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

(Buenos Aires, 19-20 August 1985)

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CONTENTS

	<u>Paragraph</u>	<u>Page</u>
I. ORGANIZATION OF WORK	1-12	1
Place, date and purpose of the meeting	1	1
Attendance	2-5	1
Election of Officers	6	1
Agenda	7	1
Documentation	8	2
Organization of work	9	2
Opening meeting	10	2
Adoption of the report	11	2
Closing meeting	12	2
II. SUMMARY OF THE DEBATES	13-29	3
Options open to Latin America and the Caribbean for dealing with the consequences of the present crisis, and consideration of the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy (Item 3 of the agenda)	13-29	3
III. CONCLUSIONS AND RESOLUTIONS OF THE MEETING	30	6
Position paper	-	7
Peculiar economic problems of Caribbean island developing countries, especially the States of the Organization of Eastern Caribbean States (OECS)	-	10
The Latin American external debt: implications and prospects	-	11

I. ORGANIZATION OF WORK

Place, date and purpose of the meeting

1. The tenth session of the Committee of High-Level Government Experts (CEGAN) was held in Buenos Aires, Argentina, on 19 and 20 August 1985. CEGAN, which was created by ECLAC resolution 310 (XIV), is made up of the developing member countries of the Commission and, in accordance with resolution 419 (PLEN.14), para. (d), must meet, whenever necessary, prior to the regular meetings of the Committee of the Whole in those years when the Commission itself does not meet. In compliance with that mandate, the tenth session of CEGAN was held immediately before the eighteenth session of the Committee of the Whole (Buenos Aires, 21-23 August 1985), whose main purpose was to examine aspects of long-term economic and social development policy in the region in the light of the need to cope with the present crisis and the changes in the international economy.

Attendance

2. The meeting was attended by government experts from 19 member States of CEGAN as follows: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

3. The United States Virgin Islands was represented in its capacity as an associate member of the Commission.

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

5. The following intergovernmental organizations were also represented: Organization of Eastern Caribbean States (OECS) and the Latin American Economic System (SELA).

Election of Officers

6. At the first meeting, the following Officers were elected:

Chairman:	Argentina
First Vice-Chairman:	Guatemala
Second Vice-Chairman:	Cuba
Rapporteur:	Colombia

Agenda

7. The following agenda was adopted:

1. Election of Officers
2. Adoption of the agenda

/3. Options

3. Options open to Latin America and the Caribbean for dealing with the consequences of the present crisis, and consideration of the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy
4. Consideration of the report of the session.

Documentation

8. The Secretariat submitted the following documents for consideration by the Committee: "Crisis and development in Latin America and the Caribbean" (LC/L.333 (Sem.22/6)/Rev.1) and "Report of the Expert Meeting on Crisis and Development in Latin America and the Caribbean" (LC/G.1351).

Organization of work

9. Plenary meetings were held at which delegations referred to the topics described in the summary of the debates (section II of this report). In addition, an open working group was set up to draft the Position Paper and the two resolutions given in the conclusions and recommendations of the meeting (section III of this report).

Opening meeting

10. At the opening meeting, statements were made by the Executive Secretary of ECLAC, the representative of Brazil, and the Minister of Planning of Argentina. The Executive Secretary of ECLAC reviewed the activities which the Secretariat had been carrying out with regard to the topic of crisis and development. He emphasized the research effort made and noted that, in pursuance of the mandate given by member States, ECLAC had organized the Expert Meeting on Crisis and Development in Latin America and the Caribbean, held in Santiago, Chile. The representative of Brazil, speaking on behalf of the participating delegations, expressed thanks for the hospitality of the host country. He said that growth and democracy were two fundamental goals for the region and they should be guaranteed in order to achieve the integrated treatment of three causes of crippling constraints: the external debt, public sector financial imbalances, and inflation. The Minister of Planning of Argentina welcomed the participants and paid tribute to the part played by the Secretariat in the current debate on crisis and development.

Adoption of the report

11. At the last plenary meeting, the Committee adopted the draft report submitted by the Rapporteur.

Closing meeting

12. At the closing meeting, statements were made by the Deputy Executive Secretary of ECLAC and by the representative of Venezuela, who thanked the Officers and the ECLAC Secretariat for all they had done to make the meeting a success.

