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THE GLOBAL OBJECTIVES OF THE LATIN AMERICAN DEVELOPMENT STRATEGY  
AND THE PROGRAMME OF WORK OF CEPAL IN RELATION TO THE NEW  
IDS FOR THE FORTHCOMING DECADE

Report submitted to the Preparatory Committee for the New International Development Strategy, established pursuant to General Assembly resolution 33/193, of 23 February 1979.



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ANNEX



I. LATIN AMERICAN DEVELOPMENT DURING THE PRESENT DECADE:  
EXPERIENCE AND LESSONS

1. Rate and structure of economic growth:  
rise and fall

During this decade the economic performance of the Latin American countries was very varied and the rate and structure of their development changed significantly. Economic growth became quite dynamic in some countries but was relatively sluggish in others, and broadly speaking the process passed from a boom period into a situation of much weaker growth rates, with some progress in recent years towards a moderate recovery.

The region's annual cumulative economic growth amounted to 5.7%, thus almost attaining the minimum target of 6% fixed for the Second Development Decade. The population growth rate, however, remained relatively high (2.7% on average), with the result that the per capita product grew by only 2.8% - considerably below the 3.5% target also fixed by the present IDS.

These overall indicators conceal the sharp differences in the performance of individual countries. For example, almost half the countries failed to attain an annual growth rate of 4.5% in their domestic product. At the same time, major differences have continued to exist in demographic trends. Consequently, during the present decade major changes in the economic and demographic importance of the countries have continued and even increased, while the differences among them as regards actual and potential economic and financial development have grown sharper.

The average growth of agricultural output has remained relatively low for the region as a whole, despite the progress made in modernization and in the diversification of crops. Output in 1978 represented an average annual growth rate of a little under 3.5% in relation to 1970 levels, which is below the 4% target fixed for the Second Development Decade. Here again there were clear differences among countries, since although the majority failed to reach the target, seven countries attained or exceeded it.

/The region

The region as a whole likewise failed to attain the 8% target established for industrial output. This sector reflected more clearly the interruptions and fluctuations in the overall growth rate. The 1978 output levels represent an annual growth of only slightly over 6% in relation to 1970. In most countries growth was definitely sluggish, especially taking into account the present stage of Latin American development, and only three countries reached or exceeded the 8% target.

The performance of the world economy and particularly of the industrial countries, with which Latin America carries on most of its external trade, had a major effect on this rise and fall in the economic growth rate of the Latin American countries.

In the first four years of the present decade economic growth accelerated and the region as a whole attained an annual average rate of roughly 7.4%. Major growth factors included national policies directly aimed at promoting economic development, and active external demand stemming from the boom in the central economies until 1973, better terms of trade and the greater supply of external financing.

In 1974 the Latin American and the world economic picture changed dramatically. The oil-exporting countries benefitted from a further rise in prices which helped to raise their real income and their external purchasing power. On the other hand, the non-oil-exporting countries faced weak external demand, due to the recession in the industrial countries, and worse terms of trade. Since they continued to increase their imports, with the growth of the product and domestic investment, they built up large deficits on the balance-of-payments current account which had to be covered with external financing and the use of foreign currency reserves.

In 1975 external conditions worsened, leading to a significant fall in external purchasing capacity, and despite the drop in imports the balance-of-payments current account deficit again increased, while the growth of the product dropped to a mere 3%, very nearly the same as the population growth rate.

The three-year period 1976-1978 was characterized by a process of recovery; nevertheless, the average growth rate of around 4% is one of the lowest in the last three decades, although the disparities in development

/between one

between one country and another are also considerable. During this period, many countries made great efforts to adjust and control domestic demand; promoted and achieved an appreciable increase in their exports; and controlled and in absolute terms even reduced their imports in an attempt to narrow the external gap - a more difficult proposition now because they faced considerable increased outflows of foreign exchange due to remittances of profits and service payments on investment and the high cumulative external debt.

## 2. New modes of insertion in the international economy

During the present decade, Latin America's modes of insertion in the world economy has changed radically. The most notable fact has been the growing internationalization and closer economic and financial linkage with the system of the central economies. It is interesting, in this respect, to note the markedly parallel nature of the growth of Latin America and that of the industrial countries as a whole over the past eight years, although the rates for Latin America have been somewhat higher.

The following basic features of Latin America's new form of insertion may be mentioned:

(a) The structure of Latin America's exports has altered significantly. In the first place, exports of manufactured goods have in recent years risen to 20% of total exports, although this increase has not been uniform and has mainly been concentrated in the big countries and some of the medium-sized countries. Secondly, a distinct diversification of exports of primary commodities has occurred at the national level, which in some degree has mitigated the effects that fluctuations in world prices used to have on one-commodity exporting countries. These changes illustrate patterns in the economic development process with important ulterior effects, and also show the efforts of the Latin American countries to deal with their structural external disequilibrium.

(b) The region has considerably increased its external indebtedness.

The debt, which was US\$ 10 billion in 1965, today stands at close on US\$ 100 billion. This quantitative change has been accompanied by a change in the origin of this capital. In the 1950s, the bulk of the capital entering Latin America was of official origin and mostly of a long-term /nature, only

nature, only a small part coming from private sources. Today the proportions are reversed. Four-fifths is of banking and commercial origin, and moreover the majority are short- and medium-term loans, which have altered the debt profile and appreciably increased the percentages of the value of exports represented by debt servicing.

(c) Transnational corporations have played an important role in the increasing internationalization of the Latin American economies. It is estimated that in 1975 the cumulative investment of the OECD countries in Latin America was close to US\$ 40 billion and that the sales of transnational corporations represented some US\$ 80 billion, which is nearly double the total value of Latin American exports in that year. At the same time, the use of external loans has very largely been channelled through transnational corporations, which have thus obtained greater safeguards of good returns on their investment.

It should also be noted that although the new patterns of Latin America's insertion in the world economy have, among other positive aspects, permitted the region to have access to increased financing in time of crisis and to promote export flows of manufactures, they have carried the region to high levels of indebtedness and to considerable dependence both on international private banks and on transnational corporations.

### 3. Persistence of social problems

The economic dynamism and changes in the structure of production recorded in the region have not been sufficient to step up productive employment substantially or to reduce open unemployment and under-employment. In addition, the prevailing development pattern continues to show a limited capacity for a fair distribution of the fruits of economic growth.

Furthermore, population changes and rural-urban migration have created new challenges in terms of employment needs and raised the cost of physical and social infrastructure in the big cities. The growth rate of the labour force has accelerated as a result of the increase in population growth rates in previous decades and the rise in the rates of participation of women, which have come close to 3% annually, while at the same time the urban population has expanded at an accelerated pace and today represents slightly more than 60% of the total, thus transferring to the urban area a by no means insignificant share of the problems of rural under-employment.

