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FOR LATIN AMERICA  
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**REPORT OF THE SPECIAL CONFERENCE OF ECLAC  
(Mexico City, 19-23 January 1987)**



## CONTENTS

	<u>Paragraph</u>	<u>Page</u>
A. ATTENDANCE AND ORGANIZATION OF WORK ...	1-43	1
Place and date of meeting.....	1	1
Attendance .....	2-11	1
Credentials .....	12	3
Opening meeting .....	13-32	3
Election of Officers .....	33	8
Documents .....	34	8
Report .....	35-36	8
Closing meeting .....	37-43	8
B. SUMMARY OF DEBATES .....	44-113	10
C. CONCLUSIONS .....	114-117	29
1. Summary of the Secretariat document .....	115	29
2. Declaration of the Countries of Latin America and the Caribbean in Mexico .	116	36
3. Statement by the delegation of the United States of America .....	117	40
D. SUMMARY BY THE RAPPORTEUR .....	118-159	43
1. Towards an alternative approach to development .....	124-131	44
2. Regional co-operation .....	132-134	46
3. The persistence of problems of trade and indebtedness .....	135-144	46
4. Controversy over the prospects for the international economy .....	145-148	48
5. Final reflections .....	149-159	49
E. VENUE OF THE TWENTY-SECOND SESSION OF THE COMMISSION .....	160-163	51
Annex 1: LIST OF DOCUMENTS PRESENTED BY THE SECRETARIAT .....		53



## A. ATTENDANCE AND ORGANIZATION OF WORK

### Place and date of meeting

1. The Special Conference of ECLAC, organized under the auspices of the Government of Mexico in accordance with resolution 487(XXI) of the Commission and resolution 1986/174 of the Economic and Social Council, was held in Mexico City between 19 and 23 January 1987. The opening meeting was attended by the Constitutional President of the United Mexican States, Mr. Miguel de la Madrid Hurtado, the Prime Minister of Jamaica, Mr. Edward Seaga, the Secretary-General of the United Nations, Mr. Javier Pérez de Cuéllar, and the Secretary General of the Organization of American States, Mr. Joao Clemente Baena Soares. The activities were divided into a technical phase and a ministerial-level phase, and were carried out in nine plenary meetings.

### Attendance

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

3. In accordance with article 6 of the Terms of Reference of the Commission, observers from the following United Nations member States which are not members of ECLAC were present in a consultative capacity: Australia, Austria, Belgium, Bulgaria, Czechoslovakia, Egypt, Federal Republic of Germany, Finland, German Democratic Republic, Greece, India, Israel, Italy, Japan, Lebanon, New Zealand, Norway, Pakistan, People's Republic of China, Philippines, Poland, Romania, Saudi Arabia, Sweden, Turkey, Union of Soviet Socialist Republics and Yugoslavia.

4. Two non-member States of the United Nations, the Holy See and Switzerland, also attended the meeting in a consultative capacity.

5. The United Nations Secretariat was represented by Assistant Secretary-General Margaret Anstee, Special Representative of the Secretary-General for Bolivia and Mexico, and by senior officials from the Department of

International Economic and Social Affairs, the Department of Public Information (DPI), the United Nations Centre for Human Settlements (UNCHS) and the Regional Commissions Liaison Unit.

6. Representatives of the following organizations of the United Nations System also attended the meeting: United Nations Children's Fund (UNICEF), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Fund for Population Activities (UNFPA), and United Nations University (UNU).

7. The meeting was also attended by a representative of the World Food Programme (WFP).

8. The following United Nations specialized agencies were represented: International Labour Organisation (ILO) and Regional Employment Programme for Latin America and the Caribbean (PREALC), Food and Agriculture Organization of the United Nations (FAO), International Civil Aviation Organization (ICAO), World Bank, International Telecommunications Union (ITU), World Meteorological Organization (WMO), International Fund for Agricultural Development (IFAD) and United Nations Industrial Development Organization (UNIDO).

9. The meeting was also attended by representatives of the following intergovernmental organizations: Latin American Integration Association (ALADI), Central American Bank for Economic Integration (BCIE), East Caribbean Central Bank, Inter-American Development Bank (IDB), European Economic Community (EEC), Intergovernmental Committee for Migrations (CIM), Caribbean Community (CARICOM), Central American Monetary Council (CMC), Andean Development Corporation (CAF), Group of Latin American and Caribbean Sugar-Exporting Countries (GEPLACEA), Central American Institute of Public Administration, Inter-American Institute of Agricultural Co-operation (IICA), Organization for Economic Co-operation and Development (OECD), Organization of American States (OAS), Latin American Energy Organization (OLADE), Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), Latin American Economic System (SELA) and Action and Support Committee for the Economic and Social Development of Latin America (CADESCA).

10. The following non-governmental organizations granted consultative status by the Economic and Social Council were also present: Category I: International Federation of Business and Professional Women (IFBPW), and Inter-American Regional Organization of Workers (ORIT); Category II: Latin American Association of Development Financing Institutions (ALIDE); Roster: Centre for Latin American Monetary Studies (CEMLA) and Latin American Social Sciences Council (CLACSO). The following organizations from the category "other non-governmental organizations" were present: Latin American Industrialists' Association, Centre for Economic and Social Studies of the Third World (CESSIW), El Colegio de México, A.C., and Union of Latin American Universities.

11. The following persons attended the Conference by special invitation: Mr. Carlos Bazdrech, Daniel Bitrán, Ricardo Carrillo Arronte, Anthony Hill; David Ibarra, Isaac Minian, Joseph Moscarella, Porfirio Muñoz Ledo; David H. Pollock, Lulu Pali de Quintana, Jacobo Schatan, and Professor Víctor Urquidi.

Credentials

12. Pursuant to rule 15 of the Commission's Rules of Procedures, the credentials of the delegations were examined and found in order.

Opening meeting

13. The opening meeting of the technical phase of the ECLAC Special Conference was held at 10.00 a.m. on Monday, 19 January in the Special Events and Conferences Unit of the Ministry of Foreign Affairs of Mexico (Tlatelolco, Mexico City).

14. At the meeting, an address was delivered by the Executive Secretary of ECLAC, Mr. Norberto González, who recalled the fruitful intellectual challenge which had been thrown down before ECLAC by the President of Mexico at the twenty-first session of the Commission. He went on to thank the Mexican Government for having provided the initial thrust for the meeting, as well as for having organized it so efficiently.

15. The Deputy Minister of Planning of Mexico, Mr. Pedro Aspe, then welcomed participants and went on to review the issues for reflection which President de la Madrid had set before ECLAC at the twenty-first session of the Commission. He highlighted the effort undertaken by ECLAC to renew its role as a centre for generating and disseminating Latin American economic thought, and declared the activities of the technical phase of the Special Conference formally open.

16. The ministerial-level phase of the Special Conference of ECLAC was officially opened at 10.00 a.m. on Thursday, 22 January 1987, in the same place. Statements were made at this opening meeting, in the following order, by Mr. Javier Pérez de Cuéllar, Secretary-General of the United Nations; Mr. Carlos Salinas de Gortari, Minister of Programming and the Budget of Mexico; Mr. Bernardo Grinspun, Minister of Planning of the Argentine Republic, and finally Mr. Miguel de la Madrid Hurtado, Constitutional President of the United Mexican States.

17. The Secretary-General of the United Nations expressed the Organization's gratitude to President de la Madrid for having inspired the Conference and offered Mexico City as its venue, and said that in a context of changing circumstances it was very necessary to explore options for reversing the recessionary trends that threatened to persist. He said that ECLAC had an important function to perform in that search, and he considered it most appropriate that the United Nations should have been selected as the forum for that task, since the current critical situation made such an examination important for the world economy as a whole and it must be approached through efforts to preserve peace, promote co-operation among nations, and further the well-being of all their inhabitants: three of the great purposes of the United Nations. Although there had been setbacks in the economic and social field in recent years, important advances had been made in other respects. Thus, since 1945 it had been possible to avoid serious conflicts in the region, with rare

exceptions, and in the last decade there had been an encouraging trend towards democratic and participative political processes.

18. He noted that although there were still divergencies, the countries of the region had tackled them within the framework of peaceful settlements, with noteworthy exception of the events in Central America, which he had just visited in the company of the Secretary General of the Organization of American States and the Ministers of the Contadora Group and the Support Group, with a view to finding a peaceful solution to the tensions which existed there. With regard to the spread of democracy in the region, he said that representative political processes had been consolidated and there were positive indications of increasing respect for basic human rights, as shown by the high proportion of countries which had ratified or acceded to the two International Covenants on Human Rights. Now, a change was called for in the economic evolution of the region in order to achieve greater progress and more equitable distribution of wealth. In that respect, he noted that the Latin American and Caribbean per capita gross domestic product had still barely recovered its 1978 level and that in some countries the setback had been dramatic, with an increase in unemployment, while the debt continued to be a heavy burden for the economies of the region.

19. He said that in spite of the favourable evolution of the developed economies, there was a danger that they might not be able to keep up steady growth, and measures should therefore be taken to correct the balance-of-payments disequilibria and reduce interest rates. He said that dynamic growth of the developed countries did not necessarily mean a similar evolution of the other economies, and moreover structural changes were taking place which acted to the detriment of the primary commodities which constituted the bulk of the developing world's exports. In that connection, he recalled the thinking of Dr. Raúl Prebisch, who had drawn the international community's attention to the problem of the fragility and deterioration of the developing countries' terms of trade: a situation made still worse by the protectionism of the industrialized economies. He expressed the hope that the constructive spirit shown at the meeting of GATT in Punta del Este would find concrete expression in the negotiations at the Uruguay Round and the forthcoming UNCTAD session.

20. He stressed the need for a significant increase in external financing and an improvement in the terms on which it was supplied, and reiterated that the central issue in the debate was the heavy burden of the external debt: a problem that must be resolved in a context of growth, but which was made more difficult by the reluctance of the multilateral financing organizations to provide the resources needed to promote the countries' development. The solution to the debt problem must be sought through co-operation, as was recognized in the resolution adopted by consensus at the forty-first session of the United Nations General Assembly. At the same time, however, the countries of the region themselves would have to make adjustments and intensify their efforts to increase domestic saving and productive investments and to control inflation, without prejudicing the most vulnerable groups. In that connection, he publicly applauded the initiative of President Barco of Colombia concerning the eradication of poverty in the region.

21. He then went on to stress the increasingly interdependent nature of international relations and the importance of continuing the dialogue so that the monetary, financial and trade structures would take account of the interests of all parties. That aspect, he said, gave a special significance to the present Conference, which represented the union of efforts to strengthen international co-operation in a framework of co-responsibility in which each country must design its own development strategy, since there were no universally accepted formulas. He also referred to the economic integration of the region as an instrument capable of helping to overcome the obstacles standing in the way of the region's development, and in conclusion he asserted that the long-term prospects of Latin America and the Caribbean were favourable, since the countries possessed the resources and creativity needed to surmount the obstacles hindering their development.

22. The Minister of Programming and the Budget of Mexico, stated that in spite of the efforts at domestic adjustment and the gradual progress made towards correcting the basic disequilibria, there had been no significant improvement in the economic outlook for Latin America and the Caribbean in recent years and the present decade was marked by crisis. In that respect, he said that since the last session of ECLAC Mexico had suffered enormous losses in its exports of petroleum and other commodities, which, together with the large net transfers in respect of debt servicing, had brought about what could only be described as a catastrophe on the external front. He reviewed the economic policy followed in 1985 in order to contain the negative effects of those impact, which had been marked by close co-ordination between the various instruments as well as by the impetus given by the government to structural changes in the economy, particularly as regards review of the size and efficiency of the public sector, rationalization of trade protection and decentralization. It had been possible to carry out an orderly adjustment --albeit at a heavy cost to the country-- which had enabled an outbreak of hyperinflation and a depression in productive activity to be avoided.

23. He stated that in order to solve the crisis it was necessary to link the issues of the debt, finance and trade and that was why Mexico had formally adhered to GATT. At the same time, a review had been made of the conditions of servicing the external debt and significant changes had been made in the terms of the IMF programmes. The international commercial banks, for their part, had agreed to reschedule the long-term public debt on terms which were more favourable for the country. Those achievements had made it possible to undertake in 1987 an economic policy designed to lessen inflationary pressures and restore the growth process by a strategy of gradually adjusting relative prices, reducing inflation and bringing about economic recovery. Consequently, in 1987 it was hoped to bring inflation down below its 1986 level and to achieve economic growth of between 2% and 3%. He repeated that economic policies were not self-contained formulas and they could not be evaluated in isolation from the economic and institutional circumstances of each country.

24. He said that ECLAC was meeting at a critical moment for the region, since, in spite of the adjustment efforts carried out, the deterioration in the international environment militated against lasting economic growth and social progress. He emphasized that international commitments could not be met at the cost of an unlimited domestic depression. Consequently, for economic and political reasons, it was vital that an overall solution be found to the

problem of the debt, which could not continue to be serviced against a background of domestic recession, external protectionism, deterioration in the terms of trade and stagnation of financial flows from abroad. If international markets were not opened up to the region's exports, refunding would merely prolong and deepen the problem. In the face of that situation, ECLAC had stimulated discussion and analysis with the aim of contributing to the integral development of the region in a climate of understanding. Mexico, which had had bitter experience of foreign intervention, had learnt to defend its independence and to value dialogue, negotiation and international co-operation, and, like the rest of Latin America and the Caribbean, it deserved a more favourable international environment which, rather than hampering its domestic efforts at modernization and change, would support them.

25. The Minister of Planning of the Argentine Republic said that Latin America and the Caribbean were facing not only a structural crisis and the exhaustion of a strategy, but also the failure of a development model which destroyed creativity. In the last few years there had been a general decline in previously accepted paradigms, in the terms of trade, and in the constants on which security was based, thus drawing societies into a vicious circle of fatalism and pessimism. The first question raised was eminently cultural, since only a revolution through intelligence could be a suitable way of triumphing over decadence. The challenge to be taken up was that of critical thinking: renewed options for the development of the region must be found, which involved defining a style and proposing a model, as well as renewing paradigms in order to find concrete responses to the present problems. Fortunately, in that task the countries enjoyed the benefit of the contribution and experience of ECLAC, which was the depositary and executor of a historic legacy marked by critical reflection, and that also applied to the United Nations, because of its efforts to consolidate peace, justice and co-operation among nations.

26. He noted also that that legacy had taught ECLAC's members that it was out of the question to expect magic formulas and that what was important was to foster the emergence of the countries' own potential and capacities. He emphasized that the task of the present Conference was to rationalize government action to get out of the emergency and consolidate democratic policies, so as to promote a period of stability and growth. Finally, he said that in order to face up to the crisis, the consensus and participation of the community were needed, and what the people awaited was the establishment of a new order, so that they would not be, quite rightly, accused by future generations of having been instrumental in the structural decadence of the countries of the region.

