of ECLAC.

13. The Director-General for Development and International Economic Co-operation said that, having lived for a number of years in the region, he had experienced firsthand the enormous vitality of its peoples and the

abundance of its resources. However, he had also observed with his own eyes the great economic and social difficulties facing Latin America and the Caribbean and the political problems they had caused. The large outward transfer of resources, due primarily to the debt crisis, had paralysed economic progress in most countries in the region and had caused the standard of living to decline significantly. The challenge facing Latin America and the Caribbean lay in overcoming that situation and resuming the journey along the road to growth and development.

14. Looking at the contemporary world economic situation, one was struck by the contrast between the relatively satisfactory economic growth of the industrialized countries and certain Asian nations and the situation of Africa and Latin America and the Caribbean, where per capita income was stagnating or declining. In effect, the world economy was operating on two levels --an unhealthy development. The achievement of sustained growth in the world economy as a whole would require internal policy reforms in all countries which left fundamental equilibria intact, together with a strengthening of international co-operation. Correcting disequilibria in the developed countries would facilitate sustained growth in the world economy without inflation. Those disequilibria were currently a source of trade conflicts among the industrialized countries which threatened free trade. In that connection, the success of the next series of GATT meetings would be indispensable to the promotion of freer trade.

15. As the Secretary-General had observed, it was essential that measures to reduce the debt burden of developing countries should be introduced. It was clear that a debt strategy based on increasing debt could not solve the problem, nor could a piecemeal approach. Most major industrial powers had come to realize that debt must be reduced, but there was an urgent need to speed up the process in order to alleviate the desperate situation prevailing in most countries. The prompt elaboration and implementation of the important proposals of the United States Secretary of the Treasury would constitute a major advance. However, progress would be limited if measures were based entirely on the voluntary response of commercial banks. For the strategy to have a chance of success, incentives must be offered and creditor governments and official bodies must give their active support.

16. In that regard, he looked forward with interest to the discussions of the IMF Interim Committee and the IMF World Bank Development Committee to be held the following week in Washington. Particular attention must also be paid to the problem of low-income countries, which were proportionately more reliant on official debt.

17. Many of those issues would be debated during the special session of the General Assembly to be held in 1990 on international economic co-operation and the reactivation of the growth and economic development of the developing countries. The regional commissions had an important role to play in that regard, and the ECLAC Committee of the Whole could have considerable impact on those discussions. Moreover, the Committee was one of the first to meet after the Assembly's decision to prepare a new international development strategy. The new development decade was beginning in difficult circumstances. The development of the region called for the solution of certain problems, particularly that of the debt. Debt was not the only

problem, however; the preparation of an international development strategy offered an opportunity to examine other economic, social and environmental issues. It also afforded an opportunity for a coherent response from the United Nations system, including the regional commissions.

18. The Executive Secretary of ECLAC began his inaugural address by extending a welcome to the new Director-General for Development and International Economic Co-operation, Mr. Antoine Blanca, and other United Nations officials, and by expressing his thanks to the Chairman of the meeting and of CEGAN, Ambassador Paulo Nogueira-Batista.

19. He drew attention to the intergovernmental structure of the Commission and the role played in it by the meetings of the Committee of the Whole, which made it possible to keep governments duly informed and to maintain contact with the permanent missions at Headquarters, thereby facilitating links between the topics dealt with by the Committee and others that were more global in scope. In that regard, he noted that the substantive items on the agenda of the present meeting were very timely in relation to the current debates at Headquarters.

20. In respect of the first item, the overall economic evolution of Latin America and the Caribbean, he pointed out that the economic crisis had continued and even got worse during 1988, examples of that being the decline in the per capita product and the rise of inflation. He noted that the favourable evolution of exports had not resulted in a greater import capacity, as it had been offset by reduced net capital inflows and an increase in external debt servicing, so that, for the sixth year in a row, there had been a rise in the transfer of financial resources abroad. The information contained in the documentation showed that it was of high priority for the region to overcome the factors underlying the crisis. The topic had at least two dimensions, namely, the development of the Third World countries as one of mankind's greatest challenges, and secondly, the clarification of the scope and content of mechanisms to achieve that objective. In both cases, ECLAC's contribution could be important for world progress.

21. He also referred to the subject of poverty, which had been a continuing concern in the institutional life of ECLAC. At the present time, one of the most difficult aspects of the economic picture was the highly regressive character of the adjustment, which had involved a sharp decline in real wages and a deterioration of public social services, such as education and health, whose future consequences would necessarily be serious. The very high percentage of poor people in the region made it imperative not only to reactivate growth but also to make that growth more equitable than in the past.

22. With regard to the debt, he recalled that 12 of the 17 most indebted countries of the world were in Latin America, so that the debt, although it was neither the only nor even the main problem of the region, was nevertheless at the centre of the debate. Debt servicing had to be subordinated to the achievement of minimum goals of growth and investment which would give governments the necessary leeway for action. He expressed the hope that the conceptual advances in dealing with the problem, including



the initiative of the United States Secretary of the Treasury and the proposal by the group of countries belonging to the Permanent Mechanism for Consultation and Concerted Political Action, would converge towards instruments and actions that would make it possible to approach the next decade with greater hope.

23. Lastly, he noted that the points dealt with in his address were closely linked with the International Development Strategy (IDS), in that it was a matter of regaining the long-term time perspective which was essential in order to confront the tasks of development, and of helping to lay the groundwork for re-examining the responsibilities of all countries in that great undertaking.