/The production



The production heterogeneity that has characterized the industrialization process in Latin America does not seem to have been notably reduced in the 1970s. The incorporation of modern technology has a limited coverage, so that the coexistence of industrial establishments with very different levels of productivity not only continues but may even increase. To this heterogeneity typical of urban areas the present decade has added an increasing differentiation of productivities in rural areas, where, as a result of the spread of modern commercial enterprises in the midst of a slowly-changing rural economy, the inequalities in production between these different forms of development have augmented, with consequences on distribution which can easily be imagined.

In these circumstances, and in the context of this structural process, employment and distribution problems have not been mitigated, and indeed everything seems to indicate that they may have worsened as a consequence of the slow growth of many countries in recent years.

Estimates made by CEPAL and other regional bodies indicate that around 1970 the total underutilization of labour could be estimated to be the equivalent of approximately 30% of the economically active population, with a fifth of this underutilization corresponding to open unemployment. As regards the distribution of income, the indicators available show that around the beginning of the decade the highest-income families attracted large percentages of the total income, in clear contrast to the small percentages received by the lowest-income families. Everything would seem to indicate that the situation has not improved during the present decade and that the lowest-income groups in many countries paid a large part of the cost of the readjustment which took place in the period 1975-1978.

The indicators of poverty are, generally speaking, consistent with the indicators of income distribution. Situations in this respect vary notably from one country to another but if the region is considered as a whole, surveys and censuses taken at the beginning of the 1970s in countries which represented more than 80% of the population indicate that 40% of the families would appear to be affected by situations of extreme poverty, and that nearly half of these could be considered to be indigent.

/This set

This set of observations on social development shows that the region has not succeeded in approaching the type of integral and human development which the countries put forward as one of the central objectives of the Second Development Decade.

#### 4. Final considerations

The review of the economic and social development of Latin America in the present decade, some of the main features of which have been briefly described in the foregoing pages, gives rise to some reflexions which may be usefully noted in connexion with the discussion taking place on some aspects of the New International Development Strategy.

Firstly, the region showed that it has an effective growth capacity which enabled it to grow at an average rate of 7.4% during the period 1970-1974. The experience of this period showed that when favourable external conditions exist, the region is capable of making an intensive domestic effort of accumulation and saving and thus arriving at high growth rates. When it is borne in mind that during the period considered an important group of countries grew at low rates, it is safe to assert that the region has a considerable growth potential.

Secondly, this period showed the marked sensitivity of the economic growth rate of the Latin American countries with respect to the course of the world economy, and particularly the growth rate of the industrial countries. At the same time, the countries showed unequal capacities for facing up to adverse external factors. In the circumstances, there is an evident lack of financial machinery to deal adequately with situations created by unfavourable external factors which many countries cannot control, such as the adverse effects of the recession or of the international economic conjuncture.

Thirdly, it has been shown that the region needs active trade with the developed countries in order to maintain high rates of growth, since Latin America continues to depend on the industrial countries for supplies of capital goods and some basic inputs, which are essential items for making headway with the process of the transformation of production and particularly the industrialization plans.

Access under satisfactory conditions to the markets of the developed countries in order to facilitate the growth of exports of primary products, semimanufactures and manufactures is an essential requirement for speeding up growth. Regional co-operation and the growth of reciprocal trade, of course, constitute another essential condition for achieving the development objectives to which Latin America should aspire. But this should not and cannot be considered as a substitute for the first of these factors. Both strategies must be conceived of as complementary objectives, especially over the period of the next decade.

Fourthly, many countries of the region are reaching the end of the present decade with high levels of external indebtedness, and the servicing of these debts accounts for high percentages of the value of their exports. This situation gives rise to two implications with important ulterior consequences. In some cases it will be difficult to increase this indebtedness beyond certain limits in keeping with the evolution of domestic product and exports. Generally speaking, increasing the real value of exports becomes more and more imperative owing to the need to attend to the financial servicing of the accumulated debt, above all if at the same time it is a question of speeding up the rate of economic growth.

Lastly, the prevailing economic and social development process continues to reveal a limited capacity for making a fair distribution of the fruits of growth. This will become worse as a result of the growth already being noted in the economically active population. In the circumstances it is evident that if the economic growth rate is not boosted and adequate policies of redistribution adopted, the social problems which were examined earlier will tend to persist.

## II. THE BASIC OBJECTIVES OF THE LATIN AMERICAN STRATEGY FOR THE NEXT DECADE

### 1. The growth of the population and of the labour force and the need to step up economic growth

Future trends in the composition and location of the population and their quantitative implications for the labour force are of particular importance when studying the basic objectives of the development strategy, particularly in the case of Latin America in view of the magnitude of unemployment, the extent of poverty and the very unequal distribution of income prevailing in the countries of the region.

The population growth rate accelerated over the past three decades, reaching a peak in the early 1970s. Recently there has been a decline in this rapid demographic growth which has reached an appreciable size in some countries. This may be considered as the result of the economic and social changes characteristic of the present stage of Latin American development, occurring at the same time as official and private attitudes become more favourable to the adoption of population policies.

It is estimated that the present 2.7% annual growth rate of the population will gradually drop, and increasingly so towards the end of the century; but it will still remain relatively high, probably somewhat above 2% per year. Thus it is foreseen that the region's population will grow by about 100 million in the forthcoming decade, rising from 360 to 460 million in 1990 and approaching 560 million by the year 2000.

The projections show that over the next 20 years the striking demographic differences among the countries of the region will grow even larger. One group of countries, comprising Argentina, Cuba, Chile and Uruguay, will continue to have a falling demographic growth rate and their populations will rise by about 1.5% annually. The rural population of those countries will drop in absolute numbers; on the other hand, the labour force will grow appreciably faster than the total population, although tending to decline by the year 2000. Another group, made up of Ecuador, Mexico and most of the Central American countries, will continue to have high population growth with rates of 3% or more for the total population, /although in

although in some countries these rates will be lower than in recent years. Their urban and rural populations will continue to grow rapidly, and the labour force will increase more rapidly than the total population. Finally, a third group of countries, including Brazil and Colombia, of greater demographic weight, will fall midway between the two: their growth will decline appreciably, but on the other hand the growth of the labour force will accelerate at a rate of 3% per year or more.

In the year 2000, for the region as a whole, roughly 80% of the population will be urban, two-thirds of whom will live in cities of more than 20,000 inhabitants. In the Southern countries, the urban population will be relatively even larger than this average; and in all the other countries the rural population will account for less than half of the total population.

This demographic growth will have serious economic, social and political implications.

In the first place, the potential or effective demand for goods and services will expand considerably, particularly if an effort is made to attain specific targets for improving the living conditions of all social sectors and to reduce or eradicate poverty over a reasonable period.

Secondly, the growth of the urban population according to these projections will place heavy pressure on the physical and social infrastructure and lead to profound changes in the shape, size and relative importance of the rural and urban strata of Latin American societies.

Thirdly, this urban growth will tend to shift unemployment problems from the rural zones and increase their effect on underemployment and marginal or low-productivity activities in the urban zone.