27. The President of Mexico, Mr. Miguel de la Madrid, emphasized the importance of the Special Conference of ECLAC in defining just and viable action strategies and proposing in a concerted form commitments aimed at progressing towards the solution of the crisis affecting Latin America and the Caribbean and consolidating the development prospects of the region.

28. He said that the countries of the region had shown themselves to be capable in the past of formulating general proposals for improving their situation, and now it was again necessary for them to approach the new challenges with imagination and realism. He wished to place the strongest

emphasis on the need for a renewal of thought and action to bring them into line with the present and future circumstances.

29. Against that background, he proposed the following topics for reflection which could help to make up a New Agenda of Latin American and Caribbean Development:

- i) Recovering economic growth and making structural changes in order to restore lasting stability and raise the level of social well-being in the region;
- ii) Seeking, in the short term, ways of controlling the instability of prices and of the financial system at the lowest possible cost in terms of economic activity;
- iii) Linking together the topics of the debt, financing and trade in an integral medium-term perspective;
- iv) Promoting a world economic environment which would permit the sustained growth of the regional economy;
- v) Adapting the mandates, resources and forms of conditionality of the multilateral finance organizations to the new conditions of the world economy and the new realities of Latin America and the Caribbean;
- vi) Furthering the full acceptance by the creditor banks of their co-responsibility in the generation and solution of the debt problem;
- vii) Redoubling efforts to modernize the region's production system and make structural changes in it so that it could fit efficiently into the new patterns of industry and new trade flows of the world economy;
- viii) Continuing to review the size, forms of intervention and levels of productivity of the public sector, in order to free resources, decentralize decisions and yet at the same time guarantee fulfilment of the fundamental commitments of the State;
- ix) Promoting economic integration among the countries of Latin America and the Caribbean, and finally,
- x) Strengthening Latin American institutions.

30. Referring to the similarities and convergent aspects, as well as the special features and differences, of the countries of Latin America and the Caribbean, President de la Madrid noted that today, as in the past, the situation called for growing solidarity among all the countries of the region.

31. He also noted that, in order to advance towards the final goal of the unity of Latin America and the Caribbean, there must be gradual simultaneous advances in the fields of economic integration and political concertation, and that called for prudence and caution, but also boldness, intelligence and imagination. In spite of the difficulties and adverse circumstances, the people of Latin America and the Caribbean should view the future with well-founded hope, since the importance which the region had attached to the present meeting reflected the firm will of all the countries in it to overcome their economic difficulties.

32. In conclusion, the President of Mexico declared the Special Conference of the Economic Commission for Latin America and the Caribbean formally open.

Election of Officers

33. At the first plenary meeting, on the basis of the agreement reached at a meeting of Heads of Delegations held earlier the same day, the following Officers of the Conference were elected:

Chairman:	Mr. Carlos Salinas de Gortari (Mexico)
First Vice-Chairman:	Mr. Miguel Merino Gordillo (Colombia)
Second Vice-Chairman:	Mrs. Jeanette Grant-Woodham (Jamaica)
Third Vice-Chairman:	Mr. Lizardo Sosa López (Guatemala)
Fourth Vice-Chairman:	Mrs. Sylvia Ostry (Canada)
Fifth Vice-Chairman:	Mr. Luis Yáñez-Barruevo (Spain)
Rapporteur:	Mr. Enrique V. Iglesias (Uruguay)

Documents

34. The documents presented by the Secretariat at the Special Conference are listed in annex 1 of this report.

Report

35. As agreed at the initial meeting of Heads of Delegations, the Rapporteur was asked to include in the report a summary which would reflect what, in his opinion, had been the most salient aspects of the debates at the Conference and to bring out the main points of consensus and divergence which he had noted. It was considered that this procedure would enable the delegations present at the Special Conference to take note of that summary without debating to the full resolutions or consensual declarations on the topics under discussion.

36. At the final plenary meeting, the Rapporteur presented his report, which was adopted by consensus, with a number of changes of form which have been incorporated into this version.

Closing meeting

37. At the closing meeting, the Executive Secretary of ECLAC underscored the stimulus which the invitation made by the President of Mexico represented for the Secretariat and for the countries of the region, and mentioned the lengthy process of preparation which the Conference had required.

38. Among the main innovations of the meeting, he highlighted the inclusion of an overall assessment by the Rapporteur, in addition to the presentations made by each government, as well as the lively dialogue which had taken place among representatives in the technical phase. He described this dialogue as an

encouraging experience which could show the way towards new procedures for the future.

39. He said that the ten points put forward by the President of Mexico in his opening address formed an excellent guide for the activities of the Commission and the governments of the region, covering as they did the main features of Latin American and Caribbean development, and repeated his thanks to the Mexican Government for having put forward the initiative which led to the organization of the Conference.

40. The Secretary-General of the National Economic Planning Council of Guatemala, Mr. Hermes Marroquin, spoke on behalf of the representatives present. After congratulating the President of Mexico on the timeliness of his call for the Conference and thanking the Secretariat of ECLAC and the Chairman of the meeting, he said that the ten basic points put forward by President de la Madrid were of crucial importance to the tasks involved in the region's development. He expressed his conviction that the meeting had achieved its objectives, in view of the considerable degree of convergence between the proposals made by the representatives and the high level of the dialogue. He underscored the need to design an alternative development model linking justice with development and independence, within a context of freedom, democracy, solidarity and political pluralism. He stated that the Conference opened up a broader path to understanding and solidarity among countries and concluded by exhorting ECLAC to actively encourage ideas leading to peace, democracy and development.

41. Mr. Carlos Salinas de Gortari, Minister of Programming and the Budget of Mexico and Chairman of the Conference, emphasized the importance of the adoption of the Declaration of the Countries of Latin America and the Caribbean in Mexico as well as the excellent work done by the Rapporteur, and said that the principles of democracy, peace and solidarity should constitute the foundations for transforming the societies of the region, and that the recession and stagnation could thwart the pursuit of democracy. He stated that in order to ensure the lasting restoration of economic growth and social progress, economic stabilization must be linked with political modernization and structural change.

42. He also expressed the view that the domestic effort of adjustment and change carried out by the countries of the region called for a similar effort on the part of the industrialized countries, and suggested that the political dialogue on the obstacles which the international environment set in the path of development should be continued. While acknowledging that the diversity of conditions in the countries made it impossible for them all to adopt a single formula, he said that the ten points proposed by President de la Madrid as a New Agenda for the Development of Latin America and the Caribbean had met with general approval and contributed towards the unity and integration implicit in the region's common characteristics.

43. Finally, after saying that ECLAC had proved capable of taking up the challenge thrown down by present circumstances and inviting the Secretariat to promote meetings on the ten points mentioned above, he declared the Special Conference officially closed.

## B. SUMMARY OF DEBATES

44. The Prime Minister of Jamaica, Mr. Edward Seaga, attending the Conference in the capacity of a specially invited guest, commented on the prospects for future development. After outlining the economic situation before and after the petroleum crisis of the mid-1970s and referring to the adjustments which it had been necessary to make at great social cost during the present decade, he observed that the economies of the developing nations were increasingly dependent upon trade and not on assistance, and that their growth strategies had been obliged to turn towards exports. In the present world economic conditions, however, the prospects for trade were grim. In those circumstances, strategies for the future must first of all acknowledge that there were no magic solutions in the short term and that recovery and development could only take place over the medium and long term. He went on to state that the multilateral credit institutions were not sufficiently sensitive to the problems caused by their adjustment policies. They were unaware of the human cost of the policies they advocated and of the dangers such policies posed to the still fragile democracies of many nations. While present conditions meant that there was little likelihood of qualitatively different adjustment strategies being applied, those in place should, nevertheless, be adapted to a rate more in keeping with the circumstances of the countries. The adjustment programmes, whose present term was three years, would prove far more effective if they were extended to seven years, and he gave concrete illustrations of this from his own country. He pointed out that more reasonable terms for the adjustment process would have made it possible to absorb the costs involved therein more easily and to obtain support from the population for economic measures from which they would benefit in the long run. Finally, he called upon both debtors and creditors to adopt a more realistic attitude in order to make it possible to strengthen the development process.

45. The Executive Secretary of ECLAC, Mr. Norberto González, recalled that at the twenty-first session of the Commission, the President of Mexico had invited ECLAC to play an active role in the task of renewing the region's development strategies and policies in order to provide an up-to-date conceptual framework and lay the bases for serious reflection on some of the topics on which the countries would be focusing their action in the next few years. That had been the session at which Dr. Raúl Prebisch had made his last major public statement, delivered with his usual brilliance and conviction. The Executive Secretary paid a stirring tribute to Mr. Prebisch and said he hoped the meeting would be inspired by that great man's creativity in tackling the tasks before it.

46. He then referred to the great challenges currently facing the countries of Latin America and the Caribbean, which were marked by circumstances and needs very different from those of the past, both at the international level and in the Latin American region, and noted that the present crisis had further aggravated the economic and social lags, making it necessary to change the global, industrial and agricultural development strategies, the structure of international economic relations, and the approach of the countries of the region to the social aspects of development.

47. He added that the crisis provided an opportunity to carry out a thorough review of the development policies and strategies of the countries of the region and called for a conceptual renewal covering three main aspects: domestic development strategies, international co-operation, and regional co-operation. Domestic development strategies faced the challenge of reconciling the adjustment and stabilization with reactivation and the creation of suitable conditions for initiating a new stage of economically dynamic and socially just development. That was by no means an easy task, as it involved combining short-term objectives and policies with medium and long-term ones, in an unfavourable international setting.

48. He went on to say that the social approach to development --another of the domestic strategies-- was a much broader process than mere economic growth, since it called for changes in social structures and participation. Concern for equity must be indissolubly linked to development in the manner of approaching the transformation of the structure of production and capital accumulation, in the handling of economic and social policy, and in institutional development.

49. Referring to the second aspect --international co-operation-- he said that it must be clearly understood that the domestic effort alone, no matter how intensive and well-oriented it might be, was not enough to overcome the crisis. If exports failed to grow strongly and the payment of interest on the debt continued to absorb an abnormally high proportion of foreign exchange income, calling for big net annual transfers to the exterior, the external bottleneck affecting the economies would continue to limit the possibilities of achieving reasonable economic growth and hence of relieving social problems; consequently, it was essential to make deliberate changes in the forms of international co-operation.

50. With reference to the external debt, he said that this problem was not being solved. The lack of elements to cushion the effects of external fluctuations on the developing countries, the existence of macroeconomic external imbalances in the industrial countries and the absence of sustained policies of adjustment with growth in those countries all constituted a serious threat to the future of the Latin American economies, which had been devoting an unprecedented proportion of their resources to paying their external commitments.

51. Likewise at the international level, he then referred to the imperfections in the prevailing monetary and financial system, the asymmetrical features of its functioning, and the pro-cyclical effects of its behaviour, all of which pointed to the urgent need to reform the system.

52. With regard to international trade, he said that the accentuation of protectionism in the developed countries in the most varied forms severely limited the possibility of increasing the region's exports, and he regretted that in spite of the urgency of the problems and the common interest in a rapid and stable recovery of the world economy, the international dialogue and multilateral co-operation were functioning so feebly at present.

53. As regards the third and last aspect --that of regional co-operation-- he stressed its importance and highlighted some encouraging developments in the form of the agreements recently signed among some Latin American countries, which included new and realistic forms of approaching such co-operation.

54. In conclusion, he said that the magnitude and complexity of the challenges currently facing the countries of Latin America and the Caribbean should not give rise to pessimism, since those countries had the necessary assets for progressing, provided they organized their domestic effort properly and received more far-sighted international co-operation.

55. The Minister of Foreign Affairs of Brazil, Mr. Roberto de Abreu Sodré, said that the serious economic crisis through which the region was passing made it urgent to reappraise Latin American development, and President de la Madrid's initiative was therefore extremely timely. For Brazil, no development strategy could be acceptable unless it involved growth with social justice. Consequently, the Brazilian Government had rejected recession and unemployment as means of making an economic adjustment. Necessary though it was, economic growth could not be equated merely with a quantitative increase in the product: it must involve above all an improvement in the living standards of the population.

56. In spite of the significant growth rate of its economies, Latin America had not been able to modify its form of participation in the international economy in recent decades. Technological change was now of crucial importance, since a new international division of labour was taking shape which was based on the control by a handful of countries of information processing and the high-technology sectors of industry. Such a division of labour would lead to forms of dependence possibly even more serious than those against which the developing countries were struggling at present. The pressures of conjunctural problems must not prevent a longer-term view of the economies from being taken. It was therefore necessary to rethink industrial development policies and apply true national policies in the services sector, whose importance had recently come to be intimately linked with the changes in information and communications technology. He said he viewed with concern the continuation of protectionist practices which restricted the access of the developing world's exports to the markets of the developed countries. The Brazilian Government therefore attached great importance to the standstill and rollback commitments assumed in Punta del Este. In order to resume development on a solid base, it was necessary to place the question of the external debt on a political level. In order for the debtor countries to begin to grow again --which was the only way they could pay their debts-- it was necessary to agree to a significant reduction in the debt service and to increase the flow of finance to them. Without a clear awareness of the interconnections between trade and finance, there could be no new period of stability and expansion for the world economy. A thorough reappraisal of the region's growth strategies could form the backbone of a renewed effort of regional co-ordination and exchange of national experience. Finally, he said that he had great pleasure, in accordance with instructions from President José Sarney, in proposing Brazil as the host country for the next session of ECLAC, to be held in 1988.

57. The Minister of Foreign Affairs of the Dominican Republic, Mr. Donald J. Reid Cabral, said that his country acknowledged its external debt commitments

and had every intention of paying them, but under the present circumstances that was simply not possible, as it would have to devote 76% of its exports to the debt service, to the detriment of the much more sacred duty of taking care of the vital needs of its population. In order to fulfil that duty, Dominicans had resolved to achieve positive economic growth through the application of policies designed to:

- i) Generate the domestic saving needed to carry out the investments required for sustained development;
- ii) Maintain a realistic and not overvalued exchange rate;
- iii) Generate and save foreign exchange by increasing exports of goods and services;
- iv) Increase the substitution of food imports until food self-sufficiency was reached;
- v) Encourage increased private sector participation in the economy and reduce the traditional preponderance of the State sector;
- vi) Stimulate higher levels of foreign investment, especially in areas generating large amounts of employment and foreign exchange, and
- vii) Redefine the role of the State in the economy, placing emphasis on production, health, education and major infrastructural projects, so as to guarantee at least certain minimum development possibilities.