#### Adoption of the report and closure of the session

24. The Rapporteur of the session, Ms. Ingrid Herrmann of the Costa Rican delegation, presented the draft report for consideration by the delegates and informed them of the usual procedures for making observations on its text. The draft report was accordingly adopted by consensus.

25. The Chairman of the session, Ambassador Paulo Nogueira-Batista, thanked delegates and the other Officers for their co-operation in ensuring the success of the session, and also expressed his appreciation to the Secretariat.

26. The Executive Secretary of ECLAC thanked the delegates for their participation in the session of the Committee of the Whole, which, he said, had taken place in the best traditions of ECLAC: as a forum for collective reflection, whose success was to be measured by the quality of the dialogue achieved in it. He noted that the Chairman's decision to deal with the topic of the IDS within the context of the present situation of Latin America and the Caribbean had been a wise one, since it had made it possible to clarify ideas and thus facilitate the future debates in the Ad Hoc Committee of the Whole for the Preparation of the New International Development Strategy for the Fourth United Nations Development Decade. In conclusion, he expressed his appreciation to the Chairman for the notable wisdom with which he had directed the debates.

27. On behalf of the participating delegations, the representative of Spain and of the EEC countries which were members of ECLAC expressed his congratulations and thanks to the Chairman, the other Officers, the Executive Secretary and the rest of the Secretariat, and said that he was confident that the next session of ECLAC, to be held in Caracas in 1990, would be a most successful one.

## B. SUMMARY OF THE DEBATES

Agenda items 3 and 4

28. Opening the general debate, the Chairman of the session made some introductory remarks.

29. He said that the agenda for the present session of the Committee of the Whole of the Economic Commission for Latin America and the Caribbean had only two main or substantive items. The first related to the preparation of a new International Development Strategy for the next decade. The second concerned the evolution of the economy of the Latin American and Caribbean region since the last meeting of ECLAC in April of the previous year. In his view, the two items were interrelated. In order to prepare the Strategy for a new decade, the evolution of the economy at the close of the 1980s must necessarily be examined. Having in mind the interrelation between the two topics, he proposed that both agenda items should be debated simultaneously. In other words, delegations could choose to intervene on either item, but limiting themselves to a single statement.

30. As to the preparation of the International Development Strategy, the Ad Hoc Committee of the Whole for the Preparation of an International Development Strategy for the Fourth United Nations Development Decade was the appropriate forum for its discussion and negotiation. As had been pointed out by Mr. Gamani Corea, Chairman of the Ad Hoc Committee, in his final remarks at the end of the inaugural session of that body, there was currently a need for flexibility in approaching the substantive issues involved in drafting the Strategy. Mr. Corea had also added that, at the first meeting of the Ad Hoc Committee scheduled for June, the discussions should be on a broad approach to the Strategy, on the general character of the instrument and on the themes that might emerge, without being too definitive or decisive at that stage. If that was true for the Ad Hoc Committee, it was even more appropriate for the work of the ECLAC Committee of the Whole which was not the right forum for negotiation of the Strategy, since it had no mandate to reach final conclusions on that issue.

31. The meeting of CEGAN, a body created in 1971 to be a forum for analysis of the International Development Strategy, had just ended that week. As was stated in its report, the participants had agreed that the issue of the content and scope of a new International Development Strategy was a complex one and depended on agreements which were currently taking shape in the global forums of the United Nations. They had also agreed that the meeting offered a first opportunity to harmonize views at the level of Latin America and the Caribbean, but recognized that key aspects remained pending. Finally, they had agreed that the different positions taken must be compared in order to arrive at a regional position.

32. The Secretariat representative, introducing the documents submitted to delegations for consideration, noted that, after a period of skepticism about the role of multilateralism, in 1988 the United Nations had scored major political successes in the sphere of peace. That new environment offered the new International Development Strategy (IDS) the possibility of becoming the

instrument which would restore a long-term perspective in economic and social matters and re-establish development as a top priority.

33. The Secretariat representative mentioned a number of elements which would make it possible to overcome the political, technical and institutional shortcomings of the second IDS. In that connection, special emphasis was placed on the need to keep the main focus on promoting the economic and social development of the developing countries, while also explicitly taking account of the interests of the developed countries. To that end, it would have to be determined which resources and commitments were indispensable, so that all countries could weigh them in the light of their respective interests. Such a procedure would also facilitate evaluation and make it easier to identify who was responsible for failing to comply with what had been proposed. Likewise, when the Strategy was being formulated, attention would have to be paid to the capacity of the United Nations system to co-operate in implementing and evaluating proposals. The existence of political, technical and institutional restrictions would thus make it necessary to select objectives and goals carefully and the number and nature of the latter would be consistent with the system's political commitments and capacity.

34. Lastly, the Secretariat representative presented by way of illustration two general objectives which met the conditions just mentioned. Those objectives were to gradually reduce the disparities between the developed and the developing countries by reversing the negative transfer of real and financial resources, and to improve the quality of life of the mass of the population, above all by reducing or eliminating situations of extreme poverty. In each case, the representative referred to the political instruments, quantifiable indicators and evaluation mechanisms which would facilitate attainment of those objectives.

35. The representatives of Ecuador said that the new democratic government of his country attached the greatest importance to the preparation at the United Nations of the Third International Development Strategy. That undertaking paralleled preparations by the new government for a new national medium-term development strategy to overcome the crisis and incorporate the country properly into the economy of the twenty-first century.

