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

(United Nations Headquarters, New York, 11-13 August 1987)



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A. ORGANIZATION OF WORK

Place and date of meeting

1. The thirteenth session of the Committee of High-Level Government Experts (CEGAN) was held at United Nations Headquarters, New York, from 11 to 13 August 1987. CEGAN, which was established by ECLAC resolution 310(XIV), is made up of the developing member countries of the Commission. Pursuant to the mandate entrusted to the Committee by ECLAC resolution 422(XIX) and in accordance with the ECLAC Calendar of Conferences approved by the Commission in resolution 479(XXI), the thirteenth session of CEGAN immediately preceded the nineteenth session of the Committee of the Whole (New York, 13 and 14 August 1987).

Attendance

2. The meeting was attended by representatives of 21 member States of the Committee: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

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

Election of Officers

4. At the first meeting the participants elected the following Officers:

Chairman:	Mario Moya Palencia (Mexico)
First Vice-Chairman:	Marcelo E. R. Delpech (Argentina)
Second Vice-Chairman:	Ramiro León Torras (Cuba)
Third Vice-Chairman:	Gail Marie Mathurin-Applewhite (Jamaica)
Rapporteur:	León Abadi (Panama).

Agenda

5. The meeting adopted the following agenda:

1. Election of Officers
2. Adoption of the agenda
3. Handling of the economic crisis
4. Other business
5. Adoption of the report.

Documentation

6. The Secretariat submitted to the Committee a working paper entitled "Recent economic developments in Latin America and the Caribbean" (LC/L.422).

Opening statements

7. In his speech opening the thirteenth session of CEGAN, the Chairman, Mr. Mario Moya Palencia (Mexico), began by welcoming the participants, making special mention of the presence of the Executive Secretary of ECLAC, Mr. Norberto González. He noted that, given the overwhelming economic crisis that continued to afflict the countries of Latin America and the Caribbean, the meeting was very timely, and he reiterated the urgent need to find solutions which would not only deal with the technical and financial aspects but would also have a political dimension.

8. After reviewing some of the issues which the Committee would have to consider during its discussion because of their importance and topicality, he said that the ideas put forward at the Special Conference of ECLAC held in Mexico in January 1987 continued to be very apposite. At that time the President of Mexico, Mr. Miguel de la Madrid, had pointed out, *inter alia*, that debt-servicing must be tailored to the real capacity to pay of the countries of the region and that it must provide for an adequate rate of growth, rather than the other way around.

9. Turning to the obstacles that were hampering and delaying recovery of the economies of the region, he said that chief among them were the growing protectionism on the part of the industrialized countries, the unfavourable terms of trade for the developing countries and the growing imbalances in the trade and financial relations between the major industrialized economies.

10. He concluded with an appeal to all countries to work to strengthen the regional co-operation machinery, which could contribute significantly to finding the long-term structural solutions required in view of the historical and cultural legacy of the countries of the region.

11. The Executive Secretary of ECLAC, Mr. Norberto González, spoke about the aims of the thirteenth session of CEGAN. They were based on the four major topics of the Special Conference of ECLAC. President Miguel de la Madrid, he recalled, had turned those topics into an agenda for development, outlined in the 10 points of his statement made at the opening of that Conference.

12. He then said that the analysis which it was proposed to carry out at the present meeting would be geared to studying recent developments in the world economy and in that of Latin America and the Caribbean and to an exchange of ideas and experiences regarding the policies being pursued by the countries of the region. He underscored the very uneven performance achieved in the area of economic growth and also referred to the efforts to combat inflation, which had initially been encouraging, particularly during 1986, but which had later taken a negative turn.

13. Finally, while recognizing that there had been some progress in the international negotiations on the external debt, he noted that the current approach to the problem was inadequate and was not conducive to a solution. The progress made had been accompanied by a rather poor performance in the area of trade, which, given the close interconnection between debt and trade, had to a large extent cancelled out what had been achieved.