58. The guarantee that the Dominican proposals would be carried through lay in the political will of the Dominican State and its traditional fulfilment of its international payments commitments, well known for over a century. In order to carry out these plans, the country had the priceless asset of the hard-working character of its people and Government, but it would also need private investment and financing from the international agencies.

59. In order to achieve its aims, the Dominican Republic appealed to the industrialized countries to respect and further the rules of international free trade and to adjust and stabilize their economies just as the developing countries had done. Meanwhile, the Dominican Republic proposed a pragmatic formula which, while acknowledging the obligation to pay the debt, appealed to the common sense of creditors so that they could collect their debts, but without destroying the economies or the democracies of the debtor countries. That option, which would be in the interests of all concerned, would involve the following: a moratorium, reduction of interest payments, and extension of maturities.

60. The Minister of Industry and Commerce of Paraguay, Mr. Delfín Ugarte Centurión, referred to the need to find ways of establishing relationships with the major powers which involved, in the political sphere, respect for the principle of self-determination of peoples and non-intervention in the internal affairs of States and, in the economic sphere, a global system of negotiations which would enable the region to develop a co-ordinated line of negotiation based upon the economic and political power which it possessed. He stated that for this purpose he considered it urgent to achieve solid unity through economic integration in order to provide the basis for a new development strategy, since not only would this strengthen joint negotiating capacity but also place the regional market at the service of Latin American and Caribbean production. Among the criteria for the organization of that enlarged economic area, he said, were harmonious and balanced development and

faster growth of the relatively less developed economies. That would avoid the benefits being concentrated in the larger economies of the area, with the consequent uneven distribution of wealth in the region. For the same reason, he suggested that the regional market should immediately be opened up to the smaller economies in order to foster their growth and facilitate more equitable development. He also expressed the conviction that it was necessary to insulate intra-regional relations from restrictive measures affecting trade and payments, which were generally the result of adjustment policies to correct the external imbalances with the industrialized countries. He emphasized the need to make use of regional mechanisms such as ALADI and others, and reasserted that adjustment policies must not be recessionary but on the contrary, in a framework of equitable international concertation, they must facilitate expansion, eliminate conditionalities of all kinds or origins whatsoever, and ensure that only part of the income earned by exports need be used to cover external debt commitments. He added that the solution to the problem of the external debt must be based upon solidarity on the part of the creditor countries, in accordance with the principle of co-responsibility. He said that it was essential to return to the path of development since, failing that, there would be no peace in the region, and finally he highlighted the major joint integration works being undertaken by his country with Brazil and Argentina, as well as the recent meeting between Presidents Stroessner and Sarney.

61. The representative of Canada affirmed her country's support for economic development and the consolidation of democracy in Latin America and the Caribbean and said Canada also supported the principle of growth-oriented adjustment, which refined and strengthened the case-by-case approach to problems of international debt. She noted, however, that progress in applying the principle had been slow, and that re-invigorating co-operation on debt management and the development strategy should be a high priority for the international community. She said that prospects for a resumption of voluntary lending by commercial banks were limited, and that developed countries needed to act with greater determination to reduce international imbalances and improve world economic growth. She applauded the commitment of the Latin American and Caribbean countries to adjustment, and emphasized the importance of that commitment to economic growth and development. She also stressed the importance of adjustment in improving domestic and external competitiveness and, in that regard, drew attention to the need to achieve rapid progress in the Uruguay Round of multilateral trade negotiations, so that protectionism might be arrested and trade liberalization resumed. An improved multilateral trading system was essential to the economic growth and development of the indebted countries.

62. The Minister of Planning of Ecuador stated that in order to face the problems besetting the region it was necessary not only to develop a new concept of the very theory and tools of development, but also a set of minimum immediate measures which, although they would only partly alleviate the medium-term problem, would nevertheless represent the first steps towards more complete and complex medium-term solutions which could only be achieved with political will and commitment and with the passage of time. He said that the Declaration of the Countries of Latin America and the Caribbean in Mexico would need to contain a minimum programme of immediate action which would complement that announced by the President of Mexico and which, taking into

account the heterogeneous features of the countries of the region as well as their historical determinants and particularities, would define a concrete area for joint action, limited though it might be, within which the efforts of each and every country in the region would be concentrated. Immediate action was a vital requirement for strengthening the democratic processes, whose political and social extension had been seriously limited, especially by the overwhelming burden of the debt and the restrictions affecting trade; those circumstances had not changed in spite of the effort made to adapt to the so-called "stabilization programmes", which had only found a very weak and belated counterpart —if they found any at all— in the developed world.

63. He emphasized that the Declaration of the Countries of Latin America and the Caribbean in Mexico could become a reality only if it were accompanied by a minimum action programme. The real difficulty would be to put that suggestion into effect, since to do so it would be necessary for a smaller group of countries to analyse, identify and propose such a minimum set of common practical and immediate measures, in both the social and the political fields. He felt that Latin America had already taken a first step in that direction in Rio de Janeiro and, among other options, the consultation machinery set up there could become the driving force of such essential action.

64. Mr. Luis Yáñez-Barnuevo, Minister of International and Ibero-American Co-operation of Spain, speaking on behalf of the European Economic Community member countries of ECLAC, said that the Community maintained close links with the countries of Latin America and the Caribbean in the political, economic, technical and trade fields. In the sphere of co-operation, he highlighted, inter alia, the agreements with regional bodies and bilateral agreements, adding that the Community, which was well aware of the problems affecting Latin America and the Caribbean, considered that co-operation with the countries of the region was very necessary. He said that it was impossible to ignore the existence of the real major problems affecting those countries, one of which was the high cost of debt servicing. In the Community's view, it was necessary to carry out an adjustment aimed at achieving economic growth through the adoption of suitable structural and macroeconomic measures, and it considered that the bold efforts undertaken in that direction by the countries of the region had achieved positive results.

65. He said that the Community felt that the problems of the debtor countries should be tackled within an economic environment that was favourable to growth, and the Community supported the Baker Plan, while recognizing that it would be some time before its benefits became fully apparent. He went on to stress that the international financial institutions had a vital role to play in the search for solutions, and that they should be provided with sufficient funds, but solving the problem of the debt also required a greater increase in international trade. A number of recent events and trends, noteworthy among which was the opening of the Uruguay Round following the agreement reached at Punta del Este, gave grounds for believing that there was a somewhat brighter outlook for the search for effective and viable solutions to the region's problems.

66. With regard to the Declaration issued by the Latin American and Caribbean countries, he submitted to the Secretariat the following text: "The EEC

countries members of ECLAC, while sympathizing with the problems confronting the region, have difficulty with certain of the propositions and solutions advanced in this Declaration of Mexico. In their view, this underlines the need for industrialized and developing countries who are fellow-members of ECLAC to continue working together to resolve the economic and social problems of the region in a stable and democratic framework".

67. Going on to speak as the representative of Spain, Mr. Yáñez-Barnuevo expressed his gratitude for the work carried out by the Secretariat and emphasized the wisdom of the initiative shown by the President of Mexico in calling for this Special Conference, in view of the magnitude of the problems facing the region. He noted that the modern world was marked by interdependence in all spheres, and that there was an unavoidable need to make a joint effort to find a solution to the problems of development. There had been a marked deterioration in the region's development prospects, and in that context the countries of the region had been obliged to adopt costly adjustment programmes, but such programmes should nevertheless meet the requirements of growth and equity. The situation was aggravated by the lack of external financing, the difficulties of access to external markets and the high cost of debt servicing.

68. Although a number of recent events seemed to point to a certain improvement, the problems were far from being solved. The financial institutions had allowed the terms of discussion to be clarified and updated, but in addition to strengthening their capacity for action it was necessary to seek innovative and imaginative solutions. The commercial banks, which had been involved in the problems relating to the debt from the very start, should help in the search for solutions; creditors, debtors and institutions shared a joint responsibility which must be shouldered, and that same joint responsibility had to be taken into account in the field of trade.

69. He emphasized that Latin America and the Caribbean shared a common heritage with Western Europe and that the latter must provide resolute support for the resurgence of democratic values in the region, which was jeopardized by the extent of the economic crisis. Finally, he said that determined political will was necessary in order to establish a dialogue between creditors and debtors with the aim of altering and improving financial and trade instruments so as to solve the problems currently existing in this field.

70. The representative of France stated that his country desired to strengthen its political, economic, cultural and technical links with the countries of Latin America and the Caribbean, as the French Prime Minister, Mr. Chirac had said and as could be concluded from the recent visits made to the region by the Minister of Foreign Affairs and his Secretary of State. He added that France was concerned over the problem of the debt, which threatened the development of the countries of the region, and that it was seeking solutions, within the context of the Paris Club, which simultaneously covered the technical aspects of consolidating and rescheduling the debt and aspects linked to the requirements of long-term development strategies. The adjustment programmes which the countries of the region had so valiantly adopted should aim at growth through an inflow of adequate funds, while directing their attention to the most vulnerable sectors of the population. A favourable

international environment was also necessary, which meant that there must be sufficient growth on the part of the developed countries, the possibility for the countries of the region to increase their export income, greater stability in the international monetary system and the mobilization of further financial resources for the developing countries, especially through a more active role for the international financial institutions and an increase in their funds. Such a path would lead to a lasting solution to the crisis and would make it possible to face the difficulties posed by development. To that end, ECLAC should intensify its activity in order to bring together the viewpoints of the countries with regard to the issues analysed by the Conference.

71. The representative of the United Kingdom expressed his gratitude to the President and Government of Mexico for the excellent arrangements made for the Conference and to the ECLAC Secretariat for the efficient way it had performed the preparatory work. Recalling his country's long-standing ties with the region, he noted the need to accord due regard to the Caribbean area within ECLAC. He recognized that the problems facing the countries of Latin America and the Caribbean --in particular the erosion of living standards-- remained serious. The industrialized countries' commitment to reducing impediments to sustained non-inflationary growth was noted. There was a commitment to heightening the vigilance of all the industrialized economies, and it was also considered necessary to remove impediments to growth in world trade. He emphasized the importance of the new Uruguay Round of multilateral trade negotiations and expressed the hope that these would lead to improved trade in agricultural products. He drew attention also to the difficulties created by policies which had resulted in agricultural surpluses in many developed countries, to inadequate pricing policies for producers in developing countries and to the efforts at reform in the European Economic Community.

72. He noted the need for growth-oriented domestic economic adjustment in the region and said that courageous efforts had produced important results: more realistic exchange rates had contributed to a significant increase in exports in some countries, while the maintenance of real interest rates had promoted savings and encouraged the retention of capital. Anti-inflationary strategies had also had some success. He thus emphasized the important contribution being made by the international financial institutions and his country's support for adequate resources for them. The IMF had reacted with considerable flexibility to the problems of the region, and the World Bank had also greatly increased its lending, particularly in the form of policy development loans.

73. It was recognized that individual debtors faced serious difficulties, and the active participation of the United Kingdom delegation in the recent General Assembly debate on the issue was evidence of concern about this. He noted, however, that the different circumstances prevailing among the countries of the region did not lend themselves to generalized diagnosis or remedies. In particular, he emphasized that to analyse these difficulties in terms of net resource flows did not adequately reflect the complexity of the issues. He drew attention to problems which could arise from proposals such as the writing down of debt. Solutions lay rather in the complementarity of domestic policy reforms, in the efforts of developed economies to reduce real interest rates and to ensure that the international financial institutions had adequate resources, and in the rescheduling of official debt. The commercial banks had already played an important role in rescheduling commercial debt.

The important thing now was to attract non-debt-creating capital flows to the region: direct investment could make an important contribution, while debt/equity swap arrangements in some countries in the region had already reduced external debt to a modest extent. Finally, he reaffirmed his country's commitment to continue its efforts to help solve the difficult problems facing the region.

74. The representative of Portugal stated that his delegation shared the concern expressed by other delegations over the severity of the problem of the external debt and of other economic problems affecting Latin America and the Caribbean. The present international economic circumstances, which were marked by considerable uncertainty and by the big difficulties which debtor countries were facing, meant that it was essential to analyse the problems in greater depth and to seek solutions in keeping with the increasingly pressing needs of the peoples. He added that the debt problem affecting the great majority of Latin American countries was extremely complex, in view of which it was necessary to solve the problems on a case-by-case basis, taking into account the specific attributions of the international monetary and financial institutions. Initiatives designed to lay the bases for economic reactivation and for the long-awaited reversal of the present trend towards increasing indebtedness implied that macroeconomic measures and structural adjustment policies must be adopted by the debtor countries, and that the role of the international monetary institutions, whose intervention could prove decisive in generating confidence on the part of foreign commercial and investment banks and in increasing the flow of capital necessary for the growth of national economies, should be strengthened. In that respect, he said, particular attention should be paid to mobilizing and making better use of national resources, to restructuring and rationalizing the public and private sector, to providing incentives for the private sector, to promoting capital-generating investments, and to securing a significant increase in exports. Both debtors and creditors must find a solution to the problem, as failure to achieve satisfactory results and the excessive prolongation of austerity measures could bring discredit on the methods used, with possible repercussions on the social climate and perhaps on democratic institutions.

75. The representative of Colombia invited delegates to form a common front made up of each and every one of the countries of America, both industrialized and developing, so as to jointly seek a solution to the problems of extreme poverty. He said that it was vital to lay down the foundations and to define criteria for breathing new life and energy into regional integration and co-operation agreements, and to ensure that these were linked to programmes for eliminating extreme poverty, since the poverty affecting no less than 130 million Latin Americans, together with economic inequality and social injustice, formed the common denominator of our countries and could no longer await solution. The representative concluded by repeating the invitation made by the President of Colombia, Mr. Virgilio Barco, in the General Assembly of the United Nations, to hold an international conference on those issues in his country.

76. The foreign Minister of Uruguay, Mr. Enrique V. Iglesias, said that he felt the present exercise in reflection suggested by the President of Mexico within the framework of ECLAC had come at a particularly opportune moment. After recalling the contributions made by the Commission, and in particular by

Dr. Raúl Prebisch, to the evolution of Latin American economic thinking, he noted that the present international situation was characterized by the inability of the developed countries to give coherence to their own economic policies, the existence of trade wars, the new phenomenon of the predominance of financial matters over other aspects of economic life, the technological revolution and the crisis in respect of international solidarity and multilateralism.

77. He felt that the critical situation experienced by the region was due, in the first place, to long-standing contradictions in economic development in the postwar period; secondly, to the debt and the conditions surrounding it, and finally to the structural transformation of markets, in which the dwindling importance of raw materials presented the region with some immediate challenges.