36. The crisis facing the Latin American economies was not transitory but structural, and was manifested in the external debt crisis, which demonstrated the non-viability of a growth pattern based on access to external resources.

37. In the face of the crisis, the discussion must not be centered on instruments, but on their implications. The new government of Ecuador had opted for economic revival, relying on public support and political consensus as well as austerity and shared sacrifices, integration with Latin America and the Caribbean, and the co-operation of the industrialized countries.

38. It was, however, necessary to acknowledge the existence of serious hindrances, such as the high cost of external debt servicing, the steady decline in the terms of trade, protectionism in the developed countries, and the constant increase in import prices.

39. Those constraints lay behind the negative flow of resources characteristic of relations with the developed countries, and means of overcoming them must inevitably form part of the Third International Development Strategy. The Strategy should not be an end in itself, but rather a means to bring about economic revival in the developing countries. Similarly, skepticism about the ability of the North to carry the economies of the South along with it led to the conclusion that the new Strategy must avoid assigning the Latin American economies an internationally subordinate role.

40. The representative of Chile said that the ECLAC report contained in the document on recent economic trends in Latin America and the Caribbean raised serious concerns about the situation in the region as a whole and in the majority of its countries: a recessionary climate, which was a source of deep preoccupation, prevailed and large negative financial flows continued to drain the region's savings.

41. Since 1984, the Chilean economy had experienced a combination of adjustment with growth, and it could now be said that the effects of the severe international recession of 1982-1983 had been overcome and that the Chilean economy was moving along the path to development. It was generally held that the positive results seen today were the product of a long and sustained process of modernization that had been set in motion since the mid-1970s.

42. Chilean exports had played a fundamental role in that growth strategy. Fruit production occupied a key place among those exports because of its impact on the balance of trade and on employment. The fruit and vegetable sector, and above all its workers, had recently been affected by the temporary barring of those products' access to major consumer markets because of measures taken by the health authorities of several countries in the wake of an act of sabotage committed in order to harm Chilean exports. Not all the negative effects of that situation on Chileans had yet been felt or even identified fully, but the social consequences were already grave. Prudent economic management, the current fiscal and balance-of-payments situation and the caution with which international reserves had been managed had given Chile the resources needed to deal with the immediate effects of the crisis, particularly with regard to employment, but offsetting those consequences in the medium and long term would require international assistance.

43. The representative of Bolivia began by referring to the economic progress in his country, which had managed to check the inflationary process and reorient the economy. In order to do away with short-term perspectives, a national economic and social development strategy had been drawn up which would carry the country forward to the next millennium.

44. He then turned to the economic development of Latin America and the Caribbean and the need for a new International Development Strategy. He dwelt on the fact that the crisis affecting the economy of the region had revealed fundamental weaknesses in the prevailing development pattern, as well as severe handicaps resulting from the existing economic structure which would have to be overcome if sustained development was to be attained.

45. He stressed the importance of being selective in setting the main objectives of the Strategy. Those objectives must be elevated into guiding principles for international co-operation and must serve as a point of reference for multilateral action in pursuit of basic world agreements.

46. On the subject of the objectives for the forthcoming Strategy, he also stressed the need for redoubled efforts to eradicate extreme poverty and consolidate the social and economic position of the countries' growing informal sectors, the expansion and deterioration of which could turn them from informal into unlawful areas of activity.

47. In the financial sphere, he said that there should be areas of shared responsibility between countries. The developed countries should increase the resources they made available to multilateral financing institutions, which should make their financing conditions more flexible, while the developing countries should design and carry out coherent domestic programmes in order to make good use of those resources and avoid the kind of macroeconomic imbalances which would render such joint endeavours fruitless. With regard to the external debt burden he noted that measures to reduce its negative impact should take account not only of commercial bank debts but also bilateral debts.

48. He also emphasized that the International Development Strategy should be an authority which could be invoked before the multilateral financing mechanisms.

49. The representative of the World Food Council stressed the importance of food security and mentioned the ways in which the Cyprus Initiative against world hunger could help to ward off the scourge of hunger in the countries of Latin America and the Caribbean. The Council sought to heighten the political will of all countries to solve such problems as the debt, the social costs of economic adjustment programmes, trade imbalances and ecological deterioration, all of which had an impact on the food situation in the region.

50. The representative of Venezuela concerned with other speakers about the gravity of the economic decline in the region and the large outward transfer of resources. As regards the planned Strategy, he was in favour of keeping some ideas from the previous Strategy which were still valid, and pointed out the need for quantitative parameters, in both the economic and the social field, in the design of the new Strategy. Among the subjects to which the Strategy should give preferential attention he suggested finance and trade, possible means of alleviating the debt burden, and the strengthening of international co-operation. In conclusion, he said that the new Strategy needed to be flexible and capable of adapting to any changes in the world economic situation.

51. The representative of Spain, speaking on behalf of the EEC countries which were also members of ECLAC, said they were worried by the deterioration in economic conditions in the region, despite the relative easing of external restrictions. Most countries in the region had slipped further and further away from the elusive goal of resumed stable, sustained economic growth such

as would enable them to address the massive and serious social problems that had built up since the onset of the crisis.

52. On the economic side, the EEC countries which were members of ECLAC were seriously concerned about the region's economic difficulties and their various internal and external consequences. They believed that it was in everyone's interest for those difficulties to be overcome in ways that reinforced economic growth, social stability and the democratic process in the region.