Fourthly, it is also clear that this population growth will broaden and diversify the Latin American market inasmuch as it is possible to implement a dynamic process of absorbing the labour force productively, raising per capita income and improving the social distribution of income.

The explosive growth of the economically active population unquestionably represents an exceptional challenge for development strategies and policies. Annual growth rates of the labour force of 3% or even more, which stem from the age structure of the population and the increased participation of

/women and

women and which will not change in the immediate future even if the decline in demographic growth is greater than foreseen, are extremely high and constitute an employment problem which it is very difficult to solve and which is worsened by the large proportion of the active population currently unemployed or underemployed.

This problem cannot be solved even if the Latin American countries recover their past long-term economic growth rate: a substantially higher economic growth rate than in the past is now necessary. It cannot be forgotten that the acceleration of economic growth is accompanied by acceleration of the growth of the product per person employed due to the process of modernization and the incorporation of new technology; consequently, capital per person employed is greater, and the volume of output needed to absorb the same amount of labour also increases.

## 2. The requirements for stepping up economic growth

### Quantitative prospective studies by CEPAL

With a view to progressing in the analysis of development strategies and policies, CEPAL is carrying out a programme of prospective studies covering the forthcoming decade and in some cases going on until the year 2000. This work is being carried out on the basis of the individual analysis of a representative group of countries. The analysis considers three economic growth scenarios: one corresponding to past trends; another to moderate acceleration and a third to progressive acceleration. For the region as a whole these scenarios give economic growth rates ranging from 6.3 to 8% annually. It should be stated quite clearly that the purpose of this report is not to study factors relating to the growth rate which should be fixed for the coming decade. That would call for further work on such studies, and consideration of various factors which have not yet been taken into account. The aim is merely to make a general reference to the results of that research so as to shed light on the nature and magnitude of the objectives which the development strategy should pursue in relation to the higher growth rate needed in the Latin American countries. For reasons of space, it is likewise impossible to deal here with the various aspects of the factors of economic growth. Consequently, comments here will be limited to three basic requirements relating to accumulation, foreign trade and external financing.

/Features of

### Features of an illustrative economic growth scenario

Thus, the analysis may be illustrated by considering a "moderate acceleration" growth scenario (in relation to long-term past trends in each of the countries analysed) which for the region as a whole gives a rate of about 7.5% per year. This scenario consequently, represents some improvement over long-term historical trends, but for the region as a whole it would represent approximately the same rate of economic growth as was recorded by Latin America over the first four years of this decade, although differing from country to country.

To attain this growth target would call for very dynamic investment, and the investment-product coefficient would have to rise to over 25%. An overall appraisal suggests that this would not be an impossible target because the region has shown, particularly in boom periods, a relatively extraordinary ability to promote large-scale investment. Domestic saving would have to rise appreciably if, as would be desirable, external financing is to be held within reasonable limits in relation to investment and the product.

However, it should be noted that the conditions and prospects vary from country to country; and in some cases the acceleration of the growth rate would call for much larger relative increases in investment and domestic saving and therefore a much greater effort than in other countries. Those countries would obviously have to rely more heavily on external financing.

In this growth scenario, industrialization becomes relatively dynamic, with an annual growth rate of somewhat over 8.5%. The industrialization process will be much more rapid and profound than in the past.

The agricultural sector will also have to expand more rapidly. An annual growth of 4.2% is estimated, which is significant in light of the fact that the average historical growth rate of agricultural output in Latin America has been a little under 3.5% annually. Various studies suggest that the agricultural growth rate in the region can be improved. This is vital in order to satisfy food needs, the demand for raw materials and higher export targets. These rises in output will have to be achieved by resorting to a greater extent than in the past to increasing the productivity of cultivated land, although extending the surface area will remain an important factor in increasing production.

/Thus the

Thus the economy will have to undergo a significant sectoral and technological transformation. The share of the agricultural sector will decline appreciably, while that of the manufacturing sector will increase. The rate at which this process occurs and the levels of the indices of the sectoral composition of the product will vary from country to country, and there will continue to be large differences among them in this respect over the next 20 years.

This scenario is further characterized by a sharp rise in the product per person employed, which is a sign of the strong process of technological change spreading throughout the national economies. This should be more or less generalized in the different groups of countries. It should occur more intensely in manufacturing than in agriculture or the economy as a whole, which raises serious problems for the implementation of a policy to improve income distribution.

Higher economic growth, despite the higher indices of productivity, will lead to greater absorption of labour which - for the region as a whole - should equal the rise which will occur in the economically active population. Nevertheless, it will be impossible to solve the problem of underemployment in a relatively short period. Higher levels of productivity and income in this section of the population will be promoted, however. The employment structure will change significantly, not only in respect to sectoral distribution but also as regards its composition from the standpoint of the nature of jobs and skill levels. This raises the question of training requirements for the economically active population, which must also be examined.

#### Import requirements

Between the late 1960s and 1974, the volume of imports grew rapidly, and more than the domestic product, in most countries of the region. This occurred in the context of structural change leading to greater openness to the exterior, diversification of exports, greater use of external financing and an active role for transnational corporations in the economies of the countries of the region. On the other hand, in the last four years, as a result of the serious balance-of-payment problems of the non-oil-exporting countries, the dynamism of imports has decreased to such an extent that absolute levels have fallen, particularly in the countries of greater weight in the region.

/The prospective



The prospective studies of CEPAL consider the projections for imports in the context of a dynamic growth process, taking into account various factors affecting the features of the process, especially its relation to the product, investment, and the objectives of national industrialization programmes. It would appear from this analysis that import needs will tend to grow in almost all countries and for the region as a whole at a higher rate than the domestic product. In the illustrative scenario which we are considering, imports will tend to grow by over 8% annually. Thus imports of goods and services by 1990 will be 2.5 or 3 times above the averages recorded in recent years. Their structure will continue to accentuate the predominance of intermediate and capital goods, and, relatively speaking, the largest growth will occur in imports of capital goods.

The balance-of-payment problems and export needs

It is therefore clear that the external purchasing power of the Latin American countries will have to grow much faster than in the past in order to be able to satisfy the demand for imports of goods and services. This growth will depend on three main sources: (1) volume and diversification of exports; (2) evolution of the terms of trade; and (3) possible magnitude of external investment and financing. Thus, for example, if it is assumed that the terms of trade remain at 1976 levels and reasonable limits are placed on external financing, taking into account the experience of the present decade and the relationship which such financing or the accumulated debt must retain with the product and investment and particularly export earnings, it would appear that for the region as a whole export earnings from goods and services must rise at a rate similar to that of the gross domestic product, or approximately 7.5% a year, in the economic development scenario under consideration.

This raises a key problem, namely, the analysis of the internal and external prospects conditions needed to satisfy these growth targets for exports of goods and services necessary to the acceleration of economic growth.

