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Expert Meeting on Crisis and
Development in Latin America
and the Caribbean

Santiago, Chile, 29 April - 3 May 1985



SUGGESTED GUIDE FOR DISCUSSION OF THE ITEMS
ON THE AGENDA OF THE MEETING

1. The nature, depth and scope of the crisis

a) What is the nature and depth of the present crisis? Is it a conjunctural situation or a structural crisis? Are unfavourable external conditions superimposed on a crisis of the style of development, so that this crisis becomes even more serious?

Without denying the economic and social achievements of the region, to what extent do the crisis and the problems it has caused have their origin in the forms of development which have prevailed in Latin America?

b) What are the elements which characterize the crisis in different fields, and what relative influence can be attributed to each of them?

- i) In the economic field, is it a question of a serious conjunctural disequilibrium of the balance of payments, or is it rather a question of the aggravation of a number of imbalances and disarticulations in the fields of production, finance and employment and of serious defects in the operation of a particular form of insertion into the international economy?
- ii) In the social field, is it a question of the temporary interruption of a process of desirable social change (incorporation, mobility and modernization) or is it rather the exacerbation of a process of social heterogeneity (exclusion and backwardness)?
- iii) In the field of employment and population, are the unemployment, underemployment, violence, disarticulation of forms of rural life and heightening of social problems in urban areas --especially in the big cities-- merely temporary phenomena due to a transitory crisis, or are they linked to population growth, to the long-term absorption capacity of the system, hyper-urbanization, or other factors of a structural nature?
- iv) In the political field, are the serious conflicts being faced by some governments the result of short-term adverse economic conditions, or are they due to long-standing economic and social problems connected with the prevailing form of development? What is the influence in all this of the obstacles encountered in the processes of participation and democracy?
- v) In the field of ideas, is there a vacuum as regards proposals for economic and social change which tackle the current problems within a democratic framework?

2. The unleashing of the crisis and the response
of economic policy

- a) The conjunctural causes of the crisis, their linkages with the structural elements, and the response of economic policy
- b) Renegotiation of the external debt
- i) How have the principles and basic characteristics of the renegotiation processes evolved since 1982?
 - ii) What have been the costs and benefits of these processes, and how have these been distributed among the various participants in the process? What lessons are to be learnt in this respect from the comparative analysis of the renegotiation experiences of the different countries of the region?
 - iii) How can the debt servicing burden be reconciled with more dynamic, stable and autonomous development? What options are open in this respect at the national level?
 - iv) What are the possibilities and limits for regional co-operation in this field and how can such co-operation be made more effective?
- c) Adjustment policies
- i) Basic characteristics and principal differences of the adjustment policies applied: has the same basic conceptual scheme been accepted in all the countries?
 - ii) What have been the achievements and costs of the adjustment process? How far were these costs inevitable, and how has their size been influenced by the initial situations, the characteristics of the prevailing political régimes, the external conditions, and the adjustment policies actually applied in the various countries?
 - iii) How can the domestic cost of these adjustment processes be reduced, and how can this cost be distributed more equitably among the various social groups?
 - iv) How can the achievement or maintenance of an adequate external equilibrium be reconciled with the resumption of the growth process, the reduction of unemployment or underemployment, and the reduction or control of inflationary pressures?
- /d) Stabilization

d) Stabilization policies

- i) Evolution of inflationary processes and stabilization policies during the crisis.
- ii) Achievements and costs of stabilization policies: to what extent have these been influenced by the different initial situations (intensity of the inflationary process, fiscal situation, state of the financial system, etc.), the characteristics of the prevailing political régimes, external conditions, the simultaneous application of adjustment policies, and the specific features of the stabilization policies applied?
- iii) Cost of the intensification of inflation and the loss of control over this: can high, steady inflation rates be kept up in the long run? What are the economic, social and political costs of situations of high and growing inflation during the phase in which this is accelerating and when it is decided to apply stabilization policies?
- iv) How can the reduction of inflation be reconciled with the achievement or maintenance of an adequate external equilibrium, economic reactivation, reduction of unemployment and underemployment, and improvement of income distribution?

e) Reactivation and development policies

- i) Domestic and external, political, social and economic factors conditioning reactivation policies in the various economies of the region.
- ii) How can economic reactivation be reconciled with the achievement or maintenance of adequate external equilibrium and the reduction or control of inflation?
- iii) How can reactivation policies be linked up with strategies aimed at laying the basis for a more autonomous, dynamic and equitable development pattern?

3. The conceptual framework for the reorientation of Latin American development

- a) Main elements of the structural adjustment and development strategies which should be adopted in the region.
- b) Valuative principles which should orient economic and social development: growth, equity, autonomy and democracy. How can these principles be crystallized into operational objectives of the development strategies for Latin America and the Caribbean? Conditions for self-sustaining development: what roles are played in this process by creativity; economic and social articulation, preservation of the environment, participation and stability? Contributions and limitations of development theory.
- c) How are the criteria of efficiency in the assignment of resources to be inserted into a broader framework of societal rationality? Within this framework, how are the goals of growth, equity, employment, democratic participation and autonomy to be reconciled? How are considerations regarding the environment, population and the quality of life to be incorporated in development policies?
- d) Criteria for orienting the accumulation process in order to cope with the dual challenge of external restrictions and the demands of self-sustaining growth. Consequences for the rate and content of capital formation. The domestic saving effort, taxation and external financing. What can be done to induce the generation of sufficient domestic saving and its application in the national economy in order to maximize the social effectiveness of investment? How can incentives for private investment be reconciled with equitable distribution of wealth? How can the tendency towards the flight of capital be neutralized? What forms of social regulation of financial intermediation would be appropriate? Mutual links between the social basis supporting the development style and the process of public and private saving and investment.
- e) Criteria for designing structural adjustment and development strategies. Linkages and compatibilization with short-term policies: the external adjustment and the long-term restructuring of production; real levels of the exchange rate, interest rates and wages; the articulation of systems of tax, credit and external trade incentives for the development of strategic activities. Distributive consequences of the reorientation of development and redistributive schemes designed to satisfy essential collective needs.