53. They endorsed the priority accorded by the countries of the region to economic and trade reforms, export diversification and the development of the competitive economies needed for the fuller integration of the region into the world economy. They also welcomed the new approach to the debt problem recently set forth by the United States Secretary of the Treasury, Mr. Brady, and were looking into it with the closest attention.

54. As they agreed in general with the Chairman of the Ad Hoc Committee of the Whole for the Preparation of the new IDS that the Ad Hoc Committee should adopt a two-phase approach, first discussing the broad nature of the new IDS, its general character and main themes, then focusing on more specific and sectoral issues, they felt that ECLAC should try and express its views, first, on the broad character of the IDS, and second, on issues which its members deemed particularly important and believed should be incorporated into the new IDS.

55. In the view of the member States of the EEC which were also members of ECLAC, the new Strategy should be more realistic and should concentrate on the best ways of achieving development both in individual countries and in a regional context, rather than aiming to present a world-wide scenario for the 1990s.

56. More specifically, the new Strategy should be less rhetorical and more practical, more realistic, more selective, better focussed on the main issues --human resources, poverty, the environment, etc.-- and better oriented to promoting the integration of developing countries in order to help create larger and more stable economic areas.

57. In addition, they felt that the negotiation and adoption of a new IDS should provide a new opportunity to rethink the role of the multilateral system in support of the goals of the Fourth United Nations Development Decade while the Strategy should also form a common framework, ensuring that the activities of international development organizations were consistent and mutually supportive.

58. The representative of Uruguay said it was clear that if measures to reverse, or at least mitigate, the current trend towards increasing economic deterioration were not found, the consequences could be disastrous. The political and social dimension of the crisis, which was the subject of greatest concern to the governments of the region, must be borne in mind. That concern had been eloquently expressed by the Ministers for Foreign Affairs of seven Latin American countries belonging to the Permanent

Mechanism for Consultation and Concerted Political Action at their most recent meeting, held at Ciudad Guayana at the beginning of the month.

59. At that meeting, the threat to the Latin American democracies' stability and consolidation posed by the growing deterioration of the economic situation in those countries had been stated in dramatic terms. "How much poverty can freedom take?" was the question the Ministers asked in the opening section of their final declaration on the external debt.

60. Governments and banks in developed countries must understand the real nature and magnitude of the external debt problem and accept and appreciate the seriousness of its social and political ramifications; they must also recognize that the external debt was a general problem for which everyone must share responsibility, and they must act with the promptness necessitated by the problem's urgent nature if they wished to prevent irreversible harm. Accordingly, they must make a fundamental change in their approach to the problem, which had thus far been characterized by related and insufficient reactions, comparable to those of a doctor who realized the seriousness of an illness only when the patient died.

61. The new development strategy was an undertaking that was of interest to and affected everyone, and not an instrument to be used by some sectors against others. Accordingly, it should take into account the interests of all countries and should also spell out the commitments to be undertaken by all.

62. The strategy ought therefore to be designed in such a way as to involve all parties in its implementation. To that end, it should inter alia, recognize that the development process took on different characteristics in different regions, while acknowledging that some problems were common to all.

63. The representative of France said that he would be brief, as the position of the EEC countries on the main topics of the meeting had already been set forth in an earlier statement. What he wished to do was to refer to some recent events which gave grounds for optimism regarding the debt problem.

64. The first of those events was that there was now every likelihood that the role which the Inter-American Development Bank (IDB) could play in solving the problem would be expanded. He recalled that at the Thirtieth Annual Assembly of Governors of the IDB, held in Amsterdam from 20 to 22 March 1989, there had been high hopes of achieving modifications in the articles of association of the Bank, as well as an increase in its capital, and he was able to announce that those projects enjoyed the support of the French government.

65. The second event was connected with a meeting of the participants in the Amsterdam assembly. That meeting had been hosted by the French government, and its purpose had been to engage in an exercise of reflection on the present situation in Latin America and the Caribbean. The French government's impression was that changes were taking place, and that a broad consensus was taking shape among the developed countries in favour of a multilateral approach to the debt. He said that the Minister of the Economy of France had proposed the establishment of a multilateral body whose object would be to

facilitate the solution of the debt problem. For that purpose, a guarantee fund would be set up —probably under the aegis of the IMF— to insure payment to the commercial banks of the interest due to them, possibly through Special Drawing Rights. One of the benefits of that initiative was that it would restore confidence and hence bring about the resumption of lending.

66. The third event was that the most highly industrialized countries of the world would be meeting in Paris in a few months. At that meeting, he said, the French government would propose that tackling the debt problem should be given high priority on the agenda.

67. The representative of Nicaragua said that the crisis suffered by the region in the present decade had brought with it extreme deterioration in living conditions and had sunk tens of millions of the region's inhabitants into a state of absolute poverty.

68. He stressed how important it was that there should be a political will to solve the external debt problem, noting that it was absolutely necessary to find a solution, because otherwise processes of collective impoverishment and generalized violence would be set off.

69. He acknowledged that there had been some progress on the conceptual level: it was now recognized that it was absolutely essential to reduce the level of indebtedness, and also that the debt could not be paid on its present terms without sustained economic development. That progress had not been translated into the adoption of actual measures, however. Block-type negotiation had not worked, and case-by-case negotiation had held up the finding of a solution. Apparently only violence, with social and political upheavals, could bring about a reversal of the situation, but there was nevertheless still time to solve the problem by dialogue and negotiation.