To appreciate the scope of the problem and the nature and extent of the structural changes which will have to take place in the internal and external settings, it is worth comparing these needs in exports of goods and services

/with past

with past experience and in particular with the hypothetical projections of exports resulting from the extrapolation of the trends of the share of Latin American exports (by major branches) in world trade. Thus for example, if world trade expands in future at a rate approximately equal to the past average, a little over 7% a year, Latin American exports will only increase by 4.5% annually. It must be stressed that this result stems from projecting for the future the slow growth rate of exports of primary products and their declining share in world trade, the trends for fuel exports which may now change appreciably with the new status of Mexico as an oil exporter, and the past trends of the share of manufacturing exports. This structural framework will have to change in line with the transformations in the conditions of production and supply in Latin America and the structural changes which must take place in the world economy in order to shape a new international economic order.

The CEPAL secretariat has undertaken various quantitative studies of the possibilities and policies for reducing this potential deficit in the trade balance and their implications for the economic growth rate. We do not wish to extend this report by presenting that quantitative research, nor do we wish to evaluate and establish quantitative targets, as already noted. The aim here is merely to stress the nature and scope of the objectives of the strategies and policies raised by this problem of external variables.

It is well known that external financing cannot be the main source for covering this deficit, which will be further increased with the addition of outflows in the form of profits and service payments on investment and the external debt. This would be neither viable, given the size of the deficit, nor logical for the above-mentioned reasons concerning the significance of the deficit and the situation of domestic saving which accompanies a policy of that kind.

Broadly speaking, the global complementary solutions which should be explored are: (a) the growth and diversification of exports over and above the results of the trend projections; (b) improvement of the terms of trade; (c) the possibilities of holding down imports to lower levels than in the projections; and (d) the use of more external financing than the targets fixed in those prospective studies.

/The growth

The growth of exports should be studied in relation to their composition and markets. With regard to their growth rate and structure, during the present decade the process of diversification of Latin American exports underway since the end of the previous decade has accelerated both in the case of primary products and thanks to the increasing share of manufactures. For the region as a whole, exports of industrial products nevertheless represented a mere 20% of the total and are concentrated in the large and certain medium-size countries. As is natural, the structure of exports must change in line with the productive and technological transformations accompanying the process of economic development, and this is also an inherent part of a development strategy aimed at maintaining a certain degree of openness to the exterior. A similar line of thought, particularly in relation to resource endowment, should also be followed concerning the greater growth which must be achieved by exports of primary products; in this case there is also the material fact of the great weight of such exports in the regional total, particularly in the case of the medium and small countries.

The substantial growth required in Latin American exports over the coming decade will therefore have to include both the various branches of primary products as well as higher and more diversified exports of industrial products which represent the more dynamic currents of world trade. It is well known that in the area of primary products Latin America has been losing ground in world trade. The quantitative studies show that it would suffice for the region to maintain a given proportion of world trade, and be allowed access to the markets of the industrial countries, for exports to be able to rise at a significantly higher rate than in the past. Nevertheless, it is industrial products which must become the most dynamic element in Latin American exports.

In recent years the value of total exports was distributed in the following manner: about two-thirds to the developed countries, roughly 20% to the Latin American countries, rather less than 10% of the socialist countries and 4% to the other developing areas.

/Obviously, to

Obviously, to achieve the export targets required for the region's economic growth will depend to a great extent, especially in the early years, on access and growth of exports to the industrial countries which currently absorb such a large proportion of them. And this will in turn depend on the evolution of the external demand of those countries and particularly their deliberate policies to eliminate well-known restrictions of all kinds which limit access to their markets, and their policies to restructure their domestic activity in such a way as to foster the basic conditions for a new, growing position of the developing countries in the world economy.

The studies also show that although positive results have been achieved in increasing and diversifying exports to the industrial countries, the growth of intra-regional trade would appear to be a necessary condition for accelerating the development of Latin American countries. That trade has been growing at a higher rate than trade with the rest of the world. At the beginning of the 1960s exports to the region represented only 8% of the total; they now account for 17%.<sup>1/</sup> It should also be emphasized that intra-regional exports are different in composition than trade with the rest of the world, since they are predominantly accounted for by new branches of intermediate industrial products and capital goods.

Finally, it is also clear that increased trade with the socialist countries and the other developing areas should be a complementary objective in order to exploit the great potential offered by those areas. Besides these objectives are included in national policies and CEPAL is progressing with basic studies in this subject.

The fluctuations and deterioration in the terms of trade have had an important effect on the balance-of-payments results and the course followed by investment and real income in the Latin American countries. The prospective studies have assumed that terms of trade will remain at 1976 levels. For the oil-exporting countries the index for that year is substantially higher than for 1970, and for the non-oil-exporting countries it is approximately the same. For the latter group, the terms of trade improved in 1977 but worsened significantly in 1978 due to fluctuations in some primary products which were partly due to exogenous factors.

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<sup>1/</sup> These figures do not include the countries and territories of the Caribbean, except for Haiti and the Dominican Republic.

The prospects as regards the evolution of the terms of trade are far from being encouraging, especially in the short and medium term, owing to the increasing cost of imports from industrial countries, the rise in the price of fuels and the instability and uncertainty concerning the prices of primary commodities. As external price relations deteriorate, balance-of-payments problems will be aggravated. Hence the capital importance which Latin American countries and the developing countries as a whole assign to the objective of achieving stable and remunerative real prices of primary commodities in the international market.

The model of these economic development scenarios assumes that the growth of imports will be relatively greater than that of the domestic product. With the readjustment introduced in the technical relations, the elasticity shown by projected imports with respect to the product is less than in the early years of the decade; the models do, however, show a relatively open structure of growth compared with that existing in past decades when what is known as the import substitution model predominated.

In the face of the potential deficit being studied, the question to be asked is whether it would not be possible to speed up economic growth by reducing the elasticity of imports resulting from these studies. This question assumes transcendental importance just now in view of the accentuation of protectionism and the resistance of the developed countries to the adoption of effective measures which will increase trade with the developing areas in the context of a process of restructuring the world economy. Although a precise technical answer cannot be expected on the basis of the global analytical instruments under consideration, some comments of a general nature may be made here. Firstly, there are various elements which indicate that, within the context of the prevailing development style, the import elasticity resulting from these quantitative studies may be regarded as reasonable from the standpoint of a specific structure of economic efficiency. It is possible, however, to conceive of another relatively less open growth structure with some compression of the import coefficient, and in this sense it could be considered that at least the large countries and some of the medium-sized countries are now in a better

/situation than

situation than previously - owing to the industrial capacity they have achieved and the increased size of their domestic markets - to make progress in the substitution of imports of essential intermediate and capital goods and achieve the net effect of a relative reduction of import needs.

The experience of these last four years of reduction and slow growth of imports could be taken as an indication of their "exaggerated" growth in earlier years and of the feasibility of compressing the import coefficient at least during the next stage of the economic development process. It is obvious, however, that the experience of this period is relatively short and has been dominated by special situations, so that it does not lend itself to drawing conclusions on the longer-term results of this type of policy. There can be no doubt, moreover, that a policy of this kind must be thought of in the context of the growth of intra-regional trade, since this would facilitate a more efficient solution than import substitution at the national level.