Closing meeting

14. After thanking participants for the valuable contributions they had made, the Chairman declared the session closed.

B. SUMMARY OF THE DEBATES

Handling of the economic crisis (agenda item 3)

15. The Committee heard statements by the Secretariat of the Economic Commission for Latin America and the Caribbean (ECLAC) and by representatives of governments. It also had before it the document entitled "Recent economic developments in Latin America and the Caribbean" (LC/L.422), prepared by the Secretariat for the meeting.

16. The Committee reaffirmed the full validity of the principles and proposals contained in the Declaration of the Countries of Latin America and the Caribbean in Mexico, which faithfully reflected the views of those countries, as approved by them and embodied in the Report of the Special Conference of the Commission held in Mexico City in January 1987.

17. The summary of the debates which follows has been arranged in such a way as to highlight the subjects which were given greatest importance in the discussions.

a) The place of Latin America and the Caribbean in the international economy

18. It was considered that the systemic and structural nature of the crisis affecting international economic relations was a basic factor for understanding developments in the region in the 1980s. Because this had not been understood, adjustment mechanisms had very often been designed solely with a view to coping with short-term economic imbalances and had had undesirable recessionary effects. Underlying the imbalances of the international economy, generated by the sharp fluctuations in exchange, trade and financial markets, was the operation of a new system of international economic relations which tended towards an international division of labour perhaps even more asymmetrical than the present one.

19. In that sense, the preparation of continuous analyses of the changes in productive activity and in the production techniques of the industrialized countries was considered important for the purpose of redefining the insertion of Latin America and the Caribbean in the world economy and promoting the active participation of the region in the process of scientific and technological development.

20. With regard to the short term, particular stress was laid on the persistence and relative deterioration of unfavourable external conditions throughout 1987. It was noted that during that period, marked by constant market instability and by an outward net transfer of resources, interest rates

had risen again, the prices of most export commodities had not recovered, but on the contrary had continued falling, and the financing needed to stimulate investment, growth and development had still not been forthcoming. It was pointed out, for example, that the external debt of the countries of the region continued affecting negatively the capacity to import and the generation of internal savings, as well as the channelling of the latter towards productive investments to promote programmes of economic and social development. Furthermore, after five years of sacrifices and efforts, everything indicated that the outward net transfer of resources would continue on a large scale.

21. With regard to the medium and long term, it was noted that the profound changes which were taking place in the production and marketing of goods and services, and the development of new technologies almost exclusively in the developed countries, were negatively influencing international comparative advantages and might entail the risk of further exacerbating the problems related to the present form of insertion of the Latin American and Caribbean economies in the world economy.

22. The Secretariat was requested to maintain and intensify its efforts to draw lessons from past experiences and to interpret in still greater depth the present crisis, the recent evolution of the international economy and the changes taking place in the system of international economic relations. It was also requested to propose specific measures to overcome the crisis currently affecting the economies of Latin America and the Caribbean, as well as to promote new forms of insertion of the region in the international economy by means of a more active and relevant role entailing more equitable participation in the international division of labour.

23. It was noted that some countries of the region had implemented innovative measures, exploring new opportunities and possibilities which should be carefully analysed. In that connection, emphasis was placed on the need to optimize the capacity of CEGAN and of ECLAC to analyse the possibilities and alternatives offered by the present international situation, as well as the positive experiences and individual achievements of the countries of the region.

b) National economic policies

24. During the debate, reference was made in a number of statements to aspects relating to domestic economic policies. While it was pointed out that there were no universal solutions for overcoming the crisis, since development strategies and the implementation of economic policies had to take into account the specific circumstances of each country, it was apparent that there was much common ground. Emphasis was placed, for example, on the considerable efforts made by almost all the countries of the region to adjust their economies to overcome the crisis, and on the high social cost of that effort. It was noted that attention to acute short-term problems must not hinder the understanding of long-term trends or the correct appraisal of the effect of short-term policies on domestic productive structures.