70. In conclusion, he said that the new international development strategy should cover both global targets and specific objectives, be flexible and capable of adapting itself to changing conditions, and be backed up by a firm and answering political will. That will should also be shared by the developed countries, which should contribute fresh resources to enable the multilateral agencies to finance a development process without restrictive conditionalities.

71. The representative of the United States of America said that economic turmoil in Latin America was bringing a rebirth of free-market thinking and practice, because central planning could not cope with the pace or magnitude of technological change. Resources must respond to opportunity, and Statist models did not work. Countries which encouraged foreign investment, maintained relatively open markets, adopted market-oriented reforms and implemented sound fiscal and monetary policies seemed to do better economically. Nonetheless, reforms must be realistic; it should be recognized that reform programmes were not cost-free, and the social dimension of structural adjustment must also be taken into account. Finally, progress demanded the co-operation of both debtors and creditors, as well as private and public lenders and governments through bilateral and multilateral lending.



72. The recent announcement by Treasury Secretary Brady of proposals to strengthen the international debt strategy had reaffirmed the basic principles of stronger growth in debtor countries, market-oriented reforms; external financial support; and a case-by-case approach. Recognizing that serious problems and impediments remained, Mr. Brady had made other key suggestions: central roles for the International Monetary Fund and the World Bank in encouraging reform efforts in debtor countries; promotion of new lending and reduction of the debt or of the debt servicing burden, and a stronger emphasis on new investment and flight-capital repatriation.

73. For that purpose, the United States had suggested that the IMF and the World Bank should increase their support for debt- and debt-service reduction schemes, and that commercial banks might obtain general waivers in loan contracts for limited periods of time to encourage debt- and debt-service reduction.

74. Concerning the preparation of the new International Development Strategy for the Fourth Development Decade, the United States had abstained on General Assembly resolution 43/182 because it had serious reservations about the need for an IDS. Given the wide disparities between developing countries, a single international development strategy did not seem feasible. Nonetheless, the United States would consider participating in a new IDS, if it were designed to provide a flexible framework for the identification and analysis of development problems and the examination of alternative courses of action to address those problems.

75. Finally, he said that as requested at the twenty-second session of the Commission, held in April 1988 in Rio de Janeiro, ECLAC should work more closely with member countries that had taken steps to make State-run enterprises more efficient, with the aim of generating domestic investment and attracting foreign equity and voluntary lending.

76. The representative of Canada noted that the economic picture of the region as a whole remained grim. His delegation was concerned at the deterioration of the social and economic fabric in many countries, at the pressures exerted by that situation on democratic institutions and at the difficult choices imposed on the governments of the region by the economic problems. Of course, the panorama was not uniformly discouraging. Some countries had demonstrated remarkably effective management skills domestically, which could be seen, inter alia, in the form of a dynamic growth rate.

77. The external debt burden was very heavy for all countries. Canada welcomed the initiatives to reduce the external debt burden, and noted with interest the proposal made by United States Secretary of the Treasury Brady.

78. The globalization of the world economy had brought into play the responsibility of all governments —of both developed and developing countries, and both domestically and externally. Canada attached particular importance to the GATT negotiations, and encouraged the countries of the region to take the steps needed to facilitate foreign investment.

79. The Canadian delegation congratulated the Secretariat on its note concerning the International Development Strategy. Canada favoured a selective, flexible approach, adopted to the situation of the particular economies and oriented towards the least developed countries and the least developed sectors within those countries.

80. The representative of Cuba said that the reverse transfer of financial resources from which Latin America and the Caribbean were suffering and the region's external debt were closely related problems which should be dealt with as a matter of priority in the new International Development Strategy. The essential goal of the Strategy was to make a decisive contribution to economic and social growth in the developing countries, for it was on them that the brunt of the economic crisis was falling for the eighth successive year. His country's position was that the external debt was unpayable and uncollectible, and the formulas tried so far in an effort to honour it had been ineffective and inadequate. Those points should be borne in mind in the contribution ECLAC made to the new International Development Strategy, as should the harmful nature of the "market menu", in particular the capitalization of debt and the privatization of large sectors of the economy. Those latter schemes were private bank devices, brought in after the failure of the Baker Plan, which increased the external dependence of the debtor countries. The so-called Brady Plan, or what was known of it, offered no answer to the serious problems burdening the Latin American and Caribbean region, which included high interest rates, a cut-off of flows of finance, both from banks and in the form of direct investment, unequal trade, economic protectionism and other unfair practices which the new Strategy should seek to eradicate.

81. The representative of Mexico said that, after making concentrated efforts to adjust to new and changing circumstances and to adverse international conditions, the countries of Latin America and the Caribbean had not generally succeeded in reversing or overcoming the economic crisis which had overwhelmed them during the 1980s. Recessionary policies, economic and even political instability, high social costs and social retrogression and their people's growing despair of ever achieving a better future had become permanent phenomena.

82. Nevertheless, he believed that although the proposal by the United States Treasury Department concerning debt contained some positive elements, there was still time to ensure that it did not become a justification for the trend towards fewer new credits for developing debtor countries, thereby maintaining the status quo with regard to the net outward transfer of resources from developing countries. That concern was even more urgent in view of the impending further increases in interest rates and the trend towards shrinking credit and reduced liquidity within the international financial system.