Lastly, it should be noted that in this review of the reduction which might occur in imports compared with projected levels, further considerations require to be formulated as regards the effects of essential changes in the development strategies which affect the redistribution of income and result in social trends very different from those currently prevailing. It is usually considered that in such situations import needs could decline in relation to certain rates of global economic growth. This point, however, would have to be investigated in greater depth and referred to concrete situations, because it could equally be supposed that development strategies different from those prevailing could have a substantial impact in the form of major changes in the structure of imports and their social destination, but might have less effect on their total volume.

### 3. Some conclusions on the basic objectives of the Latin American development strategy

This document does not pretend to deal with all the different aspects which a development strategy for the Latin American countries must consider. Among other reasons, it would be difficult to do so owing to the diversity of situations and the economic and social heterogeneity shown by the different countries. The conclusions noted below are confined rather to the matters

/examined in

examined in the foregoing pages; plus specific proposals approved by the governments at the last session of CEPAL. They therefore refer to economic growth, social and human development, external economic relations and regional co-operation and integration.

A. As regards economic growth:

- (1) Economic growth should be speeded up until substantially higher rates are reached than in the past, so that the available labour force, which will increase by a considerable amount, can be productively absorbed and the conditions of employment, productivity and income of the great mass of the underemployed population can be improved. Dynamic growth of production and income will appreciably facilitate the instrumentation and realization of policies aimed at eliminating situations of poverty and improving income distribution;
- (2) Appropriate production and technological changes should be promoted in the economy so as to ensure a process of increasing diversification and integration of the national economies and the establishment of more solid bases to uphold future development;
- (3) The growth of agricultural production should be boosted in the light of the need to increase the availability of foodstuffs in order to resolve situations of poverty and indigence as rapidly as possible and meet the increased requirements for agricultural exports which it will be essential to foster;
- (4) A vigorous boost should be given to industrial development, in forms suited to the conditions of the different countries and taking account of the regional integration and co-operation programmes. In particular, new industries producing essential intermediate and capital goods must be developed in order to help to ensure sustained economic growth. Industrialization policies should therefore recognize that the growth and diversification of exports of manufactures constitute a basic objective of primordial importance for Latin American development;
- (5) The formation of domestic, public and private savings must be increased, to serve as the main source of financing of the capital formation required to speed up economic growth. The efficiency of

/of institutional

of institutional machinery must be enhanced, and fiscal policies both of a general nature and with respect to public enterprises, as well as other measures, must be adopted with a view to checking the increase in consumption concentrated in small high-income sectors of the population.

B. As regards social and human development

- (1) Economic growth is a necessary condition, but it is not in itself sufficient to ensure full social and human development. It is therefore necessary to introduce institutional reforms and adequate policies, within the setting of an integral and organic conception of the development process. The results of this economic growth must be more fairly distributed so that, with the active participation of the different social sectors, juster societies can be constructed in which human beings will find the best possibilities for the fullest development of their potentialities. To this end it will be necessary;
- (2) To restructure the distribution of income and social consumption, rationalize public expenditure and change the direction of private and public investment so as to fulfil the social objective of increasing the well-being of the entire population;
- (3) To introduce the necessary reforms to guarantee the access of the population to employment, education, health and other social services, both public and private;
- (4) To establish specific objectives of top priority in order to deal with the situations of extreme poverty in the region. The measures proposed should not consist of mere assistance policies, but should result in lasting solutions in the context of an integral and organic conception of the development strategy.

C. As regards external trade and international co-operation

- (1) Increasing and diversifying exports faster and more extensively than in the past is a basic requisite for speeding up economic growth. The structural changes which should be promoted are the natural

/consequence of



consequence of the need for export flows to keep in line with the process of the countries' production and technological change and the need gradually to reduce the marked imbalance characteristic of the external relations of the Latin American countries. The specific solutions will, of course, depend on various aspects of the different Latin American countries, such as the resources available, the degree of development of the economy, and the potential for further development. Regional economic co-operation and integration can make a very positive contribution to achieving these objectives of diversification, especially in the case of the medium-sized and small countries;

- (2) The general analysis shows that the big expansion of exports needed will call for an appreciable effort in all export areas: primary commodities, traditional and new products, and in the different goods of industrial origin. The latter will undoubtedly be the most dynamic factors in this growth, but the first-mentioned types of exports will continue to be of special importance because of the region's endowment of resources and the big share of total foreign exchange earnings now accounted for by these exports. Naturally, at the national level the different countries possess different endowments of resources and levels of industrialization, so that each country must pursue these export objectives through structures in keeping with its own particular conditions. The important contribution which progress in regional co-operation can make to the attainment of more satisfactory national solutions should be stressed in this respect.
- (3) The achievement of these objectives requires several factors. At the general level mention may be made of: (a) the national economic policies, and particularly the measures for export promotion; (b) the dynamism of the world economy, and particularly that of the industrial countries with which Latin America maintains the bulk of its economic and financial relations; (c) progress in international co-operation, and particularly in deliberate policies of the developed countries to facilitate access to their markets and the restructuring of their economies so as to open the way to a new structure of the world economy and trade which will promote a more dynamic form of insertion of the developing countries; (d) the progress achieved in regional co-operation

/and integration

- and integration, and (e) the progress which can be made in expanding trade with the socialist countries and other developing areas;
- (4) The Latin American countries have made progress during the present decade in implementing policies for the expansion and diversification of exports and the liberalization of imports; however, few measures have been adopted by the developed countries to facilitate adequate access to their markets, and the unfavourable conditions already prevailing are being exacerbated by the intensification of protectionist measures. It must be concluded that the progress made by the Latin American countries in the expansion and diversification of their exports has depended fundamentally on national efforts and on the evolution of international demand, and only to a very minor extent on the adoption of specific decisions by the developed countries. The establishment of the Generalized System of Preferences may be recalled here, but its limited scope is only too well-known.
- (5) As regards international co-operation, the developing countries have made pronouncements and proposals concerning the institutions which should be established and the measures which would have to be adopted in connexion with trade in commodities and industrial products in order to increase access to the markets of the developed countries, organize the international markets and secure stable and remunerative prices for commodities. Very little progress has been made in this field, and it can only be hoped that the current and future negotiations will make some headway towards the adoption of immediate and longer-term measures which will enable the new International Development Strategy for the next decade to be placed on bases giving greater hope for the structuring of the New International Economic Order;

/(6) Latin

- (6) Latin America will continue to need strong support from external financing to speed up its economic development. In this connexion the proposals put forward by the Latin American countries, which coincide with the position of the developing countries as regards the reforms of the international monetary and financial systems, are also well known. There is particular concern here over Latin America's progressive elimination from the flows of transfers of resources on concessional terms, the real or potential restrictions limiting its access to the long-term capital markets, and the lack of adequate machinery to deal with the serious balance-of-payment problems created by factors of external origin such as those stemming from the international economic conjuncture.