25. In all the cases described, examples were forthcoming of the way in which the countries of the region had promoted structural and short-term changes in their economies, designed to modernize production structures, increase supply and exports, rationalize public expenditure and improve income distribution. Reference was made in some statements to specific aspects of economic policy including inter alia measures applied in respect of exchange rates, credit and taxation.

26. The effort made by many countries to maintain employment levels and protect lower-income groups warranted special mention. Some statements emphasized the role played in that effort by modified public expenditure structures and increased tax revenues.

27. It was noted that the higher domestic product attained by one country of the region was due to a substantial change in its economic policy based on the reduction of unit costs by means of increasing sales volumes and the output of firms, that is to say, reactivating demand as a consequence of the reactivation of supply. This was made possible by an alternative interpretation of the process of inflation-recession constituted by a policy of full utilization of installed capacity.

28. Some delegations referred to the impact of the economic policies pursued, measured in terms of economic growth, creation of new jobs, diversification of exports, rationalization of the functioning of public enterprises, reduction of fiscal deficits, control of inflation, exchange-rate stability, and the evolution of other macroeconomic variables. It was pointed out, however, that such achievements appeared less impressive if the current situation was compared with that at the beginning of the 1980s. It was also agreed that, however great the domestic effort, the prospects for the attainment of sustainable recovery would remain very uncertain if external conditions did not improve.

29. Finally, concern was expressed over the reduced capacity to finance the high level of investment required in order to modernize production structures, given the significant transfer of domestic savings abroad which had been taking place. However, some representatives indicated that in recent years there had been progress in mobilizing domestic savings and repatriating capital transferred abroad at an earlier date.

c) International trade

30. In the discussion of issues related to international trade, statements focused on two aspects. In the first place, concern was expressed at the lack of transparency in international trade. Examples given were the growing protectionist pressures in some industrialized countries, the subsidies they were granting to exports of agricultural products, and the attempt by industrialized countries to maintain control over production and trade in certain high-technology activities. Special concern was expressed over the fate of basic commodities in international trade, and in some statements it was pointed out that the deterioration of the terms of trade observed in recent years, which had represented disproportionate net transfers of resources from the countries of the region towards the developed countries,

was not necessarily an immutable phenomenon but might reflect conjunctural factors and policies of industrialized countries and could perhaps be reversed within the framework of policies such as multilateral agreements on the organization of markets.

31. In the second place, it was recognized that a dynamic expansion of international trade would contribute to the reactivation of the economies of Latin America and the Caribbean provided it was accompanied by a greater opening up of the markets of the developed countries for the products of the region; in that regard, the Uruguay Round should play a central role.

32. Lastly, the close relationship that existed between the integration of financial markets, the adoption of floating exchange rates and the evolution of international trade was emphasized. In that respect, comments relating to trade were linked with those relating to the external debt, which are summarized in the following paragraphs.

d) External debt

33. During the discussion on the region's external debt, features common to all countries were identified. Particular emphasis was given to the negative impact of external factors such as the rising trend in real international interest rates, the low rate of growth of the international economy and trade, and the scarcity of external financial resources. It was also pointed out that there were internal features which set countries apart one from another and led them to adopt different strategies.

34. Changes in the terms of external indebtedness were also identified. It was noted that a sizeable number of countries were in situations of full or partial moratorium, while others had managed to incorporate into their debt renegotiations, a link between debt servicing and economic growth. In other cases, debt payments had been limited to a percentage of export earnings. In the case of many renegotiations, progress had been made on multiannual reschedulings, debt-equity swaps, reduced spreads and the elimination of flat commissions.