83. Mexico provided clear proof that efforts and economic discipline at home were insufficient if they were not accompanied and backed up by a favourable economic climate and substantial changes in the machinery of the international financial and trade systems. Although substantial advances had been made in macroeconomic matters, the social costs of the preceding eight years had been immense. The minimum wage had fallen by 42% in real terms, and

real per capita income had declined by 12%, while real per capita public expenditure for housing and health had declined by 25% and 22% respectively.

84. The topics he considered to be important and globally significant enough for inclusion as priorities in the new strategy were related to the variables which determined the entry and participation of the regional economies in the world economy. Consideration should be given first and foremost to the problem of the external debt and the net outward transfer of resources from the developing countries.

85. It must be emphasized in that connection that the strategy's actual success would depend, more than on its form or content, on the will of all the countries in the international community to make the correction of disequilibria in the developed world compatible with the development requirements of the developing world, in order to produce juster and more harmonious international economic order that would mutually benefit all parties.

86. The representative and Minister of Planning of Trinidad and Tobago stated that the third International Development Strategy should seriously deliberate and elaborate on the following points:

a) The new configuration of world marketing arrangements emerging in the world --in Europe, North America and elsewhere;

b) The reliance on solving the savings-investment gap and the export-import gap should be broadened to include the emergence of a technology gap, which threatened to widen the economic distance between the industrialized and the developing world;

c) The need to work seriously on the development financing capability of the international development institutions;

d) The need to assess policy co-ordination in a wider framework that included policy among countries in the region and to reaffirm the multilateral character of the third IDS;

e) The fact that while the capital accumulation process had been adopted in the past, and some had judged it a failure, it must be recognized that it was only part of the development equation and that greater emphasis should be placed on the social and cultural dimension of development.

87. The Caribbean region was of the view that development financing, the diffusion of science and technology and the development of agricultural and marine resources were main priority areas for inclusion in the IDS.

88. In that context, the Minister outlined recent developments in Trinidad and Tobago aimed at restructuring the economy which included the process of adjustment and capital expansion of social programming as key elements for economic recovery and growth. He reminded the meeting of the need for external capital inflows to make the new policy initiatives effective.

89. The representative of Costa Rica said that his country had made major efforts to tackle the current crisis. In 1988, the domestic product had continued to grow, albeit modestly and to a lesser degree than in the preceding two years. Despite the restrictive fiscal and credit measures which had been taken, inflation had intensified, reaching 25.8% which was quite a high rate in comparison with the usual levels for Costa Rica.

90. With regard to the Latin American situation, he recalled that the external debt problem continued to affect the countries of the region intensely, and its solution called for greater co-operation from the international community than ever before. In that context, the Brady Plan seemed to constitute the most important change of policy in respect of the external debt crisis. The fact that debt reduction was recognized as one of the strategy's principal instruments was proof of a more realistic view of the crisis.

91. Accompanying the increased indebtedness had been the net outward transfer of resources from the region. Although countries had made major efforts in the area of exports, the benefits had not remained within the region, since the foreign currency had returned instead to the international banks.

92. It was vitally important for the region that the objectives of the international development strategy should include reversing the outward transfer of resources, decreasing the debt burden, reducing extreme poverty, less protectionism in international trade, and acceptable treatment in the area of technology transfers.

93. The representative of Colombia referred to his country's Macroeconomic Programme for 1989. In general, Colombia's economic policy had produced some major achievements in the past three years, such as the reactivation of investment in general and private investment in particular, the maintenance of a high and stable rate of increase in productivity and a significant reduction in unemployment.

94. Macroeconomic planning for 1989 had three core objectives: a) to eliminate factors that had generated inflationary pressures in order to prevent price increases from exceeding 24% during the year; b) to channel public expenditure towards projects which clearly benefited the most disadvantaged strata of society; and c) to stimulate and support investment and production in the private sector, with a view to ensuring that the GDP would grow by more than 4.5%.

95. The Public Investment Programme had led to progress in the reorientation of public expenditure specified in the Social Economy Plan, while addressing the needs of the energy and infrastructure sectors, which had experienced cutbacks in previous years to make way for investment in the social sector.

96. In conclusion, he said that the country's industrial policy was aimed at developing an efficient production structure which would satisfy the country's economic growth requirements by stimulating the capital-goods production sector.

97. The representative of Brazil noted that all the documents and statements agreed that the economic situation in Latin America and the Caribbean was dramatic, and he emphasized the risks to the international economy if the situation continued. He pointed out that the current International Development Strategy recommended the transfer of 1% of the developed countries' gross domestic product to the developing countries. What was currently taking place, however, was a transfer of 4% of the developing countries' GDP to the developed countries, basically through interest payments on the external debt. It was necessary to reverse the outflow of resources or ensure that the countries in the region could at least keep all their savings, instead of transferring a third of them to the exterior. It was sometimes said that going back to the former situation of a positive flow was not what was needed, since that would increase the debt. But that was not the question at issue: first, the disequilibrium in and between the developed countries had to be reduced. The developing countries of the region had made efforts to do so at the expense of their own development. The Latin American and Caribbean countries were helping to finance the deficit in the world's largest economy. It was the responsibility of all concerned to reverse that situation through firm action on the part of the international community. The developing countries had made adjustments, at great sacrifice and with deleterious results; now monetary and financial adjustments were needed within the developed countries and in the flows between them. As the developing countries, and in particular the countries of Latin America and the Caribbean, had often said, those adjustments should include:

a) Even-handed responsibility of all parties for the maintenance of international monetary and financial equilibrium;

b) Rectification of the imbalance in the decision-making process on such matters (the current decision-making process, restricted to a handful of participants, had proved highly inefficient);

c) Correction of the monetary and financial imbalances in the developed economies, action on which had been limited to exchange-rate adjustments --short-term interventions;

d) The restoration of capital movements from developed countries in surplus to developing countries in deficit.