D. As regards economic co-operation and integration within the region and with other developing countries

- (1) Strengthening regional co-operation must be considered an imperative need for the economic development of the Latin American countries;
- (2) The existing integration processes must be revitalized and made more flexible and a suitable impulse must be given, with the necessary co-ordination, to new forms of co-operation in the areas of industry, trade, agriculture, technology and financing, so as to give rise to the rapid growth of reciprocal trade;
- (3) Economic and technical co-operation between the Latin American countries and other developing regions must be promoted in order to expand trade flows. Guidelines and action plans have been adopted in this connexion in international conferences, and CEPAL is paying special attention to the matter.

III. PARTICIPATION OF THE REGIONAL ECONOMIC COMMISSIONS  
IN THE PREPARATION AND INSTRUMENTATION OF THE  
IDS. THE PROGRAMME OF WORK OF CEPAL

1. Some background information on the experience gained  
in connexion with the International Development  
Strategy for the United Nations  
Second Development Decade

The regional commissions co-operated actively in the prior discussions and preparatory work in connexion with the Second Development Decade. The secretariats contributed information, basic studies and various data to the CDP's discussions and the Headquarters technical activities; in some cases they promoted meetings of experts and of their government organs for the purpose of analysing and formulating the respective regional positions in various matters connected with the Second Development Decade. The Strategy does not include regional approaches, however, since it was conceived as a global programme of action with general proposals concerning development objectives and the policies and measures which should be implemented, especially at the international level, in order to foster economic and social progress in developing countries, without introducing any specific proposals regarding particular situations of regions or subregions.

After the IDS was adopted by the General Assembly, the regional commissions promoted its dissemination and undertook technical studies in order to carry out the stipulated biennial appraisals. With these aims in view, CEPAL set up a Committee of High-Level Government Experts (CEGAN) composed exclusively of representatives of developing member countries of the Commission to deal with all aspects of those appraisals from the Latin American point of view. This Committee, on the basis of studies by the secretariat, carried out four appraisals in the course of this decade and its reports were submitted for consideration at the plenary sessions of CEPAL. Thus, Latin America has produced the Quito, Chaguaramas, Guatemala and La Paz appraisals.

These appraisals represented an important contribution because they embody the position of the Latin American governments as regards the concept of development and the goals and objectives which should be pursued at the  
/international level

international level. They frankly express critical appraisals of the nature of the development processes prevailing in the region and emphasize the need to introduce structural changes and reforms, while at the same time examining external relations with the aim of guiding the action of the Latin American governments at international forums.

## 2. Regional problems and the new IDS

In resolution 33/193, part II, paragraph 9, the General Assembly requests the executive secretaries of the regional economic commissions "to bring their respective regional experiences to bear on the preparation of their inputs to the formulation of the new international development strategy, taking fully into account the different levels of development and differing development situations of their respective regions", and in paragraph 10 requests the regional economic commissions to contribute effectively to the preparatory work for the new Strategy. The resolution also includes various provisions, such as that relating to social development, and indicates that the policies will be defined by each country within the framework of its development plans and priorities and in accordance with its socio-economic structure.

Thus, an important issue raised here is the consideration which should be given in the new IDS to aspects or topics peculiar to specific regions and countries, especially in relation to social development, regional co-operation, co-operation among different developing areas or countries, mobilization of national resources, regional or subregional infrastructure plans, and problems related to the preservation of the environment. This takes on special importance in the light of the well-founded criticism that has been levelled at the present Strategy because of the global and very general way in which its policies, goals and objectives are formulated, all of which hampers its instrumentation and the subsequent tasks connected with the review and appraisal of its implementation, owing to the different situations and prospects presented by the countries and regions of the developing world.

A practical solution which would represent a considerable advance over the experience gained in connexion with the Second Development Decade might be that once the new Strategy is adopted by the General Assembly the regional

/economic commissions

economic commissions should prepare regional action programmes for instrumenting the implementation of the Strategy in the respective regions. In this way the regional economic commissions, at the level of their government organs, could enlarge on the broad formulations of policies, goals and objectives and make them more specific, taking into account the particular conditions and priorities of each region, especially as regards national development policies, their basic goals and objectives, regional co-operation and co-operation with other developing areas, and other points which it may be deemed necessary to consider. In addition, the regional economic commissions could consider important regional or subregional projects. These regional action programmes could be supplemented by national development plans or programmes which the governments would prepare for the next decade, in the manner and with the methodology considered most appropriate according to circumstances. More effective instruments would thus be made available for the implementation and appraisal of the new IDS.

CEPAL considered some aspects of these matters at the CEGAN meetings in March 1979 and at its eighteenth session in La Paz in April 1979, as will be seen below.

In this respect, it is very important to underline the CDP's thinking as set forth in the report of its fifteenth meeting (March-April 1979), paragraph 117 of which reads as follows: "The adoption of an international development strategy for the third United Nations Development Decade by the General Assembly in 1980 should not be an isolated act. Rather, it should be followed by a continuing evolution of regional and subregional strategies to elaborate more specific goals and measures of policy in relation to regional needs and circumstances. The dialogues conducted by Governments for this purpose in regional and subregional fora should pave the way for enhanced economic and technical co-operation among members of the relevant regional or subregional bodies. The intergovernmental fora of regional economic commissions of the United Nations are already available for this purpose. They should serve as major instruments for designing and implementing regional and sub-regional programmes of action, thereby enhancing the operational content of the third development decade."

/Furthermore, CDP

Furthermore, CDP indicates the need to select a limited number of large-scale regional and sub-regional projects with the participation of the regional economic commissions.

3. Programme of work of CEPAL in connexion  
with the new IDS

At its eighteenth session CEPAL adopted two resolutions of particular interest with respect to the preparatory work for the new IDS: one concerns the fourth biennial appraisal of the Second Development Decade and the other concerns the preparations and contributions by CEPAL for the formulation of the new strategy for the Third Development Decade.

The fourth (La Paz) appraisal follows similar lines to those of previous appraisals. It reviews the Latin American economic and social development process in the context of the integral concept of the Second Development Decade. It makes frank criticisms of the nature of this process, especially as regards its limited social projections, and particularly mentions the serious problems of unemployment, the high concentration of income and the magnitude of critical poverty. It evaluates the problems of the external relations of Latin America at this stage of its development and makes statements on the position of the Latin American countries as regards each of the main topics of international co-operation: trade policy, protectionism in the developed countries, commodity trade, exports of industrial products, transnational corporations, technology, and monetary and external financing matters. It also reviews the specific problems of economic relations with the different developed areas. Lastly, it also deals with regional co-operation and integration in the Latin American area and co-operation with other developing areas.