4. Changes in the relations between the centre and the periphery: limitations and opportunities for Latin America and the Caribbean

- a) Changes in the scheme of world power. Changes in the relative status of powers and regions. The recently industrialized countries. A reversal of multipolarity?

- b) The transnationalization of the world economy and its implications for Latin America and the Caribbean. The repercussions of the transnationalization process on cultural matters, national freedom of decisions in economic policy matters, external trade and financial relations, and access to technology. The foreseeable significance and orientation of direct foreign investment.
- c) Changes in the international financial system. What changes are to be foreseen in the direction of flows, terms of access, the role of the private banking system, and that of the public development banks?
- d) Technological change and the restructuring of industry in the advanced countries; what are the features of the new pattern of industrialization?
- e) What are the prospects as regards the growth possibilities and economic policies of the different groups of developed countries?
- f) Changes in international trade. Towards a system of managed trade? Systems of preferences. The trade in services.
- g) Taking into account the tendencies referred to in the above paragraphs: how are they likely to affect the form of insertion of Latin America and the Caribbean into the international economy? What responses seem appropriate as regards the adaptation of the countries of the region to these new conditions? What role can regional co-operation and integration play as a response to the restrictions imposed by the international framework? South-South co-operation.

5. Changes in the productive system with technological development

- a) How should the countries of the region --according to their characteristics and potentials-- respond to the new challenges posed to their processes of development and industrialization by the need to overcome domestic lags and shortcomings and the world trends towards industrial and technological restructuring? Sectoral priorities; ways of linking the political and entrepreneurial action of the public sector with the private sector; linkages between the big enterprises and small and medium-sized firms; designs of sectoral programmes which integrate different instruments for long-term development; the role of the development banking system in transforming the pattern of industrialization.
- b) Guidelines for technological development policies. How can the articulation of potentialities and shortcomings be reflected in the design of technological policy? What should the priority areas of such policies be? How should the acquisition, adaptation and generation of technology be combined? Linkages between education, means of communication and technological development. Institutional linkages between the productive sectors and the promotion of technological activity.

- c) How can greater articulation of the system of production --in terms of intra and inter-sectoral relations-- be achieved as a strategic element for disseminating technical progress and expanding the domestic market? Links between industry and agriculture; "industrialization" of modern services; rationalization of energy use. The role of financial intermediation in the articulation of production.
- d) Import substitution strategies and export promotion strategies: are these mutually exclusive or complementary paths? Economic dynamism and export potential. Expansion of the domestic market and import substitution. Possible sequences between the substitution of industrial imports and the export of manufactures. Differentiation, by activities, of import substitution and export promotion policies. Promotion of the industrial processing of natural resources and dynamic comparative advantages.
- e) Strategy options for agricultural development: articulation of commercial agriculture and peasant agriculture; technological development and industrialization of agriculture; food self-sufficiency and international competitiveness; modernization of agriculture and agrarian reform.
- f) Use of natural resources. What can be done to achieve a form of management of renewable resources and ecosystems which guarantees their productivity and reproduction? Degradation of resources and rural poverty. Energy profiles and utilization of resources. Strategies for overcoming the depletion of non-renewable resources by developing new productive resources. What can be done to maximize the future production potential of the existing resources of Latin America and the Caribbean?

6. Changes in the State, social agents and political systems

- a) Is there a crisis of the State in Latin America? Does this refer to the State as a political system, as an economic and political institutional apparatus, or in both capacities? Is there a dual crisis of ideas and of institutional structures? If so, what are its main economic and political aspects (crisis of legitimacy, fiscal crisis, crisis of efficiency, etc.)? What are its external and internal causes? How can all this be compared with the crisis of the so-called Welfare State in the central countries? What are the main problems of the most recently formed nation-States?
- b) How do the structure and recent changes in Latin American societies (in the fields of the economy, population, employment, cultural matters, etc.) support or impede the action of the State with regard to the crisis and the desired reorientation of development? What groups or social classes could serve as a support for such action? How is the role played by the State in Latin America influenced by the strength or weakness of national and foreign private economic agents?

c) What role should be played by the processes of participation and democratization at the present time? How are these processes related to the demands of the crisis and of future development? How could democratic institutions be strengthened and stabilized? What is the significance and probable results of the mechanisms designed to promote social consensus? How can the growing movement towards democracy be combined with the firm political leadership called for at a critical time like the present?

d) What are the main tasks that the State apparatus should carry out in the face of the crisis and the requirements of the desired form of development? How could the State institutions and organizations improve their economic, political and administrative capacity for fulfilling these tasks? What is the experience of recent decades regarding the nature and depth of the State intervention which is desirable and possible in the present circumstances of Latin America?

e) What forms of mixed economy would be most viable and promising, and how could national and transnational private agents be combined with the State in them? How can the international economic and political framework influence the formation and consolidation of such forms? What role should public enterprises play in future development?