98. Finally, he drew attention to the risks for all concerned if the current situation continued.

99. The representative of Peru began by noting that it was development theory itself which was in crisis. In contemporary Latin America, and in developing countries in general, there was a need for an alternative concept of development other than the isolated national options which had to struggle against a harsh international environment.

100. An analysis of the results showed that the rigid "shock" approach was not succeeding in achieving the targetted objectives, nor even the priority goals relating to equilibrium of the balance of payments. He illustrated his remarks with data on the region's net interest payments, which had grown from US\$9.6 billion in 1979 to US\$30.9 billion in 1986, and on the negative

transfer of resources outside the region, which amounted to US\$139 billion between 1982 and 1987.

101. He drew attention also to the social repercussions of the adjustment process, whose worst consequences were being felt by the most disadvantaged groups in society. In that regard, UNICEF maintained that such adjustment policies had resulted in increased malnutrition and a decline in health services and school enrolment, describing those policies as inhuman, unnecessary and ineffective in the long term.

102. Lastly, he referred to the Brady proposal for debt relief, to the Japanese government initiatives having the same end and to the French proposal to create a new international mechanism, or guarantee fund. All those proposals were aimed at finding a multilateral solution to the debt problem and constituted the most recent and concrete expressions of the conceptual progress observed in the position of the industrialized countries on that subject.

103. At the conclusion of the general debate, the chairman of the meeting said that the exercise had led to the identification of certain points of agreement among the various statements. The first was a widespread, almost consensual, recognition that growth must resume in Latin America and the Caribbean. The second was a general recognition that there were external restrictions in the areas of trade, money and finance which must be eliminated or reduced for that to be possible. The third lay in the recognition that the formulation of an international development strategy must not only reflect a realistic analysis of the region itself but must also consider the overall frame of reference of world economic trends.

104. At the close of the debate on agenda items 3 and 4, the representative of Trinidad and Tobago presented a draft resolution sponsored by the delegations of Brazil, Chile, Cuba and his own country, entitled "Preparation of an international development strategy for the fourth United Nations development decade". The text of the resolution, which was approved by consensus, is given in part C of this report.

105. Following the adoption of that resolution, the representative of the United States of America requested that the following observation should be included in the final report of the meeting:

"My delegation has asked for the floor at this time to provide clarification on the US position on the IDS. We have joined the consensus on this resolution just approved by the Committee because we are committed to continue supporting the economic progress of developing countries. The US abstained on the United Nations General Assembly resolution mandating the new IDS because we have reservations about the feasibility of a single International Development Strategy, given the disparities among developing countries. The limited resources of the UN system could be better spent in providing information on successful development strategies and approaches, and looking at cases where countries have achieved sustainable broad-based growth, as a result of adjustment efforts.

"Given the uncertainties of the 1990s, we believe it would be an unproductive exercise for the IDS to attempt to set specific quantitative targets for economic growth, aid flows, and trade.

"Despite our reservations, we would consider participating in a new IDS, if it is designed to provide a flexible framework for the identification and analysis of development problems and the examination of alternative courses of action to address those problems."

Agenda item 5

106. The Committee then considered agenda item 5, Other matters. Referring to the Calendar of Conferences of the Commission for the period 1989-1990, the Executive Secretary of ECLAC explained that, since the Commission had last considered and approved the Calendar of Conferences at its twenty-second session, the possibility of holding two additional meetings had been explored. They were:

a) A meeting of governmental experts on environment and development. The Executive Secretary explained that tentative arrangements had been made to co-sponsor with the Inter-American Development Bank and the United Nations Environment Programme, an intergovernmental expert meeting on the general topic of development and environment. The exact content, title and scope of the meeting, as well as the most suitable time, venue and other details, would be determined in due course, in order to ensure that the meeting formed part of the preparatory process for the United Nations conference on that subject which would probably be held in 1992. The Executive Secretary said that, although the meeting was not currently included in the ECLAC Calendar of Conferences, it would have no financial implications for the Commission's regular budget, since extrabudgetary resources would be forthcoming, largely from the Inter-American Development Bank;

b) Meeting of the Committee of High-Level Government Experts (CEGAN). As stated in paragraph 65 of the final report of the fifteenth session of CEGAN, the Committees agreed at United Nations Headquarters on 22 and 23 May 1989 to reach a regional position on certain central aspects of the new international development strategy. The Executive Secretary announced that, in view of the very modest financial implications of that additional meeting, the Secretariat would be able to service it from existing budgetary allocations.

107. Following the statement by the Executive Secretary, the representative of Spain and spokesman for the EEC countries which were also members of ECLAC expressed his agreement with the two proposed meetings, but noted that any document approved by CEGAN would reflect the viewpoint of the Latin American and Caribbean delegations, but not necessarily that of ECLAC. The representative of Canada also expressed support for the proposed meetings, but recommended that care should be taken in the choice of dates for the meeting on environment and development, so as to avoid any conflict with other scheduled meetings on the same topic. He added that the meeting should be open to all ECLAC member governments.

108. The Committee of the Whole decided to include the two proposed meetings in the ECLAC Calendar of Conferences for the period 1989-1990.