35. There was agreement that no suitable medium and long-term strategy for solving the problem of the external debt existed as yet. From a global perspective, the situation not only had not improved, but had even got worse. In fact, after years of costly adjustment processes, there were indicators of the debt burden --such as the relation between interest payments and export earnings-- which remained at high levels, and countries still suffered from restricted possibilities for growth and development; many of the improvements in terms won in long months of hard renegotiations were eroded away in a few days through increases in interest rates or a fall in the prices of export commodities. It was added that the reaction of private and official capital markets was another cause for concern, since in recent years the reduction in the flow of financial resources to the countries of the region had become more pronounced and Latin America and the Caribbean thus continued to be net exporters of capital.

36. The participants also reviewed the latest developments concerning the treatment of the debt problem at the multilateral level. In some respects, it was said, it appeared that progress was being achieved. Mention was made of the growing recognition that the debt problem must be resolved in a medium-term perspective and in the framework of a growth-oriented adjustment; that the conditions and terms of the debt restructurings must be in keeping with the economic and social characteristics of each country; that allowance must be made for changes in a country's capacity to pay due to reasons beyond its control, and that debtors should be able to share the benefits of discounting in secondary markets. However, it was held that in other aspects no progress had been made regarding recognition of many of the principles considered by the Latin American and Caribbean countries to be fundamental in the solution of the external debt problem. It was also noted that there were divergent views concerning the benefits and potential costs of debt-equity swaps.

37. Lastly, participants reaffirmed the validity of what was expressed in the Declaration of the Countries of Latin America and the Caribbean in Mexico: "the only way to reach a global and permanent solution to the external debt problem is to initiate an urgent political dialogue between creditors and debtors, based primarily on the principle of co-responsibility and the right to development".*/

e) Economic integration

38. On the question of economic integration it was proposed that the analysis given in document LC/L.422 should be enlarged upon, for such integration could be of substantial help in overcoming the crisis. There was agreement that great importance attached to the role which economic integration could play in the recovery and development of the region, not only through increases in mutual trade, but also through the use of the collective bargaining strength of the countries of the region or the various subregions.

39. Concern was expressed, on the other hand, at the visible decline in intra-regional trade in recent years due to the crisis, and emphasis was laid on the need to change that trend and to continue promoting collective action to lift restrictions on intra-regional trade.

40. Specific reference was made to the recent tendency towards plurilateral or bilateral agreements (a subject mentioned in the Secretariat document) and it was emphasized that such agreements were entirely consistent with multilateral commitments. Attention was drawn to the importance and potential of such arrangements, which helped to accelerate the process of integration among the countries of Latin America and the Caribbean by allowing partial links to be combined. Moreover, it was pointed out that plurilateral and bilateral agreements did not represent subgroupings but rather a growing convergence of specific interests within the framework of multilateral arrangements.

*/ LC/G.1464(Conf.79/5), para. 116, sub-para. 8 (a).

41. Finally, there was agreement on the need to hasten action on some of the current initiatives of interest to the region, such as regional tariff preferences and the programme to expand trade.

f) Closing remarks

42. The Executive Secretary of ECLAC said that the discussion had been noteworthy for the high standard of the contributions and the wealth of ideas they contained. He singled out three points which, to him, had seemed particularly important: the recognition of the structural character of the debt; the interest in putting forward new proposals, not just diagnoses of the problems; and the desire to combine the economic policies required by the exigencies of the moment with structural changes. Those points would provide a great deal of material for the documents which the Secretariat would be preparing for the Commission's twenty-second session, to be held in Brazil in 1988.

43. Finally, he gave participants details of the Secretariat's proposals for contributing to the forthcoming celebration of the fortieth anniversary of ECLAC with a series of meetings on subjects such as the transformation of the productive structure, the social effects of the crisis, the international economic relations of Latin America and the Caribbean, and the ever-dominant issue of the external debt.

44. The representatives of the participating governments asked the Executive Secretary of ECLAC to incorporate into his analyses the substance of the proposals made during the debates.