/II. SUMMARY

II. SUMMARY OF THE DEBATES

Options open to Latin America and the Caribbean for dealing with the consequences of the present crisis, and consideration of the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy (Item 3 of the agenda)

13. Introducing the documents submitted to the meeting by the Secretariat, the Deputy Executive Secretary of ECLAC said that the session reflected the beginning of a process which, in the Secretariat's view, could be extended and expanded as further consultations were held with personalities and governments of the region. Emphasizing that the situations of the different countries of the region varied greatly, he said that although the crisis had affected them in different ways, all the countries of the region had suffered the impact of the crisis in one way or another.

14. He then briefly summarized the origin, scope and implications of the crisis, noting that it had been incubated during the 1970s as a result of the new phenomena which had altered the working of the international economy, further aggravating certain long-standing structural deficiencies. Most of the countries had managed to delay the most pernicious effects of the new restraints on international trade by constantly increasing their external indebtedness. At the beginning of the present decade, however, the situation had deteriorated sharply because of the persistence of the international recession, further aggravated by sharp rises in real interest rates and a contraction in the availability of external financing. The adjustments that most of the countries of the region had been forced to make, which had been carried out in a sudden and often disorganized manner, were added on to the recessive factors in the international economy and plunged the countries into the deepest and most prolonged slump of recent years. In addition to all that, the industrialized countries were adapting to the new circumstances much more rapidly than the Latin American ones and the changing comparative advantages in international trade --resulting from recent technological advances in the industrialized countries-- now seemed to be having an adverse effect on Latin America and the Caribbean.

15. Consequently, the countries of the region were now faced with a great number of obstacles to reactivation, including the burden represented by the service of the external debt, the shortage of fresh external financing, the deterioration of levels of savings and investment, the erosion of the existing supply of capital and the scanty manoeuvring room the countries had in connection with the management of economic policy. All that was taking place against a background of unresolved financial imbalances which were reflected in the high levels of inflation observed in some countries. He added, however, that some positive factors were to be glimpsed which offered potential for responding to the new circumstances, among them the emergence of democratic and participative régimes, the possibility of sharing markets through mutual co-operation efforts, the region's endowment of human and natural resources, and the large amount of Latin American capital invested abroad in previous years but potentially capable of being repatriated.

16. He then listed some of the general guidelines for coping with the crisis given in the note, pointing out that the exact features of the set of decisions to be

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adopted by each country would depend on the particular circumstances of each case. He emphasized how important it was to recover autonomy in the formulation and implementation of economic policy, to which end it was necessary to redeploy the system of production towards more efficient and better articulated production patterns so as to take selective advantage of national, subregional, regional and international demand. He noted that the dividing line between short and medium-term economic policy had ceased to exist, and that adjustment, stabilization and reactivation all formed part of the same process. He also emphasized the vital role that intra-regional co-operation would be called upon to play in these efforts, not only in order to share markets, but also in order to achieve the joint expansion of opportunities in markets outside the region, to develop new technologies, and to gain increased efficiency.

17. In conclusion, he repeated that the possibility of solving the crisis did not lie exclusively, or even mainly, in the technical and economic field, but rather in the political sphere. In that connection, he stressed the intrinsic and functional value of a democratic and participative framework in the development process, since it made possible a union between the State and civil society in national projects. That made it necessary to define the relationship between the State and the rest of the economic agents in order to tackle simultaneously stabilization, reactivation and the structural changes needed in order to adapt to the new circumstances prevailing in the world economy.

18. In the course of the general debate, several delegations said that the documents prepared by the Secretariat represented a valuable contribution towards understanding the situation prevailing in the region, and they stressed some of the points which they considered to be of the greatest interest.

19. The representative of Uruguay, referring to some of the topics mentioned by the Secretariat, said that, in the first place, the document did not raise the issue of possible contradictions between efficient import substitution and the expansion of exports. In the opinion of his delegation, the countries had not found it easy to make the two policies compatible; instead, they had been faced with an economic policy dilemma. In the second place, he found it difficult to understand the concept of "expansive adjustment" mentioned by the Secretariat. With regard to the role of investment and public expenditure, he noted that no reference had been made to the profitability of public-sector investments: an important point, because the resources involved were being taken away from private-sector activity. Finally, he pointed out that the documents did not clarify the role of the private sector nor the role envisaged for foreign risk capital. Although that question was a difficult one, it should be discussed, in view of the experiences of many countries throughout the world, including socialist ones, which indicated that such capital could create economic dynamism.