Resolution 386 (XVIII) on preparations and contributions by CEPAL to the new Strategy makes a number of recommendations to the governments and entrusts various tasks to the secretariat. Among its provisions the following are particularly noteworthy:

(a) That the secretariat should prepare a regional action programme aimed at instrumenting the implementation of the Strategy to be adopted by the General Assembly;

/(b) That

(b) That it should convene CEGAN before the end of 1979 and during 1980 so that it may evaluate the progress made in the preparatory activities for the new Strategy carried out by the Preparatory Committee and also the work of the secretariat in this field;

(c) That the governments of the developing member countries of the region should prepare plans or programmes which include the formulation of economic and social development objectives and goals for the next decade together with their relevant strategies and policies, suitably linked with the instrumentation and implementation of the Strategy as far as the Latin American countries are concerned; and

(d) That at the nineteenth session of the Commission, which will be held early in 1981, a regional action programme for the instrumentation and implementation of the New International Development Strategy to be adopted by the General Assembly be considered, and the development decade for the countries of Latin America be proclaimed.

In accordance with these proposals, the instrumentation, implementation and appraisal of the new IDS will have a more concrete and practical significance. In so far as some degree of compatibility can be achieved between the International Development Strategy at the world level, the action programme at the regional level, and the government programmes or plans at the national level, machinery of great practical efficiency will have been created. It would certainly be very useful to examine the scope which the regional action programmes and the programmes or plans to be adopted by the governments will have, so as to ensure this consistency between the three levels.



A N N E X

[illegible]

386 (XVIII) PREPARATIONS AND CONTRIBUTIONS BY CEPAL FOR THE FORMULATION  
OF THE NEW INTERNATIONAL DEVELOPMENT STRATEGY FOR THE  
THIRD UNITED NATIONS DEVELOPMENT DECADE \*

The Economic Commission for Latin America,

Reiterating that the formulation of the New International Development Strategy should be based on the concepts of the New International Economic Order contained in General Assembly resolutions 3201 and 3202 (S-VI), which constitute the Declaration and Programme of Action thereof, and in resolution 3281 (XXIX) on the Charter of Economic Rights and Duties of States, as laid down in General Assembly resolution 33/193, which formulates the guidelines for its preparation,

Recalling that General Assembly resolution 33/193 lays down a set of interrelated measures to ensure economic and social progress in the developing countries and that it accordingly specifies among the objectives which should be attained for the benefit of the developing countries: far-reaching changes in the structure of world production; a substantial increase in agricultural production in the developing countries and effective access for such products to international markets; the development of physical and institutional infrastructure; industrialization at the rate necessary to achieve the targets laid down; improvement of the terms of trade; a substantial increase in exports and the establishment of special and preferential treatment for the developing countries; a substantial increase in real terms in the transfer of resources on a predictable, reliable and continuous basis, organization of the international monetary system; removal of obstacles to the promotion of the transfer of technology, and encouragement of the development of domestic technological capabilities, and recalling moreover that the preparatory committee set up under that resolution has already begun its work;

Also taking into account the fact that the resolution emphasizes that the new Strategy should reflect, in an appropriate manner, the need for adequate policies for the promotion of social development to be defined by each country within the framework of its development plans and priorities and in accordance with its socio-economic structure and stage of development, taking into account that the final aim of development must be the constant

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\*/ See above, paragraphs 572, 573 and 579 to 581.

increase of the well-being of the entire population on the basis of its full participation in the process of development and a fair distribution of the benefits therefrom, recalling other provisions of the resolution relating to the mobilization of national resources, the integration of women and youth, and the protection of the environment, and also bearing in mind that this resolution states that the new Strategy should "contribute to the promotion of the objective of national and collective self-reliance of the developing countries, especially through the promotion and support of economic and technical co-operation among themselves",

Considering that this resolution requests the regional economic commissions to contribute effectively to the preparatory work for the new Strategy by providing inputs, including relevant documentation, in accordance with the objectives set forth in the same resolution, and that it also requests the Executive Secretaries of the regional economic commissions to bring their respective experience to bear on the preparation of their inputs for the formulation of the new Strategy, taking fully into account the different levels of development and the differing development situations of their respective regions,

Also bearing in mind that in accordance with this General Assembly resolution and the problems affecting Latin American development it is incumbent on CEPAL to contribute to the preparation of the new Strategy so that it will constitute an effective international plan of action for promoting the economic and social development of the developing countries and will at the same time take account of the topics and objectives which are of transcendental interest for the solution of the various economic development situation of the countries of the region, and that once the new Strategy has been adopted by the General Assembly, CEPAL should promote its implementation at the regional level and organize itself to carry out the activities of appraising the progress achieved with respect to the goals and objectives and the implementation of the policies and measures laid down in the new Strategy,

Considering that, despite the efforts made by the developing countries of the region towards the objectives set out in the International Development Strategy for the Second United Nations Development Decade and the shaping

of a New International Economic Order, these have not been sufficient to boost the development of the developing countries due, inter alia, to the obstacles deriving from the policies and measures imposed by the industrialized countries and the acceleration of the remittance of profits outside the region and other negative practices of the transnational enterprises, with the result that Latin American development is still facing serious problems and obstacles of a structural nature at the national level and above all at the regional and international levels, the manifestations of which include the following:

(a) the rate of economic growth has declined considerably since the middle of the present decade, and a large number of countries in the region have continued to achieve unsatisfactory and extremely slow progress. Agricultural output, despite technological progress and diversification, has continued to follow the historical trend, and industrial output has suffered an appreciable decline in vigour in recent years. This evolution is clearly at odds with the region's potential for economic growth, in view of its natural resource endowment, the abundant availability of labour and the capacity to promote an adequate process of investment and to carry on private and public management of the economy, despite the problems and obstacles of an internal and external nature suffered by the developing countries of Latin America, including the restrictive practices of the transnational enterprises and problems of a structural character. It is therefore necessary to envisage solutions, within the formulation of the third International Development Strategy, for the problems created by the application of strategies unsuited to the characteristics of the region;

(b) the region continues to show indications of substantial economic and social backwardness in many aspects and features which characterize this stage in its development: ineffectiveness in promoting the full productive employment of human resources; a very high concentration of ownership of property, income distribution and consumption; increasing foreign debt; situations of intolerable extreme poverty and indigence; marked heterogeneity in the systems of production, which is reflected in the economic and technological backwardness prevailing in the productive activities of a large proportion of the labour force and also in the low level of integration of

the national economies; insufficient development of industrial production of fundamental categories of basic and capital goods needed to stimulate economic development; unbalanced external trade, with primary commodities taking up a large share of exports, while imports are largely composed of industrial products and capital goods essential for the growth process; and low levels of domestic saving and considerable dependence on external investment and financing, which help, along with other factors, to limit the self-determination that national development policies should enjoy;

(c) the far-reaching social changes which have accompanied the prevailing process of economic growth in the region have helped to shape societies which are unjust and highly polarized, with increasing social differentiation and extremely unequal distribution of the benefits of growth;