109. The Committee then considered the resolution entitled "Damage caused by Hurricane Joan in Nicaragua", approved by the Committee of High-Level Government Experts on 28 March 1989 for submission to the Committee of the Whole of ECLAC (text reproduced in part C of this report). At the request of one delegation, a roll-call vote was taken on this resolution, which was adopted by 23 votes in favour and one against (United States). Subsequently, several delegations which had been absent at the time of the vote announced that they would have voted in favour had they been present.

110. In explanation of his vote, the representative of the United States made the following statement:

"My delegation has called for a vote and opposed this resolution inviting member States and organizations of the UN system to contribute to the rehabilitation and reconstruction of Nicaragua. Under normal circumstances, Mr. Chairman, my government supports appeals for humanitarian assistance to countries ravaged by natural disasters. Unfortunately, we cannot do so today.

"We are struck by and discouraged by the fact that ECLAC has only compiled a list of rehabilitation and reconstruction projects for Nicaragua and not for the other countries affected by Hurricane Joan.

"We also believe that the Sandinista régime is more to blame for the state of the Nicaraguan economy than is Hurricane Joan.

"We question why the international community should bail out the Sandinista régime. The deplorable economic conditions in Nicaragua are due principally to its failed economic policies.

"We believe that Nicaragua should live up to its commitments under the Esquipulas II Accord to bring about truly democratic conditions in Nicaragua. The actions of the member States and the organizations of the UN system can have a significant impact on Sandinista compliance with the Esquipulas Accord. To encourage this compliance, economic assistance contemplated for Nicaragua should be conditioned on real Sandinista actions to bring liberty to all Nicaraguans and an end to subversion in Central America.

"We want to see action, not just words, on the fundamental objective of Esquipulas: genuine progress towards democratization. With this will come economic growth and well-being for the people of Nicaragua."

111. In reply, the representative of Nicaragua said that it was lamentable that it had not been possible to reach a consensus on a draft resolution which simply sought to express appreciation of the work done by ECLAC to help a Latin American country. It was no surprise, however, that the United States delegation should have demanded a vote on the matter, since such an attitude was part of the obsessive United States policy against Nicaragua which it was fondly hoped had disappeared along with President Reagan.



When approving the act to provide "humanitarian" aid to the counter-revolutionaries a little while ago, President Bush had said that he was doing so in order to further peace in the region. It was not clear whether the attacks made by the United States representative on Nicaragua should be interpreted as a deliberate departure from that position or not.

Notwithstanding the foregoing, the vote which had just taken place was a significant illustration of the support for and solidarity with Nicaragua and ECLAC felt by the Latin American and Caribbean countries and the other ECLAC members from outside the region.

## C. RESOLUTIONS

501(PLEN.20) PREPARATION OF AN INTERNATIONAL DEVELOPMENT STRATEGY  
FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE

The Committee of the Whole of the Economic Commission for Latin America and the Caribbean,

Bearing in mind General Assembly resolution 42/193 of 11 December 1987, in which the Secretary-General of the United Nations, in consultation with all the concerned agencies and organizations of the United Nations system, is requested to provide information which would be appropriate for the preparation of an international development strategy for the Fourth United Nations Development Decade,

Recalling ECLAC resolution 498(XXII) of 27 April 1988, which requests the ECLAC Secretariat to prepare the relevant information in time for the meeting of the Committee of High-Level Government Experts and to submit that information to the next session of ECLAC,

Taking account of United Nations General Assembly resolution 43/182 of 20 December 1988, which established an Ad Hoc Committee of the Whole for the Preparation of the International Development Strategy for the Fourth United Nations Development Decade and which invited the regional commissions and other organizations of the United Nations system to contribute effectively to the preparatory process by providing all appropriate inputs, including relevant documentation, using comprehensive analytical studies,

1. Takes note with satisfaction of the document prepared by the ECLAC Secretariat under the title "Preparation of a Third International Development Strategy", which represents a valuable contribution to the preparatory work;

2. Instructs the ECLAC Secretariat, in close consultation with the governments of member States to follow carefully the entire preparatory process of the International Development Strategy for the Fourth United Nations Development Decade and to prepare the relevant information in accordance with the instructions contained in the pertinent General Assembly resolutions and the requests of the Ad Hoc Committee of the Whole.

## 502 (PLEN.20) DAMAGE CAUSED BY HURRICANE JOAN IN NICARAGUA

The Committee of the Whole of the Economic Commission for Latin America and the Caribbean,

Recalling United Nations General Assembly resolutions 43/17 of 28 October 1988 and 43/202 and 43/204 of 20 December 1988,

Taking into account the fact that, after Hurricane Joan struck, the Government of Nicaragua requested ECLAC's co-operation in preparing a report identifying the damage caused by that hurricane in October 1988, its effects on the economic and social development of Nicaragua, and the rehabilitation and reconstruction requirements in that connection,

Having considered the content of the ECLAC report of 17 November 1988 on the damage caused by Hurricane Joan in Nicaragua,\*

1. Expresses its satisfaction to the Executive Secretariat of ECLAC for the preparation of that report and profoundly appreciates its efforts to provide appropriate support for the work of rehabilitation and reconstruction in Nicaragua;

2. Invites all member States, organs and specialized agencies of the United Nations system to contribute to the best of their ability to the implementation of the programmes of rehabilitation and reconstruction contained in that report.

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\* LC/G.1544 and Add.1.