20. The representative of the Organization of Eastern Caribbean States (OECS) stressed the need for special consideration to be given to the situation of small countries: a matter which had been the focus of discussions at the most recent meeting of the CDCC. He explained that the countries he represented were particularly affected by the actions of international institutions, such as the World Bank, which, using indicators that did not adequately reflect the true situation of those countries, had attempted to exclude them from concessionary financing. He was particularly

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interested in the situation in respect of indebtedness and described some of the special features of the indebtedness of the countries he represented, which had to do with their fragile economic structures and their lack of access to alternative sources of development capital. Finally, he expressed his satisfaction at the intensification of relations between ECLAC and the OECS.

21. The representative of Paraguay stressed the importance of intra-regional co-operation. Studies alone would not achieve that goal; rather, what was needed was political will, serious effort at the national level and solidarity at the Latin American level, in order to ensure that such activities were really effective and that Latin American integration programmes were more efficacious and continuous. He hoped that a new consensus on the question and on the need for a new international economic order would emerge from the current session. With respect to his country's situation, he said that a large proportion of its trade was intra-regional; it was regrettable that, within the region, some countries were applying protectionist measures equally to imports from the developed countries and to those from Latin America and the Caribbean.

22. The representative of Argentina referred to the question of the international crisis from the standpoint of the developing countries. Without wishing to enter into the question of the structural or conjunctural nature of the crisis, he noted that, over the short term, it aggravated the problem of servicing the external debt, giving rise to recession and unemployment, while over the medium and long terms, in view of the appearance of new technologies, it would mean that the region would have to make a great effort to increase production.

23. The representative of Guatemala referred, in the first place, to the question of export-promotion policies. He noted that if such policies were applied with the same orientation in all the countries, that could cause a drop in the prices of the region's exports in the international market; he wondered whether it might not be more effective to give greater priority to taking advantage of the opportunities offered by the domestic markets of the Latin American economies. Referring to the emphasis placed in the documents on the process of moving towards democracy, he said that such a trend might not be compatible with the application of adjustment measures which were difficult for part of the population to bear. He stressed the importance of organizing the territory, in the case of his country, and of improving efficiency in administrative management. Finally, he referred to the importance of planning.

24. The representative of Bolivia endorsed the remarks made by the representative of Argentina regarding the crisis and expressed his concern as to whether it would be possible to sustain democracy under critical economic circumstances.

25. The representative of Ecuador, noting that, to a large extent, the Secretariat documents expressed the same views as those held by his Government, analysed certain aspects of his country's external indebtedness. Unless definite steps were taken towards reaching a consensus, the discussions ran the risk of being fruitless.

26. The representative of Chile said that, in general, his delegation agreed with the views set forth in the document and the opinions expressed by representatives. He stressed the need to adapt to the technological restructuring that was taking place in the developed countries and noted that, so far, the countries of the region had not accomplished much in that direction, since, compared with the developed

/countries, they

countries, they had devoted only small percentages of their national income to that end. Finally, he noted that in introducing technological innovations, the countries should give priority to activities that took advantage of their human and natural resources.

27. The representative of Mexico expressed his agreement with the contents of the working paper and stressed the importance of the role played by CEGAN as a forum for defining the economic policy orientations of Latin America and the Caribbean. It was important not to disregard the previous efforts of the same group, particularly the Regional Programme of Action adopted at Montevideo in 1981. For future CEGAN meetings, the Secretariat should prepare an appraisal of that Programme, which should be updated to take into account new developments concerning the external debt and the current economic situation.

28. The representative of the Dominican Republic said that, like the representatives of Mexico and Ecuador, he was concerned about what the next step should be. It was imperative that the countries should demonstrate the political will required to take such measures as might be necessary to deal with the current economic and social situation of the region.

29. The representative of Cuba stressed the importance of the topic of indebtedness and announced that his delegation had submitted a draft resolution in that connection.

III. CONCLUSIONS AND RESOLUTIONS OF THE MEETING

30. The participants in the meeting approved by consensus a Position Paper on the options open to Latin America and the Caribbean for dealing with the consequences of the present crisis and the long-term economic and social development policies which the countries of the region could apply in the light of the changes in the international economy. They also approved by consensus two resolutions on peculiar economic problems of Caribbean island developing countries, especially the member States of the Organization of Eastern Caribbean States, and on the Latin American and Caribbean external debt: implications and prospects. The respective texts are given below.