78. He highlighted the degree of responsibility and realism shown by the countries of the region in shouldering their commitments, even in circumstances in which they had not complied with the undertakings implicit in their adjustment policies, which were based on the assumption of growth in the world economy, a drop in interest rates and the existence of financial flows towards the region. He then went on to describe what he deemed the great assets of the region, consisting of a number of points which summed up the experience accumulated by it during these difficult times and concerning which there were no longer differences of opinion: development was not lineal --it did not depend only on capital and labour factors but also on other factors which used to be regarded as residual; there was marked interdependence among the countries, and national policies could be established within the margins of that situation; development was not possible without the proper handling of macroeconomic factors and sufficiently effective State and private sectors; equity should be a key objective of governments, since it was no longer felt that market mechanisms alone were sufficient to achieve it; all the development processes of the countries depended on external openness, and consequently the region must increase its presence in international markets; and finally, the development process depended on the process of accumulation and therefore on domestic savings and investment.

79. With regard to the present situation, he drew attention to two important challenges. The first of these pertained to the ability to handle the current economic situation. Recessionary adjustment was not a solution; what was needed was growth, exports and payments, rather than merely producing in order to be able to pay. He drew attention to the glaring contradiction represented by the drop in the investment coefficient and noted that since to a large extent the adjustment process had already run its course and had been based on a sacrifice on the part of the debtors, the time had come to redress the negative transfers of resources and turn them into positive transfers. In corroboration of the view expressed by the President of Mexico, he also said that the creditors should understand that the debt no longer stood at its book value. In that connection he also drew attention to the relationship between finance and trade, which made it necessary to find a global political criterion in order to be able to view the economic and financial phenomena in their proper perspective.

80. The second challenge related to structural change, and in that connection he remarked that the rate of change in the world's production was much higher than in any other period. In the case of the region, consideration should be given to the fact that raw materials were now relatively less important and to the tremendous revolution which had occurred in connection with services, all of which gave rise to complex problems of international interdependence, efficiency and changes in the realms of technology and education.

81. He ended his statement by saying that the present circumstances called more for the preparation of "navigational charts" than for formal alternative development theories. One of the meeting's greatest contributions had been that of providing a global, overall view of the region's development, which had made it possible to identify more clearly the new outlines of regional unity which had already begun to be shaped in the Cartagena Consensus, the Contadora Group and more recently the Rio de Janeiro Group. Finally, he said that the democratization of the region was of paramount importance, since it enabled its people to live up to their full potential in times of crisis and challenge.

82. The representative of the United States said that the Mexico conference on strategies for furthering recovery and development had strengthened the conviction of the United States that the critical element for establishing the sustained growth of the countries of the region was the application by them of serious and comprehensive economic reforms. The United States believed that such reforms should be supported by the international financial institutions and that the industrialized countries should continue to pursue policies which promoted greater growth and increased trade. There was a wealth of empirical evidence and economic literature to demonstrate that the Latin American and Caribbean countries could achieve the desired growth and progress by adopting and maintaining a set of policies which inspired the confidence of their citizens and of potential foreign investors and lenders. If those measures were put in place there was reason to expect that some of the vast amounts of capital which had fled the region in recent years could be attracted back and that both domestic and foreign investors would be willing to invest in production and jobs. Those policies included establishing and maintaining market-oriented exchange rates, bringing inflation under control, establishing a much freer trade policy, creating true economic incentives by allowing the price mechanism to function, establishing greater fiscal discipline and public sector efficiency and implementing clearer and simpler rules of the game so that the great entrepreneurial spirit which existed in the region could be tapped and so that the capital, technology, and managerial and marketing expertise of the foreign investor could also contribute to the growth of the region. He found it gratifying that a number of participants in the conference had made statements which defended and described their efforts to undertake the policies he had just noted. Although the delegation of the United States could not agree with all that was in the ECLAC document, it was pleased by the inclusion of a broader range of policy recommendations than in the past, including some of the policies mentioned earlier. On the other hand, it was disappointed with the rhetoric which continued to claim that the causes of and solutions to the economic problems of Latin America and the Caribbean lay exclusively outside the region.

83. The United States representative went on to express pleasure at the progress in policy reform that was being made in many countries of the region and at the improved economic results which were recorded in the document entitled "Preliminary Overview of the Latin American Economy, 1986", which showed positive, though modest, economic growth for the third consecutive year, a sharp decline in inflation, slightly improved debt ratios, and increases in the prices of a number of key commodities over the average of 1970-1980. Progress, however, had been uneven, and growth should be higher in order to increase and better spread the benefits to the region's rapidly growing population. That was why his country had proposed the Programme for Sustained Growth in October 1985 and why it had worked with several OECD countries to co-ordinate United States economic policy with theirs in a manner which should lead to stronger world growth. The United States would continue to support increased flexibility and enhanced programme lending by the international financial institutions and to encourage greater commercial lending and investment when policies were in place that justified it. His government would also continue to oppose protectionist legislation when it was proposed in the United States and to work with the members of ECLAC and other countries to further the objectives of the new Uruguay Round of trade negotiations.

84. The Cuban representative said that the persistent and deepening economic crisis, which was a grim feature of the present time, affected everyone and its harmful impact upon the countries of the Third World was well-known. Latin America and the Caribbean had not been spared by it. He added that the so-called external factors which affected the region and curbed its hopes of genuine economic and social development were nothing less than the predominant unjust international relations. The colonial dependence from which some countries had freed themselves since the end of the previous century was nowadays replaced by neo-colonial dependence imposed by the main developed capitalist countries, which avoided all attempts to bring about changes in those relations by means of negotiation and understanding. The representative reasserted the need to bring about profound internal changes and to modify the present unjust international relations, as the sole means of doing away with this situation of dependence and economic distortion.

85. The Cuban representative went on to say that although some Latin American economies had achieved rather less unsatisfactory results in 1986, the region was experiencing the worst economic crisis in its history, the main factors therein being the adjustment policies and the debt problem involving almost US\$ 400 billion. Latin America provided a striking example of the severe problems resulting from the external debt, which in the last 25 years had increased by a factor of 35 in the region, while in the last six years the per capita GNP had fallen by more than 10%. The flight of resources through the so-called "legal" channels alone had been in excess of US\$ 130 billion in the last five years, and the peoples of Latin America and the Caribbean were becoming increasingly aware of the implications for their economies and development of the unbearable and unpostponable external debt: an awareness which was reflected in the rejection of the adjustment policies imposed by the IMF.

86. The representative added that it was an undeniable and clearly proven fact that the external debt of the countries of the region was economically,

politically and morally unacceptable. It was not a case of trying to shirk responsibilities: it was simply impossible for the countries to pay the debt, even if they wanted to. That did not mean that temporary solutions which were to the benefit of economic and social development, which lessened the sacrifices made by the peoples of the region and which were aimed at bringing about lasting solutions should be rejected. In order to find an immediate solution to the problem of the external debt, however, there was an urgent need for a political dialogue between creditors and debtors, essentially based upon the principle of co-responsibility and the right to development. The representative noted that the Declaration of the Countries of Latin America and the Caribbean in Mexico constituted a common platform for the region, to which the developed countries should provide an appropriate response.

87. He stated that the cutback in the United States sugar quota, together with the production subsidies granted by the European Economic Community, represented a drop of more than US\$ 1 billion in income for the region as a whole, and that was a clear illustration of the failure of the so-called Caribbean Basin Initiative.

88. He said that among the problems facing the region and humanity as a whole were those of peace and development: there was no denying that the arms race represented a brake and a hurdle to development and should consequently cease. He also condemned the military aggression and economic coercion exercised by some countries.

89. Finally, he stressed that what the countries of the region had in common was stronger and more important than the features which divided them, and there were circumstances which would bring them round to a common platform of struggle for their independence and sovereignty, once they had eliminated those factors which ensured the maintenance of the prevailing unjust international economic relations. He urged the countries to struggle for the elimination of protectionist trade barriers, for the elimination for coercive and discriminatory economic measures imposed for political ends, the eradication of neo-colonialism and the establishment of a new international economic order which would make possible development with equity and justice.

90. The Minister of Planning of Costa Rica, Mr. Otón Solís, speaking on behalf of the six countries of Central America and Panama, expressed the subregion's common position regarding the problems hindering its development, emphasizing that co-operation among those countries was essential in order to take advantage of their development potential and overcome the crisis, in view of which the governments of Central America had recently undertaken to review and intensify their economic integration scheme. He said that the Special Conference of ECLAC should adopt a special approach to the problem of small countries, and added that while the Central American economies suffered from similar problems to the rest of the region, their greater vulnerability and lesser bargaining power increased their difficulties. He said that this had been aggravated by an unfavourable international environment in the last ten years, reflected in the fall in the prices of the main exports, rises in energy costs and in interest rates, the downturn in foreign capital inflows, and restrictions affecting access to new sources of funds. As a result, per capita consumption had fallen to the levels of 20 years before, investment as a percentage of the product had fallen by half, the external debt had doubled

in the period 1978-1986, and its service absorbed more than 40% of the value of exports: the highest debt/product ratio in the whole of Latin America.

91. He pointed out that that state of affairs had been aggravated by non-economic factors, especially social and political upheavals, armed conflicts and tension, which had brought about a considerable diversion of resources to military ends, at the expense of economic development and social well-being. He emphasized that the example of Latin America showed that peace was an essential requirement for development, and that the latter was a prerequisite for peace. Consequently, due recognition should be given to the efforts of the Contadora Group and of its Support Group, although they were not in themselves sufficient to achieve political, social and economic stabilization. Central America and Panama also needed the co-operation of the countries of Latin America and the Caribbean in order to transform its economic structures, and the concerted development of Central America as a whole was also essential in order to achieve the fundamental objectives of the nations of Latin America and the Caribbean within a framework of peace, democracy and pluralism.

92. He said that the structural nature of the crisis prevented the successful adjustment of economies by the traditional method of reducing domestic demand and that orthodox macroeconomic policies had, in some cases, helped to reduce the already precarious living standards of the population. He emphasized that behind the social and political tensions was the impact of the exclusive type of development, so that it was necessary to tackle the major challenges within a concept of growth with equity. In that respect, he said that increases in the availability of foreign exchange and domestic savings were essential requirements for reviving growth, along the lines of a new type of progressive structural adjustment, complemented by the strengthening of the Central American Common Market and subregional co-operation, but Central America was concerned at the fact that the multilateral financial bodies insisted on economic policies which ran counter to growth. In that respect, he mentioned the one-sided nature of the policies of the International Monetary Fund and of the World Bank, as well as the requirement that developing countries should open their economies to imports, while at the same time protectionism increased on the principal markets and barriers were placed in the way of the region's exports. Moreover, he observed that external debt servicing reduced the availability of foreign exchange and made it necessary to transfer a considerable part of domestic savings abroad, and that while in absolute terms the Central American debt was small, in relative terms it raised greater difficulties than for the rest of the region, which resulted in reduced bargaining power. Consequently, the countries of Central America welcomed President de la Madrid's statement that solutions should be based on the specific requirements and circumstances of each country.

93. He added that the countries of Central America supported the draft Declaration of the Countries of Latin America and the Caribbean in Mexico, prepared by CEGAN, and shared its view that the problem of the external debt should be solved by political dialogue, based upon the principles of co-responsibility and the right to development. With regard to Central American co-operation, he said that the subregion was determined to tackle common problems through common action and to strengthen the process of integration. He recalled that at various meetings held in 1986, considerable progress had been made towards defining consensual policies designed to stimulate Central

American trade, establish a new external tariff, build links with the European Economic Community and strengthen integration institutions. In the sphere of Latin American co-operation, he said that much could be learned on how to bring about changes in the productive apparatus through programmes on reciprocal technical assistance, joint technological development, new or conventional sources of energy and food production, among others. He stated that the countries of Central America hoped that financing in support of future adjustment programmes would be linked to the behaviour of the terms of trade and to minimum economic growth targets, and that the international financial community would accept that the solution to the problem of the external debt should be sought on the basis of the payment capacity and growth requirements of the debtor countries. Similarly, he proposed that permanent consultation machinery should be established to materialize co-operation between the countries of the Central American Isthmus and Panama, on the one hand, and Latin America on the other, and he requested ECLAC to begin to consult with governments in order to formulate a multilateral co-operation agreement centred on trade, financial co-operation, payments mechanisms, joint investments and technology transfer. He also proposed that ECLAC should set up a system of information, advice and periodic meetings regarding the renegotiation of the external debt, and that ECLAC should increase its presence in the subregion. In conclusion, he requested that at the twenty-second session of the Commission special emphasis should be placed on the analysis of the problems and challenges raised by development in the small countries of Latin America and the Caribbean.

94. The representative of Nicaragua said that he shared the concern of the other Central American countries over the crisis, as expressed by the Minister of Planning of Costa Rica in the statement he had made as spokesman of the Central American countries and Panama. He added that he wished to take this opportunity to point out a number of additional aggravating factors which had had a harsh impact on his country's economy, such as the use of coercive measures by another member country in its trade relations with Nicaragua. The trade embargo imposed by the first-named country in May 1985 had resulted in enormous losses for Nicaragua, and its growing pressure on international financial bodies to deny all types of financing to Nicaragua was a cause of great concern to his country.

95. He called on the countries of Latin America and the Caribbean to reflect upon the economic problems caused by the armed conflict in which Nicaragua was involved, which, in addition to having caused enormous damage to the country, had had an extremely harmful effect on the whole of the Central American economy and hampered projects for regional economic integration.

96. Finally, he reasserted Nicaragua's peaceful vocation and its support for the initiatives of the Contadora Group. In the political sphere, he stated that Nicaragua was convinced that Central America would be capable of finding practical solutions and concrete means of beginning the struggle for the peace and well-being of its peoples, which were at the present time heroically bearing the brunt of the crisis.

97. The Minister of Foreign Relations of Jamaica, Mrs. Jeanette Grant-Woodham, said that since 1980 the countries of Latin America and the Caribbean had made determined efforts to implement stabilization and structural

adjustment policies, resulting in a number of cases in more realistic currency levels, greater efficiency in government, improvements in techniques and export opportunities in agriculture and industry and renewed individual initiatives in rural communities and among the urban unemployed. Those results had been achieved in the face of internal and external obstacles such as the shortage of investment, burden of debt service, net outflow of funds from the region, shortage of managerial skills, unreasonably short adjustment periods and protectionist practices in the industrialized countries. She stated that the economies of the region had demonstrated resilience and potential to expand, but that co-operation was needed from the developed market-economy countries. Consequently, it was hoped that the developed member countries of ECLAC would help in obtaining broad support from the OECD countries for Latin America and the Caribbean with regard to specific measures to be adopted in order to deal with the particular problems of small island developing economies with limited markets, narrow resource bases, strong dependence on exports, high cost of infrastructure, and low flexibility in debt renegotiations.