Other business (agenda item 4)

45. The Latin American and Caribbean countries expressed their full support for the document entitled "Procedure for establishing a Firm and Lasting Peace in Central America", signed by the Presidents of Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua at the Summit Meeting held in Guatemala City on 6 and 7 August 1987. They noted that as this was the first occasion since that Summit Meeting at which representatives of the governments of Latin America and the Caribbean were meeting in a United Nations forum, it was an appropriate moment to express their satisfaction at this very important step, which opened up new prospects for the development of the countries of that subregion. They noted that the elimination of the tensions existing in the subregion was an imperative for economic and social development. In that connection, they recalled the pioneering role of ECLAC in promoting the integration and development process in Central America and, in view of the new circumstances, they urged the Secretariat to redouble its collaboration with the governments of the subregion in order to overcome the obstacles to Central American development.

46. In that context the Committee of High-Level Government Experts adopted a resolution on the support that ECLAC should give to the Central American countries.*/

47. Lastly, the delegations decided to undertake an exchange of ideas on the agenda item referring to the intergovernmental structure of the Commission, which would be discussed by the Committee of the Whole. It was agreed that ECLAC was an efficient instrument for promoting the activities of the United Nations in the regional framework, and it was also emphasized that its present structure should be maintained and strengthened, so that it could respond to the growing challenges to the development of the region.

Adoption of the report (agenda item 5)

48. The Committee adopted the present report.

C. RESOLUTION

SUPPORT BY ECLAC FOR THE CENTRAL AMERICAN COUNTRIES

The countries of Latin America and the Caribbean, meeting in the Committee of High-Level Government Experts (CEGAN) of the Economic Commission for Latin America and the Caribbean,

Considering that, on 7 August 1987 in Guatemala City, the distinguished Presidents of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua signed the Procedure for Establishing a Firm and Lasting Peace in Central America,

Considering also that the Procedure thus adopted, embodying as it does the efforts of the Contadora Group and the Support Group and the contribution made by the peace proposal of the President of Costa Rica, Oscar Arias, is a faithful reflection of the feeling of unity and brotherhood binding together the peoples of Central America and is an eloquent expression of the will of all the peoples of Latin America and the Caribbean to solve their problems freely, without foreign intervention or interference,

Bearing in mind that this act of reaffirmation of Central American autonomy and solidarity opens up a decisive phase in the process of bringing about peace in the region and creates the necessary conditions for accelerating the development and strengthening the system of integration of Central America, with which ECLAC has always been associated,

Convinced that ECLAC, as an organ of the United Nations, should do its utmost to contribute to the Procedure set in motion by the Central American Presidents and to the efforts for integration and development which are a

*/ See section C below.

natural concomitant of the task of bringing about peace and economic and social recovery in the region,

Decide:

1. To express their deepest satisfaction with regard to the Procedure for Establishing a Firm and Lasting Peace in Central America, signed on 7 August 1987 by the distinguished Presidents of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, which reflects the feeling of unity and brotherhood binding together the peoples of Central America and reaffirms the will of all the countries of Latin America and the Caribbean to solve their own problems freely and in peace, without foreign intervention or interference;

2. To declare that ECLAC should do its utmost to further and contribute to this Procedure and should support any agreements arrived at by the Central American countries for the purpose of accelerating their development, bringing about societies which are more just, egalitarian and free from poverty, promoting an economy that ensures the well-being of all and furthering economic and social democracy;

3. To declare that ECLAC should also continue to support the process of Central American integration and to collaborate with the countries of the region in actions designed to mobilize the international co-operation essential for the success and continued viability of options in favour of peace and economic and social development;

4. To affirm the commitment of ECLAC, as an organ of the United Nations, to grant assistance and economic co-operation to all the Central American countries so that they may attain their objectives of normalizing and reviving the economy with a view to respecting and supporting the Procedure for Establishing a Firm and Lasting Peace in Central America, and its goals of peace and development;

5. To request the United Nations Development Programme, the United Nations Children's Fund and all the organizations of the United Nations system to consider, as a matter of priority, intensifying their actions in support of the economic and social development of the Central American countries.