/POSITION PAPER

POSITION PAPER

1. During the 1970s, the profound changes which occurred in the international economy adversely affected the region as a whole. As the region also suffered from long-standing structural lags and inadequacies, the significant progress in the area of economic growth and change which most of the Latin American countries had made during the first three decades following World War II was thus limited. The countries were able to delay the most pernicious effects of this set of factors through a high level of external indebtedness. Nevertheless, the persistence of the international recession which began in the early 1980s, and the sharp contraction in the availability of external resources from 1982 onwards, forced the countries of the region to adopt, quite rapidly, a series of adjustment and stabilization policies. All this has plunged Latin America and the Caribbean into the most profound and prolonged economic recession since the Great Depression of the 1930s.
2. The consequences of the national adjustment policies varied from one country to another, but generally speaking were extremely negative. Outstanding among these effects were considerable drops in the per capita product, significant increases in open unemployment and underemployment, acute declines in real wages, and the acceleration of inflationary processes. Some other less prominent structural effects were just as important or even more so, however. Among these were the disinvestment in many branches of production, the disarticulation of the productive and financial systems, the reduction or impairment of the operational capacity of the public sector, and the narrowing of the leeway for the application of economic policy. In addition, the crisis has often given rise to greater inequality in income distribution, due to unjust distribution of its costs, and growing social disarticulation.
3. The serious economic upsets suffered by the Latin American and Caribbean societies, together with the magnitude and rapidity of the adjustment processes applied, have increased political tensions and even given rise to situations of violence. In this connection, it should be noted that many countries have made an effort to face the crisis through solutions of consensus and participation within the framework of democratic and pluralist political systems. However, the noteworthy efforts made by the region to face up to the crisis, reflected in the serious economic, social and political consequences which it is now undergoing, have proved to be largely fruitless, and this may jeopardize the consolidation of the democratic processes of some countries.
4. The governments of the region have shouldered their responsibility to seek suitable responses to the problems affecting them. However, the persistence of unfavourable external conditions and the consequent impossibility, for most of the countries, of restoring economic growth and reducing inflation in the present circumstances have given rise to social and economic situations which make it urgently necessary for the international community, and especially the governments of the industrialized countries, to recognize that the solution of the Latin American crisis calls for profound changes with a view to establishing a juster world economic system. Since the negative external trade, financial and monetary

/conditions originate

conditions originate in the developed countries, they demand solutions based on co-responsibility for the indebtedness accumulated and equitable sharing of the burdens of the adjustment.

5. In this respect, both the ideas contained in the Quito Plan of Action and the guidelines offered by the Consensus of Cartagena and other Latin American initiatives represent important advances towards the formulation of a coherent proposal and plan of action for Latin America and the Caribbean.

6. The solutions adopted should take account of the structural changes which have taken place in the world economy in the last fifteen years. The growing return to bilateralism in trade and financial relations, the changes in the relative economic importance of different countries and groups of countries, the sharp fluctuations in the main currencies, the persistent trade protectionism in the main markets, the constant deterioration in the terms of trade, the intensification of the practice of dumping, the disproportionate increase in interest rates, the growing transnationalization of enterprises in the fields of trade, industry and finance, and the adoption of coercive economic measures against countries of the region for political reasons, raise new problems whose solution calls for new approaches and policies. The innovations taking place in the fields of technology and production in the more advanced countries combine with the above-mentioned structural changes to form new challenges for the countries of the region. It is necessary to propose concrete and effective actions both to attain an urgent and effective solution of the debt problem of Latin America and the Caribbean and to secure the full implementation of the measures contained in the Declaration and Programme of Action on the Establishment of a New International Economic Order.

7. For all the above reasons, the region's insertion into the international economy must be redefined in two ways. Firstly, in order to be able to deal with the current international situation, the region must organize and exercise joint bargaining power at the international level so as to protect its autonomy and interests more effectively. This approach should be used both in considering current financial and commercial problems, as well as in examining other areas which concern the developed countries, such as services, high-technology goods and investments.

8. Secondly, it is important to realize that it is not advisable to hold high expectations that the presumed dynamic growth of the international economy will, in itself, facilitate the reactivation of the Latin American and Caribbean economies. That is why the countries of the region must adjust their productive apparatus in order to take better advantage of the incentives offered by national, subregional and regional demand and why it is more vital than ever to strengthen and develop the regional co-operation and integration processes.

9. Finding a solution for the debt problem and taking the necessary decisions to achieve the establishment of the New International Economic Order should be understood as a complementary part of an overall policy aimed at restoring the

/region's capacity

region's capacity for development. It is essential to carry out a strategy which will, from the outset, reconcile adjustment with the reactivation and reorientation of the economies.