98. The Minister stressed that the goodwill of Jamaica's developed trading partners and of multilateral financial institutions would be welcome in respect of the proposals to restore equity in the implementation of economic and social programmes. The present Special Conference could be seen as a review and consolidation exercise to promote favourable changes in the attitude of the Latin American and Caribbean countries to international monetary, financial and development resource allocation matters. She noted that a number of new ideas of interest to Jamaica had been put forward by ECLAC, including proposals to help the regional textile industry, the creation of financial instruments at preferential interest rates, the discount purchase of external debt for use as a payment mechanism in trade with debtor countries of the region, joint production arrangements, and special financing schemes for small developing economies.

99. She also urged countries to strive for the unity of Latin America and the Caribbean, unity with the other underdeveloped countries and, also, co-ordination with those developed countries which were in favour of restructuring the present international economic order, since the creation of a common front against injustice and oppression was the only viable course. Finally, she stressed the importance of the proposals included in the message by President de la Madrid at the opening of the Conference and said it would be appropriate to include them among the final declarations and documents emerging from the meeting.

100. The representative of the Netherlands, who also represented the interests of the Netherlands Antilles and of Aruba, said that the Conference had been useful and that he hoped that the results would be taken into account by the relevant forums and decision-making bodies. He considered that the ECLAC document was generally speaking well-balanced and clearly illustrated the negative impact of excessively severe adjustment measures. He underscored the adherence of the Government of the Netherlands to the idea of development with equity, which implied a policy of income distribution and equal opportunities for all, and noted that insufficient use had been made of the potential of interregional co-operation and integration. In particular, he drew the Conference's attention to the situation of small States --often Caribbean-

island developing economies-- which required concrete measures in keeping with their specific characteristics, and emphasized the commitment of the Netherlands to playing its role in helping to secure international conditions leading to world growth and to the lessening of the debt burden.

101. After mentioning some encouraging trends in the world economy and expressing support for the request that flows of funds towards the developing countries be increased, the representative of the Netherlands concluded by saying that, in spite of the differences of opinion, a considerable degree of agreement had been reached in respect of the policies and measures needed to successfully tackle the problems hampering the region's development.

102. The Minister of Planning of Venezuela, Mr. Leopoldo Carnevali, underscored the determining effects that the orientation of the measures adopted to overcome the crisis would have on development prospects. He explained both the domestic and external origins and characteristics of the Venezuelan case, and outlined the programme of measures adopted to overcome the crisis and set the Venezuelan economy back on the path to growth. This expansionary programme, which was designed to rationalize the situation and correct distortions without being subject to external constraints, had been showing encouraging results, but it had been affected by external factors, particularly the fall in income from exports, the heavy cost of servicing the external debt and protectionism, which had come to be decisive for the success of reactivation and growth programmes. He stressed the political nature of both the situation itself and the solutions thereto, as well as the key role which regional integration could play for Latin America and the Caribbean by strengthening regional bargaining power. He concluded by expressing the conviction that all solutions should comply with the primordial responsibility of providing a satisfactory response to social needs and restoring the living standards of the population.

103. The Peruvian representative considered that this was an appropriate occasion to emphasize that the essential aim of economic policy should be to achieve growth with distribution, and that it was impossible to imagine, or even less to accept, the implementation of an economic policy designed to reduce domestic demand and bring on a recession; consequently, the economic policies being recommended by international financial bodies with a view to depressing demand and increasing debt payments were utterly pointless. In line with that observation, he underscored the need to adjust external debt servicing to the countries' real payment capacity, in the sense that the latter should be determined by the need to achieve growth with distribution.

104. He went on to say that his country's economic policy fell within those general criteria, and in applying them the Peruvian Government had restricted debt servicing to a maximum to 10% of the value of the country's exports, i.e., to a level compatible with the country's growth requirements. That restriction on debt servicing had made it possible to expand domestic demand by the restructuring of costs; moreover, wages and salaries had risen more than inflation, while interest rates had fallen considerably. The economic results achieved by the implementation of that policy had been very satisfactory: the gross domestic product had increased by 9% during the past year, the fruits of growth had been more evenly distributed, and inflation had fallen to an annual rate of 63% in 1986. Moreover, prospects for 1987 seemed

quite encouraging, and it was expected that growth with distribution would continue. However, it was necessary to improve the international economic environment in order to establish a favourable climate for the development of all nations.

105. The representative of Belize briefly described his country's economy and development strategy. He said that in the 1960s and 1970s, Belize had enjoyed sustained economic growth, the main sources of income being sugar, citrus fruit and fishing. In 1982, however (one year after Independence), the Belizean economy was in crisis. Whereas in 1980 the country had no significant external debt, by 1981 the debt stood at 32% of the gross domestic product. In addition, the country lacked the basic infrastructure for development or trained personnel in senior management and the technical field. By 1984, conditions had worsened so much that Belize had to seek loans from the IMF, the World Bank and other agencies. The masses grew increasingly dissatisfied, and in December 1984 there was a change of government.

106. Agriculture (25%), industry (20%) and services (55%) accounted for the bulk of the gross domestic product. The Government's development strategy promoted exports and placed high priority on diversification. Production for the local market was considered to be more appropriate for Belizean individuals and organizations, whereas foreign investors and the larger Belizean entrepreneurs were encouraged to produce for export, with the Government providing the infrastructure and policy framework.

107. At the end of 1985, the total external debt was 48% of the gross domestic product, and between 1981 and 1984 the balance-of-payments position worsened. Merchandise export receipts declined, external interest payments climbed, and in 1982 private remittances to Belize fell sharply. To forestall further deterioration, an adjustment programme was implemented in mid-1985 at the cost of great economic and social hardship to the masses.

108. Given the dissimilarity between the economic situation of the larger Latin American countries and that of the smaller Latin American and Caribbean ones, he felt that ECLAC, when reaching a final consensus on international recovery and development strategies and policies, would do well to place greater emphasis on the need for co-operation with the smaller countries with regard to debt, investment, trade and infrastructure.

109. The representative of the Soviet Union laid stress upon the complex nature of the economic crisis affecting the countries of Latin America and mentioned its economic and political roots. Emphasizing that the arms race represented one of the main obstacles to development, he said that the Soviet Union had put forward concrete measures in order to bring about disarmament. He advocated the establishment of internationally-agreed principles, capable of providing a basis for alleviating the debt problem of the developing countries and of becoming an essential part of a global solution to the debt problem in the future.

110. The Soviet representative said that his country could support a number of suggestions in that direction made by the representatives of the member States of ECLAC. He also stated that the international conferences held under the auspices of the United Nations to deal with the debt problem and with monetary

issues could facilitate an overall solution to international monetary and financial problems, although he did not exclude other types of multilateral negotiations. He made particular mention of the Soviet Union's economic co-operation with the countries of Latin America, both at the bilateral and regional levels, as well as of the use made in it of new types of economic links, including co-operation in the production field and joint operations. Such co-operation could prove to be a factor aiding the diversification of the region's economic links, towards which the efforts of so many countries of Latin America and the Caribbean were directed.

111. The Secretary-General of UNCTAD said that although since the previous year there had been a new perception of the debt problem which took the view that in order to solve it there must be a resumption of growth, the main features of the debt strategy remained unchanged. The onus of making adjustments continued to be placed on the developing countries, ignoring the need for counterpart action by the developed countries. The strategy continued to assume that all debtor countries had the capacity to meet their obligations and ignored the fact that debt servicing costs should be more evenly distributed between creditors and debtors. It also underestimated how difficult it was to implement certain types of domestic policies, without the support of an improved trading and financial environment. In order to meet their debt service obligations, the debtor countries had been compelled to make enormous sacrifices. They had done so in the hope that, after enduring rude shocks when the developed countries went into recession, their situation would be reversed, but the external trading and financial environment remained hostile to them. The policies pursued by the debtor countries were still, however, of major importance, since they determined inter alia how far changes in external variables affected the pace of development. Some countries had made major changes to combat inflation and to take maximum advantage of their growth possibilities but there should also be an improvement in the "fundamentals" of the external environment.

112. Such improvement called for significant changes in the macroeconomic policies of the developed countries. Incentives for expansion were urgently needed. The deflationary adjustment policy prescribed as a recipe for non-inflationary growth had not achieved its objectives but only produced a morass of international financial and commercial conflicts. Further pursuit of that policy would cause a breakdown of the trade and payments system. For those reasons he felt that the treatment of the developing countries' debt and of international monetary and financial co-operation should be integrated. Such integration would afford the opportunity for political dialogue and effective participation in global economic management.

113. Other changes to the debt strategy were also needed in order to permit the resumption of growth. Conditionality should be more closely tailored to the realities and complexities of the developing world, and provision should be made for the possibility of partial debt cancellations to enable chronically insolvent countries to attain acceptable growth rates without being forced to take more drastic unilateral measures. He suggested that creditors should foresee the difficulties that could arise and seek to write off debts along internationally agreed guidelines. In conclusion, he enumerated four pillars for an effective debt and development strategy: an integrated approach towards the debt and macroeconomic co-operation, a more

flexible approach to conditionality and debt service obligations, more cooperation among developing countries, and the application of domestic policies designed to boost growth.

### C. CONCLUSIONS

114. In addition to the points made in the debates, the main conclusions of which are given in the Summary by the Rapporteur (section D of this report), the Conference gave rise to three forms of expression of its members' views. First of all, the delegations considered it appropriate that the report should reflect the views of the Secretariat itself on the topics debated, to which end it was agreed to include in it a summary of document IC/G.1440. Secondly, the Latin American and Caribbean member countries of the Commission put out a Declaration containing their own collective views on the same topics. Finally, some of the delegations of the developed member countries of the Commission submitted declarations reflecting their own views. The texts expressing these different views are given below.

#### 1. Summary of the Secretariat document

115. In order to implement the agreement adopted by delegations to the effect that the report should reflect the views of the Secretariat itself on the topics under discussion, as referred to in the preceding paragraph, a summary is given below of the Secretariat document entitled "Latin American and Caribbean development: obstacles, requirements and options" (IC/G.1440).

1. This document deals with the vast and complex field of economic recovery and development in Latin America and the Caribbean. It explores some of the obstacles faced by the countries and offers guidelines on how to tackle them. Although the region is characterized by the great diversity of different situations existing in it, it is felt that there are sufficient common features to justify speaking of a distinctive style of development. However, there is no intention of offering universally applicable "recipes", but rather guidelines whose more specific features must fit in with the special conditions of each country and their changing circumstances. Despite the complexity of the topic, it is possible (as is sought in this document) to identify the essential points which form the basis for the guiding threads of the recovery and development strategies of Latin America and the Caribbean.

2. Firstly, emphasis must be placed on the scope of the economic crisis which is now being faced by virtually all the countries of the region. It is already a commonplace to say that the present crisis is the deepest and longest which the region has experienced in the last half century, and that the short-term problems bring out and highlight the structural obstacles which have been characteristic of Latin American and Caribbean development and further magnify them. At the same time, it is important to stress that notwithstanding the incipient recovery registered in some countries in 1986, the deterioration in the levels of well-being of broad

sectors of the Latin American and Caribbean population has reached a point that could not have been imagined a few years ago (both because of its depth and the broad social spectrum affected), while the productive apparatus has deteriorated to such a degree in most countries that it jeopardizes the possibility of reactivating the economies. The well-known heterogeneity, together with the differing forms of evolution of the various national economies in the 1970s, explain to some extent the diversity of the effects produced and the different ideas with regard to future prospects in the individual countries of the region.

3. The need to reverse these recessionary trends and to recover forthwith the capacity of the economies to grow and change cannot be stressed too much. There can be no doubt that this is the most serious challenge that the countries of the region have had to face since the end of the war. The short-term expressions and constraints of the crisis, however, sometimes tend to overshadow the fact that the stock of human, natural and capital resources, as well as the creative capacity of the population and the wide range of possibilities and situations which exist, represent a potential which, if properly developed, would enable this challenge to be faced successfully.

4. Secondly, it must be stressed that the reversal of the trends described above is hardly likely to take place spontaneously. It is well known that the development process does not "happen" in a vacuum. On the contrary, it calls for a deliberate and systematic effort on the part of governments and civil society, within the framework of a process of a democratic opening, aimed at mobilizing all forms of social energy around a national renovation project. The features, content and scope of action strategies have sometimes been the subject of lively debate, with differing theoretical, practical and doctrinary expressions. In this respect, the proposals set forth in this document expressly recognize the plurality of approaches to action strategies, both as regards the specific order of priorities of the objectives and as regards the special features of each country and the ever-changing dynamics of circumstances themselves.

5. Thirdly, it should be noted that in a world of growing reciprocal influences between nations, the future evolution of the Latin American economies will not depend only on their own efforts, but also on the behaviour of the international economy as a whole. This should not be taken to mean, however, that it can be realistically expected that the development solutions will come from outside, either through the facilitation of the insertion of the region into world trade or through other forms of external co-operation. On the contrary, the profound transformations which are taking place in the industrialized economies and in their mutual relations presage a different kind of international economy which, although offering opportunities, also involves risks and uncertainty, especially for countries which have historically shown a slow capacity to adapt to changing circumstances. Likewise, everything seems to indicate that, at least in the medium term, most of the economies of the region will not have access to net external financing on a scale comparable to that of the past decade, and there may even be a continuation of the recent situation in which the region has been

transferring a considerable proportion of its domestic savings abroad. For these reasons, Latin America and the Caribbean will have to meet the challenge of economic recovery and development fundamentally through their own efforts, either on an individual basis or, better yet, in a collective, organized manner. Some of the initiatives which are underway in the latter direction are particularly encouraging.

6. Fourthly, the effort which the countries of the region must make should be based on four essential interdependent points which mutually influence each other. The first of these is to reconcile progress in the direction of an expansionary adjustment with the reduction of inflation or, at least, the maintenance of reasonable control over inflationary processes, since this is an essential requirement for reactivating the economies and increasing the mobilization of savings. The reduction of uncertainty (which affects the formation of the economic agents' expectations) would make it possible to create relative price structures favourable to the transformation of production. Moreover, the control of inflation would be compatible not only with the objective of achieving growth but also with that of improving the distribution of the fruits of such growth, in view of the usually regressive effect of inflation. It is quite feasible to adjust economies without incurring the excessive social costs characteristic of recent years. In other words, what is proposed is that on the one hand it is possible to achieve an expansionary or efficient adjustment, and on the other it is possible to control inflationary pressures, without necessarily remaining sunk in a prolonged recession. The experience of some countries of the region in recent years in applying heterodox solutions emphasizes the feasibility of the foregoing.

7. The second priority point in the effort that the countries of the region must make is to increase domestic savings and especially investment, while also improving the productivity of the latter. This is necessary first of all because in the near future external savings will be far smaller than they were in the past, and secondly because the modernization, diversification and expansion of the structures of production will call for growing volumes of investment. The leeway for action in this sphere is relatively limited in view of the depressed levels of private consumption at the aggregate level and the financial restrictions which typically affect the public sectors. Nevertheless, some progress can be made in this field. Among the types of action being explored, mention may be made of certain measures aimed at discouraging non-essential consumption and promoting strict austerity in public expenditure which is not associated with development (reduction of spending on armaments is perhaps the most significant item in this field); some fiscal reforms; the encouragement of institutional saving; the modernization of the systems of intermediation which procure and channel savings; and incentives for the repatriation of the capital belonging to residents of Latin America and the Caribbean which is currently invested abroad.

8. The third priority point is to recognize the unavoidable need to take thoroughgoing, sustained and systematic action to modernize and transform the structures of production. In this respect, it is necessary

to take advantage of what already exists, although it is unlikely that a sustained and dynamic economic recovery can be attained on the basis of an export sector made up primarily of agricultural and mining commodities and a pattern of industrialization marked in many cases by inefficiency, technological lag and insufficient linkages. This recovery should be tackled in two distinct stages which nevertheless form part of a single ongoing process. In the short term, it is necessary to make adaptations in demand and supply and to protect existing productive facilities. This would make it possible to take full advantage --without necessarily having to invest in new productive facilities-- of the available productive capacity in order to increase production, create jobs and reduce costs, especially in those branches of activity where there is only a small imported component. This is where the key to carrying forward the current adjustment programmes in such a way that they will have an expansionary nature should be found.

9. At the same time, it is essential to attain forms of organization of production which are more competitive both domestically and internationally, by eliminating the dichotomy between specialization for the domestic market on the one hand and for export on the other. This means overcoming the many types of structural and institutional inertia which have frequently impeded greater progress in the past. A good design of macroeconomic policy (and especially, within that policy, a foreign exchange strategy which consistently maintains a level of parity in keeping with the sought-for change) is important for this purpose, but is in no way sufficient of itself. It is also necessary to systematically promote new lines of activities in keeping with the resource endowment of each country, the sought-for patterns of domestic consumption, and the trends in regional and international demand. Thus, it will be necessary to improve the organic integration between research and development and the adoption of production technologies and processes; to strengthen entrepreneurial capacity; to increase efficiency; to seek greater cohesion between demand patterns and production capacity, and finally to improve transport and marketing services, especially in view of their growing interrelation.

10. In order to avoid costly and unnecessary sacrifices, the transformation of the structures of production should be approached gradually and selectively, but nevertheless firmly. A crucial aspect of the sought-for modernization lies in the strengthening or creation of intersectoral links in order to extend technical progress from the most dynamic activities to other (primary and tertiary) activities which enter into the productive system and are considered to be of high priority in each particular country, according to its special conditions. This approach --unlike the predominantly sectoral approach which prevailed in the preceding phase of growth-- helps to reduce intersectoral and intra-sectoral heterogeneity, to strengthen the autonomy of national systems of production, and to adequately value the potential of modern services which link up with and complement the goods-producing sectors.

11. The fourth priority point, which ultimately gives significance and legitimacy to the domestic efforts to achieve economic recovery and development, refers to equity, understood both in its dimension of

broader access to goods and services and as the opening-up of spaces for the participation of the population in aspects influencing its conditions of life and work. The undesirability of prolonging a concentrative or exclusive style of development is obvious, because of its economic, social and political repercussions, especially if heed is paid to the growing demand for the creation and consolidation of democratic and participative processes. Since marked inequalities of income distribution persisted in the region even during a period of relatively dynamic economic growth, it is only reasonable to expect that such a situation will tend to get worse in periods of contraction or reduced growth, unless there is a definite will to apply policies designed to correct past trends. This document sets forth some of the bases for functional equity related with development, designed to create jobs --the most urgent objective in the short term--, to raise production and the productivity of the lowest-income social strata, and to avoid, by suitable economic and social policies, the reproduction of poverty, exclusion and social segmentation in the coming generations.

12. Fifthly, although the countries of Latin America and the Caribbean must naturally assume their responsibilities as regards reversing the trends of the past, they obviously cannot do so unless there are conditions in the international economy which facilitate renewed access to development. Outstanding among these conditions are those governing access to markets, technology and financing, all of which are interdependent.

13. The latter point is closely connected with what has perhaps already become the main obstacle to the expansionary adjustment and reactivation: the terms on which the heavy external debt of Latin America and the Caribbean must be serviced. The fact is that a considerable proportion of the foreign exchange generated by the region (between 34% and 40% at present, although with considerable differences from one country to another) and a high percentage of domestic savings (about a quarter) are committed to the servicing of this debt. This raises a serious dilemma, since the import capacity of most of the countries has been restricted to such a point that many of them can neither grow at present nor finance the imported component of investments aimed at transforming their production capacity in order to be able to grow in the future. Expanding this import capacity is therefore the main requisite for economic recovery and development.

14. The foregoing will only be achieved in the short term if the debt servicing burden is reduced and/or greater access to net external financing is obtained. It would appear that the spontaneous forces of the market will not of themselves solve this situation, or at least will not do so quickly enough to put a rapid end to the sacrifices of the population. In the case of most countries, the recent fall in interest rates has been offset by an even greater deterioration in the terms of trade. Consequently, one of the basic external elements needed in order to supplement domestic measures is the significant lightening of the debt servicing burden. Of course, in view of the wide diversity of situations existing in the region, there can be no question of single or uniform solutions for this complex problem. In any event, the important thing

would be to apply a set of measures whose actual make up could vary from one country to another but whose final result would be reflected in the retention of part of the considerable amount of resources currently transferred abroad, in order to use these to meet acceptable growth targets and satisfy the urgent needs of development. Among the measures in question, mention may be made of reduction of the principal of the debt, relief as regards interest payments, and other forms of action explored in this document.

15. Part of this solution consists of reopening access to external financing. There are enormous restrictions on this today, due to the normally procyclical behaviour of both the international private banking system and of direct foreign investment. This does not mean, however, that the countries of the region should resign themselves to continuing to transfer net resources abroad. On the contrary, efforts are called for --both on the part of the international financial community and on the part of the countries of the region-- to expand the latter's access to external financing. With regard to the measures that could be taken by the international financial community, it would be desirable to strengthen the existing financial machinery, increase the resources of the multilateral agencies, facilitate the development of secondary markets for the Latin American debt, make the current systems of repeated renegotiations more flexible, and agree on formulas for opening up new sectors of the international capital markets, among many other possibilities. The countries of the region, for their part, are not totally devoid of possibilities for taking action which could lead to the co-operative expansion of their share in international credit resources. Some specific examples of such action are the application of co-financing formulas, the issue of regional bonds expressed in foreign currency, participation in risk coverage systems, adoption of policies to modernize and increase the competitiveness of local financial systems, and others of a similar nature.

16. In the medium term, however, the only way of ensuring a permanent and growing flow of foreign exchange is to export goods and services or to substitute imports of these items within reasonable margins of efficiency. This depends not only on the transformation of the structures of production, but also on the possibility of gaining access to foreign markets. Here, the obstacles are related not only to the rapid and far-reaching changes in the structure of demand and technology in the world, which make it essential to modernize production capacity, but also to the marked trends towards protectionism and the proliferation of non-tariff barriers. In this respect, one of the bases of the development strategy proposed in this document is to seek a greater share for the economies of the region in international trade flows. This would only be feasible, however, under a more transparent system, with progressive elimination of tariff and non-tariff barriers and with the adoption of policies which favour the process of redeployment of activities to the developing countries rather than postponing it. The new round of multilateral negotiations in Punta del Este by the Contracting Parties of the General Agreement on Tariffs and Trade (GATT) could provide an opportunity for Latin America and the Caribbean to pursue these objectives through a minimum platform of international agreements. The governments of the

region should therefore initiate, as soon as possible, a joint process of preparation in order to revitalize their negotiating capacity in the relevant forums and to exercise joint bargaining power. In a broader context, this power should not be limited to the field of trade, but should needs be extended to the sphere of technology, since all these elements are indissolubly interlinked.

17. Sixthly, as a link between the responsibilities which the countries of the region should shoulder and those where the support of the international community is essential in order to promote development, emphasis should be placed on the importance of regional unity. Just as agreements on concerted action undeniably strengthen the capacity of the Latin American and Caribbean countries to influence international economic events, so the renewed impulse towards economic integration could be a decisive element in the transformation of national structures of production. It is felt that integration could be renewed in various directions: in the updating of the agenda, in the execution of joint efforts in fields felt to be ripe for regional co-operation, in the joint defence of existing productive capacity, in the incorporation of high-technology products and research, and, in general, in taking advantage of the broad and varied potential offered by integration as a regional instrument of development. This approach, which ultimately expands the national options open to each individual country, will be favoured by the greater political backing that governments have begun to give to integration, to judge from --for example-- the recent pioneering agreements signed between Argentina and Brazil, Argentina and Uruguay, and Brazil and Uruguay, to name only a few.

18. In short, the countries of Latin America and the Caribbean are faced with a vast and urgent task, and both governments and the people must assume the shared responsibility for tackling it within the framework of processes of broad participation. This responsibility includes transforming the past patterns of supply and demand, stimulating and mobilizing domestic savings, and promoting strategies to secure development with equity. This is a task in which the international community, too, should assume important responsibilities, in the context of an interdependent world where the actions of one party necessarily affect the others. An external economic environment where co-operation is the rule can be a decisive factor for the application of the policies and strategies aimed at securing the economic recovery and development of the countries of the region, while an economically vigorous Latin America could do much to promote an upswing in the world economy. Redefining and assuming the responsibilities that befall to each member in a community of nations that are highly integrated in economic matters should form the backbone of the new agenda in the field of international co-operation; joining forces within each society and promoting mutual co-operation at the regional level are essential bases for achieving development.

## 2. Declaration of the Countries of Latin America and the Caribbean in Mexico

116. At the Special Conference of ECLAC held in Mexico City, the countries of Latin America and the Caribbean endorsed the following declaration:

1. Firmly resolved to promote economic and social development, basing ourselves on the obligation to strengthen democratic processes in a climate of liberty, justice and social equity and drawing our inspiration from the principles laid down in the Charter of the United Nations, we hereby affirm that democracy, peace, development and solidarity constitute the principles on which the strategies for the economic and social transformation of Latin America and the Caribbean must be based in order to tackle the grave crisis we are facing.

2. This crisis, whose duration, depth and extent give it a structural character, is the severest, longest and most widespread of the past 50 years. The setbacks suffered in our development processes on account of it have caused a drop in the per capita gross domestic product, the deepening of social problems, and severe structural imbalances, both internal and external. Its origin lies basically in external factors, which have given rise to grave balance-of-payments problems as a result of high nominal and real interest rates and the fact that for the first time in our history we have become net exporters of financial resources; the continuous and ever more acute deterioration in the terms of trade, basically attributable to the steady drop in the prices of the basic commodities and raw materials we export, and the proliferation of protectionist barriers in the industrialized countries. All this involves a cost which, after years of economic and social sacrifices, means that the burden on our societies is becoming intolerable.

3. The concepts underlying the adjustment policies recommended to our countries have led to short- and medium-term conditionalities which have adversely affected our recovery and development, because those concepts were based on assumptions concerning the behaviour of the international economy and the region's economic agents which later turned out to be unrealistic. Neither was due consideration given to the dissimilar situations existing in our countries or to the nature of their development strategies. The policies to be adopted should satisfy the development needs of the countries of the region, taking into account their special features.

4. At a high political and social cost, we have made major effort to adjust our economies. However, even this sacrifice has not allowed us to simultaneously service the debt and achieve the aims of development. Should this difficult situation continue, recessive conditions will prevail and our possibilities of recovery will remain precarious. The adjustment processes, which were originally supposed to be only of a temporary nature, until such time as growth of the international economy got under way again and progress was made towards domestic structural change, have persisted and threaten to become a chronic feature of the way our economies operate.

5. Consequently, checking the still-prevailing recessive trends and making possible development constitutes the greatest challenge which we must face in the coming years. It is therefore desirable that the current crisis be tackled in a pragmatic and innovative manner, seeking to bring about recovery and establish links tying in development with social equity and rooted in the particular features of each nation.

6. The definition of a new development policy, as well as its contents and scope, is indissolubly linked with the ever-broadening process of democratization. Our governments and civil societies have shown our capacity to assume responsibilities --as witness the disproportionate costs and sacrifices demanded by the adjustment-- and we reaffirm here our commitment to policies marked by:

a) Innovative approaches to stabilization and adjustment which encourage growth and development and protect our economies against the negative impact of external factors, and which, in addition to considering macroeconomic equilibria, also promote the recovery of employment and defend the interests of the least protected groups, while giving rise to efficient and expansionary programmes which facilitate fundamental changes, diminish the sacrifices made by our populations and achieve lasting solutions.

b) Systematic and sustained efforts designed to expand and transform the productive structures, so as to improve efficiency, strengthen inter- and intra-sectoral links, make full use of the potential offered by technological change, bring about a qualitative change in the position occupied by our countries in international trade flows, and lay the foundations for sustained growth and development.

c) Encouragement of domestic saving and its orientation towards productive investment which contributes to the process of economic recovery and development, to which end patterns of consumption will have to be made compatible with patterns of accumulation, public-sector finances will have to be strengthened, and policies to stimulate institutional, social and personal saving must be implemented.

d) A fairer sharing out of the costs and benefits of material progress, within the framework of a process of participation which is indispensable for the implementation of strategies leading to the desired economic and social development.

7. With a view to facilitating the execution of these policies and making them more consistent, we hereby reiterate our will to strengthen concerted action and regional integration and co-operation programmes. At the same time we express our conviction that integration is a suitable means for lightening the burden of the present crisis and facilitating the region's production, transformation and distribution processes. We agree that the creation of a common economic space opens broader prospects for joint growth and for the well-being of our peoples, provides new impetus for the consolidation of peace and development, and makes it easier to tackle shared problems by taking joint co-ordinated

action in various fields. We affirm that the region must organize itself with the objective of exercising joint bargaining power at the international level so as to be better able to defend its own vital interests. This conviction has provided the inspiration for the recent bilateral integration agreements signed in Latin America and the Caribbean (which include measures for co-operation in sectors capable of disseminating technological progress and which are further evidence of our political will to continue carrying out joint activities to further economic recovery and development), as well as the economic complementarity and convergence measures taken within the framework of ALADI.