10. The attainment of this objective will require a major realignment of the economy. Among other things, this will involve adjusting the structure of production to the new composition of consumption, transforming external financial and commercial relations in order to ensure that they foster this process, and considerably increasing the domestic accumulation of capital, which should be used to further these strategic objectives.

11. An essential objective of such a strategy is the satisfaction of the needs of the broad social groups most affected by the crisis. This objective will vary from country to country, depending on the situation prevailing in each case, the priorities the country may establish, and its potentialities. In every case, however, a profound and extended effort will have to be made in order to deal successfully with the serious economic and social problems involved. This effort will succeed only if there is organized co-operation on the part of society as a whole, including the government and State institutions, economic groups and associations, political parties and social movements. The political experience of the region has made it evident, on repeated occasions, that without this co-operation even the best-designed strategy will fail.

12. There is a dual need to promote collective participation --a vital task in a time of crisis and change-- and to ensure that this action is in keeping with the democratically expressed desires and interests of the population, within the political context which each society considers most desirable, viable and effective. In this connection, mention should be made of the central role that can be played by renewed systems of planning as instruments for the implementation of State action which articulate the main executing bodies and entities of economic and social policy. Actions must be carried out which are designed, inter alia, to strengthen and perfect the operational capacity of the public sector, both in providing social services and running productive activities and in planning and designing investment projects and executing public works. In this way it will be possible to secure the necessary improvement both in the effectiveness of the public sector within the economy and in capital formation.

PECULIAR ECONOMIC PROBLEMS OF CARIBBEAN ISLAND DEVELOPING COUNTRIES,
ESPECIALLY THE STATES OF THE ORGANIZATION OF
EASTERN CARIBBEAN STATES (OECS)

The Committee of High-Level Government Experts,

Recognizing that the Caribbean member countries of ECLAC, and in particular the eight members of the Organization of Eastern Caribbean States, have peculiar economic problems deriving from their very small size and the narrowness of their resource bases,

Cognizant of the fact that by virtue of their per capita income levels, Caribbean and in particular the OECS countries are being graduated out of eligibility for the concessionary financial resources of international agencies such as the World Bank and its affiliate, the International Development Association,

Noting that these countries' per capita income levels, while comparing favourably with the per capita income levels of other developing countries, serve only to mask their fragile economic structures, a fragility which emphasizes the harshness of such graduation,

Recalling resolution 18 (IX) of the Caribbean Development and Co-operation Committee of ECLAC on a Programme of Support for Small Island Developing Countries,

1. Affirms that the international community has a responsibility to support the development and structural adjustment efforts of the Caribbean countries;

2. Supports the World Bank's efforts at reconsideration of the issue of graduation and recognizes as urgent the development assistance needs of the Caribbean countries, especially the very small States.

/THE LATIN

THE LATIN AMERICAN EXTERNAL DEBT: IMPLICATIONS AND PROSPECTS

The Committee of High-Level Government Experts,

Recognizing that Latin America and the Caribbean are currently going through the most serious economic and social crisis in their history and that the situation is becoming increasingly dramatic, because of the effect on their peoples of the high cost of living, inflation and widespread poverty,

Seriously alarmed by the fact that the economic crisis of the region has in most cases halted the development of national and per capita production and in many cases has even meant a return to levels below those of the 1970s, all of which clearly points to the urgent need for the establishment of a New International Economic Order,

Deeply concerned about the gigantic external debt, which has accumulated in respect of the Latin American countries and which draws off a large share of what they receive from their ever-declining exports, without being offset by any flow of real resources which might truly contribute to development,

Asserting that the problem of the Latin American and Caribbean external debt should also be dealt with as a political issue, and stressing the urgent need for a dialogue between debtor and creditor countries in order to tackle this problem jointly,

1. Requests the Executive Secretary of ECLAC to include the question of the Latin American and Caribbean external debt in the agendas of both the eleventh session of the Committee of High-Level Government Experts (CEGAN) and the twenty-first session of ECLAC, so as to permit an exchange of views among the member countries of the Commission in order to advance discussions on how to overcome this important and pressing regional problem;

2. Also requests the Executive Secretary of ECLAC to prepare, for this purpose, a study on the implications of the Latin American and Caribbean external debt for the economies of these countries and the likely prospects in this regard, and to submit this study both to CEGAN and to the twenty-first session of ECLAC as a background paper for the Governments of member countries to refer to in their study of the topic.