8. We consider that in spite of the enormous efforts which we have made, the possibilities for recovery have so far failed to materialize, primarily because of the extraordinary deterioration in the realm of international trade and finance caused by the policies unilaterally applied by the most powerful industrialized countries. In order to cope with this situation, which is causing a crisis in respect of international co-operation, and in view of the trends towards bilateralism in international relations, where the exercise of power predominates, it is essential to strengthen multilateralism as a suitable mechanism for solving many of the problems besetting us. The coherent and carefully deliberated action we are adopting at the national and regional level will prove insufficient unless there is international co-operation in the financial, monetary, commercial and technological areas and higher priority is given to our problems on the agenda of negotiations at the world level. We are faced with the challenge of establishing conditions which favour the development of our economies in line with a criterion of equity and justice in their economic links with the exterior. We reject the application of coercive economic and financial measures for political or other ends. In this respect, we deem it necessary to indicate some approaches which will make it possible to reduce the external vulnerability of the regional economy and, in particular, to advance in the efforts towards the establishment of the New International Economic Order. These approaches are the following:

a) Solution of the problem of the external debt. The Latin American and Caribbean countries are faced with an external debt of close to US\$ 400 billion, which is the most serious manifestation of the economic crisis besetting us. Most of our countries devote over one third of the foreign exchange they generate and a quarter of their domestic saving to making their interest payments each year, so that it will be very hard for us to recover our import capacity and to accumulate the capital we need to grow and build new structures of production. This is why we assert that the external debt cannot be paid as things now stand and in the absence of sustained economic development. 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. In order to do this, it is necessary—in addition to establishing other mechanisms and measures—to adjust the servicing of the debt to each country's real capacity to pay, to limit this servicing on the basis of export earnings or the performance of other economic

variables, to reverse the net transfer of funds which affects us and to treat the current debt differently from future debt. In this context it is necessary to take into account the real needs of the small developing economies, in particular the need to relieve their servicing commitments in respect of official debts owed to bilateral and multilateral institutions. In order to cope with the problem of the external debt, immediate and simultaneous action must also be taken at the monetary, financial and commercial level.

b) Reform of the international monetary and financial system. The disequilibria in the international economic and financial system have a direct impact on our development prospects. The overcoming of these disequilibria requires greater macroeconomic discipline in the leading developed countries and mechanisms for keeping watch over the measures adopted by those countries, in particular with regard to the effect they have on exchange rates, interest rates and international liquidity. Moreover, cross conditionalities, which are applied primarily in the spheres of trade and finance, reduce our countries' potential for development and autonomy, and hence the complex and burdensome demands associated with external financing should be brought into line with the conditions, economic objectives and development policies of each country. It is essential to increase the resources of the international finance agencies and to reorient their activities to enable them to play a role in keeping with our development needs. In addition, the severity of the balance-of-payments problems affecting the Latin American and Caribbean countries calls for the immediate expansion of the Compensatory Financing Facility in order to respond to the negative impact of factors such as the drop in commodity prices, high real interest rates and natural disasters. Measures should also be taken to facilitate the conversion of official development aid loans into grants and to increase the concessional resources granted to small developing economies for their social and economic infrastructure. Consequently, we maintain that a thorough review of the present international monetary and financial system through multilateral negotiations can no longer be postponed.

c) Reform of the system of international trade. We express our deep concern at the slump --unprecedented in the postwar period-- in commodity prices; at the acute deterioration in the terms of trade; at the ever-intensifying tariff and non-tariff protectionist measures adopted by the industrialized countries which hinder access by our exports, and at the increasing tendency of those countries to resort to export subsidies and other unfair practices which displace us from our traditional markets and depress international prices even further. We call for a multilateral system of international trade that ensures high rates of expansion of world trade, together with increasing participation on the part of developing countries. We consider that the launching of the Uruguay Round constitutes a positive step in the search for solutions to some of the problems of international trade. However, we hereby declare that if this Round is to achieve satisfactory results it is essential that governments should immediately apply the Standstill and Rollback commitments assumed by them in the Declaration of Punta del Este; that as far as the issue of safeguards is concerned, a satisfactory solution, based on the most-favoured-nation clause and taking full

account of the interests of developing countries, should be found; that agriculture should be given fundamental and priority attention and all the barriers restricting trade in agricultural products should be subject to the discipline of GATT; and finally, that international trade should be liberalized and expanded in a manner which considerably improves the conditions of access for goods from the developing countries to markets in the developed countries. We stress the importance of an improvement in the trade environment, especially in relation to the capacity of the debtor countries to meet their financial commitments. We also emphasize the fact that such improvements, accompanied by a significant reduction in debt servicing and a marked increase in financial flows towards the developing countries, would contribute to the recovery of our growth and consequently also to a rapid expansion of our imports, leading to a renewed period of high growth rates of world trade which would be to the benefit of the entire international economy.

9. It is our view that, unless a set of measures such as those proposed in this Declaration is adopted, we will find ourselves in an extremely serious situation which will force us to limit our net transfers of resources substantially in order to avoid still greater social and political instability which would endanger the processes of consolidation of democracy.

10. We reiterate that we are not shirking our responsibilities but have so far unilaterally borne the weight of the trade crisis and the burden of the financial crisis. We do not expect our problems to be solved exclusively from outside, but we do demand a reply from the developed countries, as we are convinced that co-operation among nations is important for promoting long-term development.

### 3. Statement by the delegation of the United States of America

117. The United States delegation requested that the following statement be included in the report:

"The document prepared for this Special Conference of ECLAC by the group of Latin American and Caribbean countries includes some very welcome references to the importance of domestic structural change in bringing about economic development. Acknowledgement of the role of proper domestic policies is an important step forward.

"At the same time, however, the overwhelming emphasis in the CEGAN paper is to attribute the region's problems almost exclusively to external factors. We believe such emphasis is misplaced.

"During the technical portion of the Special ECLAC Conference, various delegations representing the developing country members of ECLAC pointed with pride to improved indicators of economic performance in the

countries of the region. ECLAC's "Preliminary Overview of the Latin American Economy, 1986" \*/ confirms these positive indications and offers additional welcome information concerning economic trends and developments. We believe that the pursuit of sound, growth-oriented domestic economic policies was responsible in large part for these signs of economic progress. The continued pursuit of such policies offers the most realistic approach to hastening the return to sustainable, balanced economic growth and development in the countries of the region. Such adjustment programmes, undertaken on a case-by-case basis in response to the circumstances faced by each individual country, recognize that economic growth and development is a long-term task. We are confident that there will be enhanced international support for such policies as they begin to take hold and become more widespread.

"Without growth in the debtor nations and in their export markets, there can be no resolution of the debt problem. Debtor countries will not be able to service their debts unless they accumulate resources, and export earnings, at a faster pace than they are accumulating debt. In addition, without more efficient use of domestic and external resources, no amount of money --whether derived from external borrowing, financial aid, inflationary domestic pump-priming, or some form of unilateral action to conserve scarce foreign exchange-- will produce sustained growth.

"While additional financing from commercial banks and the international financial institutions is essential to support reforms, we must avoid simply adding debt onto debt at a pace that exceeds the debtor countries' capacity for growth. Hence, we emphasize, as one important element in our approach, new equity investment, whether domestic-based, in the form of foreign direct investment, or as the reflow of flight capital. Non-debt-creating equity finance is the least costly of all external capital sources, especially if it is the returning flight capital of the nationals of the debtor nations.

"Creating and maintaining the conditions to attract new investment clearly lies in the hands of the debtor nations themselves and must be a top priority. A track record of positive returns on domestic savings and investment, supportive tax policies, reduced inflation, a more open investment climate is essential to rebuilding the confidence needed to attract and keep new investments. Depending on individual country circumstances, establishing debt-to-equity conversion mechanisms would complement this approach.

"Such policies are important elements of the broader market-oriented approach we favour. Other aspects of this approach include maintaining a realistic foreign exchange management policy, reducing rigidities in domestic labour markets, and offering positive real interest rates. We were pleased to note that various delegations representing the developing member nations of ECLAC made favourable mention of the role of market

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\*/ LC/G.1454.

mechanisms and of the private sector in encouraging economic growth and development. Such recognition represents a welcome shift from the increasingly outdated import substitution, public-sector-oriented development strategy that has often shackled Latin American and Caribbean economic development prospects during the last 40 years.

"We must guard against an overly pessimistic view of the world economy and the prospects for the major debtors. Since 1984, there have been various tangible signs of improvement in the global macroeconomic environment. These improvements have had a positive effect on the economic situation of and prospects for the countries of Latin America and the Caribbean. In addition, one may cite various positive ongoing trends and the increased recognition among industrialized country governments that further improvement in the global macroeconomic environment will assist in the international effort to manage external debt and other economic problems.

"Lower oil prices are having significantly different effects on individual debtor countries. However, developing country debtors are benefitting from sharply lower international interest rates. Since 1984, dollar interest rates (LIBOR) have fallen by almost 5 percentage points. This will save the major debtors in Latin America and elsewhere more than US\$ 13 billion annually.

"With respect to the industrialized countries, lower oil prices, interest rates, and inflation should serve to improve economic growth prospects. However, we recognize that to ensure that these prospects are realized, various industrialized countries need to take further action to allow stronger domestic economic growth by reducing structural impediments and, in some cases, adjusting monetary and fiscal policies. The seven countries that participated in the Tokyo Summit committed themselves to strive for improved policy coordination; these countries intend to build on the progress that has already been achieved since the Summit.

"The industrialized countries likewise recognize the need not only to resist protectionist pressures but also to move forward, within the new round of multilateral negotiations, on dismantling a diverse array of barriers to international trade in goods and services. The industrialized countries welcome the full and broad participation of the developing member countries of ECLAC in the upcoming GATT round. The industrialized countries further welcome efforts currently under way in a number of ECLAC developing member countries to reduce barriers to trade, including intra-Latin American trade, and to encourage export diversification."

## D. SUMMARY BY THE RAPPORTEUR

118. At the initial Meeting of Heads of Delegations, the Rapporteur was asked to include in the report a summary which would reflect what, in his opinion, had been the most salient aspects of the debates of the Conference and which would bring out the main points of consensus and divergence observed, the idea being to enable the delegations present at the Special Conference to take note of the summary in question without having to debate to the full resolutions or consensual declarations on the topics under consideration. This summary is given below.

119. Towards the beginning of 1985, the countries of Latin America and the Caribbean became fully aware that the enormous efforts to rationalize their economies undertaken in the early years of the decade had been fruitless. There was no longer any doubt that that crisis was the deepest and most prolonged since the depression of the 1930s, and that no solution was to be found in recessionary adjustments relying on an expansion in the international economy which failed to come about.

120. In these circumstances, during the twenty-first session of ECLAC, held in Mexico City in April 1986, the President of Mexico, Mr. Miguel de la Madrid, drew attention to the need for a far-reaching conceptual examination designed to define strategies for returning to the path of development and economic policy options to overcome the crisis. To this end, he put before the other member countries a proposition to hold a Special Conference centered on stabilization programmes, the debt problem, changes in the productive structure and intra-regional co-operation, and requested the Secretariat of ECLAC to provide an analysis of these issues.

121. In this request, the President of Mexico exhorted the Secretariat of ECLAC to carry out a creative intellectual effort based upon the values which had inspired its ideas and upon its tradition for independent thought. His penetrating insight grasped the need to develop new strategies incorporating both the ideas and the practical experience beginning to take shape in the region. His proposal also came at an extremely opportune moment, when the differences between the countries of the region and the developed countries over how to face the crisis had deepened; the failure of the recessionary adjustment policies made it extremely difficult to restore a constructive dialogue, and no imaginative solutions capable of narrowing the gap between their respective positions were in sight.

122. In response to this initiative, the Secretariat of ECLAC prepared the working document entitled Latin American and Caribbean development: obstacles, requirements and options (IC/G.1440), which tackles the vast and complex field of Latin American and Caribbean economic recovery and development, and puts forward guidelines as to how to tackle these issues. In addition, the governments of the region prepared the Declaration of the Countries of Latin America and the Caribbean in Mexico, which was put before the Conference and which contains their collective reflection and position with regard to these issues. This contribution is incorporated in this report.\*/

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\*/ See paragraph 116 above.

123. At the request of the Conference, the Rapporteur has endeavoured in this Summary, based on the Secretariat's document and on the discussions which took place at both the technical and ministerial levels of this Conference, to highlight the main ideas, issues and suggestions dealt with in it. This Summary reflects the Rapporteur's interpretation of the debates which took place at the Conference, and does not necessarily imply that all the contents have received overall consensus.

#### 1. Towards an alternative approach to development

124. The Conference has made it possible to appreciate the results of the effort stimulated by the President of Mexico. Both the presentations by the representatives of governments and the prior debates at the technical level, as well as the documents presented by the Secretariat and the exchanges of views which have taken place, have confirmed that major changes are underway in the region both in the conceptual sphere and in the realm of practical experience.

125. It was seen that the traditional recommendations for recessionary adjustment met with widespread rejection at the meeting in view of their poor results. In order for them to be effectively applied, a substantial change was required in the international environment, and in the absence of a sufficiently profound change, the economic, social and political situation of the region had become unbearable by the end of 1985.

126. The countries of the region began to cast doubts on the theoretical approach behind recessionary adjustment, and attempted to pursue innovative policies which altered previous policies in differing degrees and ways. The objectives of growth, democratization, economic efficiency and social equity were gradually given precedence over the aim of servicing the debt by restricting demand and earning a large trade surplus. In order to materialize this change in objectives, the instruments available to economic policy were expanded and applied selectively so as to take adequate account of the social and economic diversity and, in particular, the need to lessen the burden borne by the least protected sectors of society. Thus, servicing the debt has been increasingly subordinated to the need to restore development, which is now perceived as being a process in which social and political factors play a key role, and this has been reflected in a number of recent processes of renegotiation of the external debt.

127. The implementation of these policies suggests that it is possible to advance towards the above objectives while respecting macroeconomic aims, and, in quite a number of cases, considerably reducing inflationary and fiscal pressures. Moreover, it has shown that the criticisms made of the recommendations in favour of recessionary adjustment were the result of a responsible attitude based on the conviction that serious and efficient alternatives existed. A clear illustration of this was provided by the approach —totally devoid of dogmatism— to a number of particularly controversial areas of policy, such as the role of the public sector in the economy and the need for domestic saving. In this respect, proof was given that it is possible to reinforce government action in certain sectors while

reducing it in others, and at the same time provide the private sector with ample room for expansion. It was also shown that external saving was perceived as a complement to domestic saving, and that there is no desire to achieve autarky with regard to international trade and finance, but rather a deeper and selective insertion into the international economy. Similarly, experience has shown that democratic régimes are capable of bearing the high costs involved in tackling the present situation and of sharing them out more equitably.

128. As the Prime Minister of Jamaica, Mr. Edward Seaga, pointed out, sustained development will not be achieved "without the prospect of total commitment and support of the human resources of the nation".

129. At the same time, a number of recent problems reveal that care must be taken not to underestimate the challenges which still have to be faced in order to reconcile adjustment and stabilization with economic growth and social progress.

130. In the face of these policies applied by the countries of the region, the developed countries have gradually adopted a more flexible attitude in some respects: a fact which has been clearly shown at this Conference. It is encouraging to observe that in the contributions made by the developed countries a certain degree of acceptance of the new policies may be noted, and that the achievements of a number of countries have made more acceptable the use of policy instruments which met with certain misgivings in the recent past.

131. The new ideas and experience presented to the Conference have led to a convergence of opinion over the characteristics which make up the core of a new and alternative approach to development. The main lines of this approach were set out by the majority of speakers, and are, in particular, expressed in the New Agenda for the Development of Latin America and the Caribbean, which appears in the inaugural speech of the President of Mexico, and in the document presented by the Secretariat. The main elements of this approach include: restoring growth capacity and directing it toward social justice; modernizing and transforming productive structures so as to avoid adopting a passive and subordinate role in the new international division of labour; institutional reforms to guarantee the expansion of domestic saving and of productive investment and a redefinition of the role of the public and private sectors; a search for coherence between development policies and macroeconomic equilibria; a leading role for regional integration and co-operation processes, and strong efforts to achieve changes in international relations so as to facilitate sustained development. Among these changes, the countries of the region emphasized the need to link debt, financing and trade and the needs for a favourable world economic environment, for a change in the formulas of conditionality adopted by the multilateral credit institutions and for an expansion of their funds, and for application of the principle of co-responsibility by the creditor banks.

## 2. Regional co-operation

132. As a link between the responsibilities incumbent upon the countries of the region and those which involve support from the international community to stimulate development, stress was laid on the key importance of regional unity. As is well-known, regional integration is going through a deep crisis. However, it has never been forgotten that the market potential and endowment of human and material resources of the region constitute a valuable basis for reviving the economies of the countries. The recent agreements between Argentina and Brazil, as well as others involving Uruguay and Mexico, show that positive changes are taking place in this field. Through such arrangements, innovative instruments come into being and economic spaces are enlarged, with the aim of increasing the interdependence of the countries of the region under the aegis of closer political relations, thanks to the intensifying processes of democratization.

133. Emphasis has been placed during the meeting on the increasing tendency to use regional co-operation and integration to carry out joint action in areas such as technology and services: two key factors for the future of the world economy which consequently occupy a particularly important place among the issues involved in international negotiations.

134. The sphere of international co-operation has also expanded to cover action designed to augment collective negotiating and co-ordinating capacity. In the economic field, the Cartagena Consensus is worthy of note, as are, in the political sphere, the activities of the Contadora Group and, more recently, the Rio de Janeiro Group. The same is true of Central America and Panama, as the representative of Costa Rica said on behalf of all those countries: "The joint development of Central America is essential for the achievement of the fundamental objectives of the Latin American nations in a context of peace, democracy and pluralism. We desire peace, as a vital requisite and goal, both in order to restore development and consolidate and enrich our democracies, and to dispel the conflicts that divide and impoverish us".

## 3. The persistence of problems of trade and indebtedness

135. The present difficulties which the countries of the region are facing have once again revealed the capital importance for their development processes of decisions taken in the industrialized countries in the areas of international trade and finance. These decisions lie beyond the control of the developing countries and restrict their policy options.

136. In the field of trade, the Conference has shown that the countries of Latin America and the Caribbean reassert their conviction that no substantial progress has been made towards overcoming certain problems affecting international trade. Difficulties persist regarding access to markets and increasing protectionist trends of all kinds, including the proliferation of tariff and non-tariff barriers. In addition, subsidies for agricultural production and exports are maintained, and further obstacles have appeared in the application of the generalized systems of preferences. The difficulties

raised by new criteria such as "fair trade" and various forms of managed trade are now added to these. The application of these measures has generated tension not only in North-South relations, but also between the main developed countries, among whom veritable trade wars continue to take place, with unfavourable repercussions on the Latin American and Caribbean countries and further aggravation of the consequences of the increasing trend towards bilateralism in trade relations.

137. The presentations made during the meeting identified as a fundamental problem the deterioration in the terms of trade, and in particular, the unprecedented slump in the prices of the commodities exported by the region, which has almost completely cancelled out the benefits deriving from the increases in export volumes and seriously threatens the traditional comparative advantages of the countries concerned.

138. The most positive feature in the sphere of the multilateral trade negotiations was without any doubt the launching of the Uruguay Round of GATT in September 1986. This Round provides an opportunity for redirecting the search for solutions to the pressing problems of world trade through multilateralism, which has been seriously damaged by the policies and measures applied by the industrialized countries in recent years. It also provides an opportunity to halt and reverse the increasing protectionist trends, to open up a process of trade liberalization for the exports of interest to the countries of the region, and, for the first time, to overcome the difficulties and hesitations which have marked GATT from its beginnings and to incorporate broad overall negotiations on agriculture into the framework of multilateral negotiations within this body.

139. Finally, this new Round of trade negotiations includes new topics such as that of services, thus making it possible to take a global view of the bases of future world trade.

140. However, the failure of certain industrialized countries to fulfil the Standstill and Rollback agreements since the Round was launched is a source of particular concern, since it throws doubt on the reliability of these commitments and undermines the grounds for and the credibility of the process of negotiations which is underway.

141. It will clearly be impossible to address and even less to solve all the problems affecting world trade within the framework of the Uruguay Round. Consequently it is vital to ensure that international trade discussions and negotiations are not restricted solely to the sphere of GATT, but are extended to other multilateral forums, and in particular to UNCTAD, in view of its obvious competence and of the central and global role it must play in relation to trade and development. Indeed, the governments of the region expressed the view that that forum is the natural setting for the consideration of international economic relations in their fullest sense, with emphasis on the interdependence of trade, finance and monetary matters.

142. With regard to the external debt, a number of conceptual and practical steps forward have recently been made. As several countries have pointed out, a number of principles put forward by the region have been accepted in concrete cases of renegotiation; it has, for example, been agreed that

sustained growth must be supported --and not restricted-- by net financial resources, and that external financing must be linked to the prices of the main export products. Moreover, it may be mentioned that the conditions agreed upon at recent negotiations have been made more flexible, maturities and periods of grace have been increased and spreads have been reduced, while nominal rates of interest have been lowered on international financial markets. Furthermore, a secondary market for debt certificates is being developed which, although still limited, allows them to be bought at a discount or converted into risk capital, and a few countries have gained access to voluntary loans.

143. In contrast with this progress, emphasis was also placed, in the technical and ministerial-level phases of this Conference, on the persistence of unfavourable circumstances which, unless they change substantially, give grounds for pessimism with regard to the immediate future. Various indicators of the debt burden reveal that the situation in 1986 was similar to, and in some cases even worse than, that existing at the beginning of the crisis. One country mentioned that the total amount of debt service paid since the beginning of the 1970s exceeded the present value of the debt. No success has been achieved in restoring access for the countries of the region to financial markets; on the contrary, there has been a marked shrinkage in fresh financing from both multilateral credit institutions and commercial banks. Moreover, in spite of the reduction in nominal interest rates already mentioned, real rates remain well above their historical level, and the tendency to subject small countries to notoriously harsher credit conditions than those granted to large countries with higher debts in absolute terms still persists. No less serious is the tendency to impose fresh conditions on top of traditional ones.

144. In conclusion, from the viewpoint of the countries of Latin America and the Caribbean, the debt problem has not been solved; on the contrary, postponement of a solution and the burden resulting therefrom constitutes one of the fundamental hurdles, if not the main hurdle, to the achievement of sustained development and to the possibility of freeing the domestic saving resources needed in order to effect the investments essential for modernizing the economies of the region.

#### 4. Controversy over the prospects for the international economy

145. The representatives of both the countries of the region and of the developed countries agreed as to the dynamic role which the latter's economies should play and over their likely evolution in the immediate future. Nevertheless, there were differences with regard to the impact this evolution would have on the countries of Latin America and the Caribbean.

146. The representatives of several developed countries laid stress on the emergence of several encouraging international economic signs, such as the fall in interest rates and in the price of the dollar, the restructuring of the major currencies, the agreement to hold a new round of multilateral trade negotiations under GATT, the prospects of world economic growth in 1987 and the commitment of the industrialized countries to exercise closer control over their own economies. The representatives of these countries expressed the view

that these factors were sufficient to stimulate the growth of the economies of the region.

147. The countries of the region, for their part, considered that these signs were necessary, but not sufficient, for the region's development. They were inclined to view the economic growth of the industrialized countries as having been modest in 1986, and they pointed out that short-term forecasts did not seem to suggest that any significant change was in sight. They stated that the economic policy pursued by some industrialized countries was not providing a strong enough stimulus for the expansion of the world economy, and that in a number of cases this expansion was not being transmitted, as in the past, to the developing countries. The latter's expansion was vitally dependent on the implementation of measures designed to eliminate the disequilibria and structural rigidities within the industrialized countries by improving the co-ordination between their economic policies and providing a firm impetus for the growth of the world economy. As long as high real rates of interest persist, the conditions affecting international trade in terms of prices and access to markets fail to improve and the region's possibilities of obtaining access to fresh external funds continue to be restricted, the international environment will not favour sustained growth.

148. Under these circumstances, the countries of Latin America and the Caribbean are undertaking a major effort on the basis of their installed capacity. However, it is their view that it will be difficult to advance to the following stage, which requires greater investment and a far-reaching technological renovation, if they are unable to rely on a more favourable international environment than the present one. It was repeatedly stated during the debate that the creation of such an environment would be facilitated if a solution were found to the debt problem which would allow the debtor countries to contribute to the dynamism of the world economy.

## 5. Final reflections

149. The timeliness and importance of President de la Madrid's initiative are demonstrated by the richness of the exercise in collective reflection undertaken by the region, as witnessed by the excellent documents produced by the ECLAC Secretariat and the exchanges of ideas which have taken place in the technical and ministerial-level phases of this Conference.

150. The build-up of crises and challenges faced by the region calls for an approach different from the development policies applied so far, as well as a new response from the International Community in line with the responsibility assumed by the region in the solution of its problems.

151. The moment through which the region is passing is one of profound crisis—the worst since the 1930s—aggravated by serious new challenges deriving from the world situation. Among the critical factors which have arisen with all their severity are the economic and social imbalances which have built up in the course of past development processes, as indicated by ECLAC over the last few decades. Recently, they have been compounded by the effects of the heavy external indebtedness, which is now one of the most negative elements in

the present and future development of the Latin American economy. On top of all this come the challenges deriving from the rapid technological change and the new forms of international relations, which demand from the region a process of thorough modernization and structural change.

152. According to the Rapporteur's understanding of this fruitful debate, and in the light of the many points of convergence noted in it, a new alternative approach to development would call for concerted action on the domestic and regional fronts and a coherent response from the international community.

153. On the domestic front, the immediate challenge is to resume economic growth and put an end to adjustments of a recessionary nature. To this end, it is necessary to effect structural changes which will make it possible to ensure sustained growth, restore lasting stability, and raise the level of social well-being of the region, which has sunk to unprecedented low levels in the majority of the countries. In the short term, this means adopting suitable macroeconomic policies which make it possible to control the instability of prices and of the financial system at the lowest possible cost in terms of economic activity. In the medium term, it means redoubling efforts to modernize and make structural changes in the systems of production, so that they will fit in efficiently in the new industrial patterns and new trade flows of the world economy. It is also necessary to continue reviewing the size, forms of intervention and levels of productivity of the public sector so as to free resources, decentralize decisions and guarantee the fundamental functions of the State.

154. At the international level, it is necessary to demand from the industrialized countries their collaboration in the creation of a world economic environment which will permit the sustained growth of the regional economy. This environment will not be achieved only through the sustained growth of the industrial countries, but will also call for imaginative solutions to the problems of the debt, trade and external financing. In the case of the debt, it is essential to adapt its servicing to the capacity of the countries to grow and change. It will also be necessary to promote the full acceptance by the creditor banks of their co-responsibility in the generation and solution of the debt problem; moreover, the conditionality applied must be adapted to the new characteristics of the world economy and the new realities of Latin America and the Caribbean.

155. In the field of trade, an effective process of multilateral negotiations within GATT must be achieved, in keeping with the objectives of the Uruguay Round. This process can lay the future bases for a type of free trade in which debt, financing and trade are clearly linked and considered in an integral medium-term perspective.

156. In the field of external financing, the net transfer of financial resources from the region to the exterior must be reversed and there must be a substantial increase in financial flows, both from the private banking system and from multilateral financing organizations, in order to ensure a level of investment compatible with the growth targets.

157. On the regional front, a fresh impulse must be given to co-operation and integration in all their forms, as part of a political approach which sees in

these processes an irreplaceable means for the collective generation of production and trade.

158. As various participants noted, this alternative approach to development, which stems from an integral view of that objective and from actions concerted on all fronts, is an essential condition for the strengthening and consolidation of democracy, as well as a fundamental element in the process of pacification which is today the legitimate aspiration of the peoples living under the scourge of violence and war.

159. I consider, in conclusion, that the results of this historic Conference, together with the recommendations of member countries, and in particular the suggestions of President de la Madrid, should serve as a guide for the ECLAC Secretariat in the studies which will be submitted for the consideration of governments at the twenty-second session of the Commission to be held in 1988.

#### E. VENUE OF THE TWENTY-SECOND SESSION OF THE COMMISSION

160. The Chairman submitted to the Conference for its consideration President José Sarney's invitation --conveyed by the Minister of Foreign Relations of Brazil-- to hold the twenty-second session of ECLAC in that country.\*/

161. Before a decision was taken on this matter, the representative of the Secretariat informed the participants that under the terms of United Nations General Assembly Resolution 31/140 regular ECLAC sessions could be held away from ECLAC Headquarters if the Commission so decided, subject to the approval of the Economic and Social Council and the General Assembly of the United Nations.

162. He also informed the participants that if the budget of US\$ 297 400 requested by ECLAC, which was equivalent, at 1986 prices, to the cost of holding the session at Santiago, Chile, was approved by the General Assembly at its forty-second session, the holding of the ECLAC session in Brazil would probably have no additional financial implications. At all events, as provided for in ECLAC resolution 480(XXI), any additional cost would have to be covered with resources from the regular budget of ECLAC.

163. After receiving this information from the Secretariat, the participants accepted the invitation of Brazil by acclamation.

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\*/ See paragraph 56 above.



## Annex 1

## LIST OF DOCUMENTS PRESENTED BY THE SECRETARIAT

Working documents

LC/G.1438 (Conf.79/1)	Provisional agenda
LC/G.1439 (Conf.79/2)	Annotated provisional agenda
LC/G.1440 (Conf.79/3)	Latin American and Caribbean development: obstacles, requirements and options
LC/G.1447 (CEG.12/3)	Report of the Twelfth Session of the Committee of High-Level Government Experts (CEGAN)

Reference document

LC/G.1448 (Conf.79/4)	Development, change and equity: vanquishing poverty
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