(d) the decline in the economic growth rate is largely attributable to the recession and fluctuations in the world economy, and in particular to the course followed by the situation of the industrial countries, on which Latin America is still highly dependent. These unfavourable economic developments have heightened the gravity of the social problems mentioned above;

(e) despite some promising advances in economic co-operation and mutual trade among Latin American countries, several economic integration agreements are encountering serious difficulties, and the objectives and targets laid down have not been achieved. In addition, the efforts of the developing countries to implement the agreements adopted at the Mexico City Conference on Economic Co-operation among Developing Countries on ECDC have not received sufficient support from the industrialized countries, particularly in UNCTAD and UNDP;

(f) serious difficulties are being encountered in achieving the necessary degree of expansion and diversification of exports of primary commodities and semi-manufactured and manufactured products. The obstacles which hamper and limit access to the markets of the developed countries are increasing as a result of the proliferation of tariff and non-tariff barriers, including measures which have come back and worsened the climate of protectionism now dominating international economic policy. To this must be added the worsening and instability of the terms of trade, the burden

of foreign indebtedness, the deterioration in the terms of financing and the fluctuations and uncertainty in the currency and exchange markets, which adversely affect the interests of the developing countries;

(g) the industrial redeployment assistance measures in the developed countries which are used to maintain inefficient industries adversely affect the interests of the developing countries, while the agreements on the restructuring of industry in the developed countries, which affect the developing countries, have so far been reached in forums in which the latter countries do not participate;

(h) in practice, concepts have been followed which are not accepted by the international community and are contrary to the efforts to establish a New International Economic Order, such as grading, selectivity and access to supplies;

(i) international commodity markets, including the commodity exchanges, are frequently monopolized by the transnational corporations, in favour of their own interests.

The international situation described above is preventing the Latin American countries from fully mobilizing their potential resources and carrying through appropriate economic policies to achieve the efficient allocation of their resources and promote dynamic growth in productivity and income.

It is therefore urgently necessary for the countries of the region to intensify their national development efforts and, for the same purposes co-ordinate vigorous action on the basis of regional and international solidarity to tackle the problems indicated for the benefit of all the countries alike. To this end, it is essential to promote the formulation and application of a regional plan of action for the forthcoming decade, which should be linked with the preparation and application of the New International Development Strategy as far as the countries of Latin America are concerned.

7. Taking account of the secretariat documents E/CEPAL/1061 and Add.1 and E/CEPAL/1076, the biennial appraisals by CEPAL of the economic and social evolution of the Latin American countries and the implementation of the current Strategy for the Second United Nations Development Decade,

and especially the fourth appraisal, which lays down guidelines and proposals concerning the position of the countries of the region with regard to the objectives, policies and measures which should be adopted at the national, regional and international levels, the following fundamental aspects of the basic objectives and policies of Latin American development should be stressed, inter alia:

A. As regards international co-operation

(a) international co-operation is needed if the materialization of the developing countries' own efforts is not to come to naught. This requires structural changes in the functioning of the world economy in order to lead to the establishment of a New International Economic Order, especially as regards - among other aspects - the expansion of the developing countries' share of production and income in the development of the world economy; the elimination of protectionism; the reform of existing rules and procedures in the financial, trade and monetary field - particularly those of IMF and GATT - to ensure that due account is taken of the interests of the developing countries; the non-application of concepts contrary to the establishment of the New International Economic Order, such as grading, selectivity and access to supplies, the expansion, diversification and increased processing of their exports; fairer and more stable terms of trade; stabilization of the international commodity markets; adequate and foreseeable external financing; appropriate access to science and technology, and effective supervision of the activities of the transnational corporations. A new form of insertion of Latin America into the international economy should not be regarded as an end in itself but as a means of contributing to the achievement of the basic objectives of the economic and social development of the countries of the region.

(b) an essential requisite for the development of the Latin American countries is that the developed countries should substantially improve access to their markets for primary, semi-manufactured and manufactured goods produced by developing countries, taking into account the recommendation in General Assembly resolution 33/193 to the effect that special and preferential treatment should be extended to the exports of those countries. It is of vital importance to define and put into practice rules that will enable the



latter to implement dynamic export promotion policies, establish a programme to eliminate the restrictions applied by the developed countries to the detriment of imports from the developing countries, and strengthen the Generalized System of Preferences and place it on a permanent footing;

(c) to secure the elimination of the tariff and non-tariff protectionist barriers of the developed countries, a strategy of vigilance over the protectionist acts of those countries should be introduced which can even review on a case-by-case basis whether the application of a protectionist measure is essential on the part of a developed country, on the basis of conditions of application which must be negotiated and in the light of the export interests of the developing countries;

(d) it is particularly important that world industry should be restructured so as to favour the industrial development of the developing countries. For this purpose it is necessary, inter alia, that the developed countries should adopt effective measures for the redeployment of those sectors of industry requiring structural adjustment so as to allow the full and effective participation of the developing countries in production and harmonize the interests of both groups of countries. This calls for the implementation of long-term industrial redeployment programmes and policies by the developed countries, including economic and other indicators, which avoid protecting inefficient industries and facilitate balanced world industrial redeployment;

(e) vigorous steps should be taken to promote action to achieve the objectives proposed in the UNCTAD Integrated Programme for Commodities in such a way as to help to attain fair terms of trade with realistic, remunerative and equitable international prices, bearing in mind that certain commodities have their own forums for negotiation. To this end, it is necessary to ensure the availability of financial resources through the fulfilment in good faith of the principle of additionality of resources, in order to finance the measures needed to achieve stabilization; to restructure the international commodity markets through the common fund and the essential complementary machinery; to establish working product agreements; to promote a higher level of processing of commodities in the producing countries themselves, and to secure a larger share for the latter in the main aspects of the economy of these commodities, including their international distribution and transport;

(f) it is necessary to assign high priority to the fulfilment of the guidelines laid down in General Assembly resolution 33/193 in connexion with technology, to strengthen the developing countries' own capacity to adapt technology, and to establish conditions for the transfer of technology which are in keeping with the needs of their current stage of development;

(g) Compliance by the transnational enterprises with the guidelines defined by the fourth session of the Committee of High-Level Government Experts organized by CEPAL as regards such enterprises is of the utmost importance for the Latin American countries;

(h) a fundamental reform of the international monetary system is urgently needed in order to promote world trade and development in an effective manner. To this end it is important to:

- (i) secure a fairer and more symmetrical process of adjustment in the balances of payments of all the countries of the region by reducing the conditionality in the use of IMF resources, and promote and instrument the decisions adopted in order to make Special Drawing Rights (SDRs) the main reserve asset in the international monetary system, with the aim of ensuring that world liquidity does not originate in the structural disequilibria or payments deficits of the reserve currency countries;
- (ii) at the next general review of quotas in the IMF definitive arrangements should be made for the linking of the creation of SDRs and development financing in two ways: a larger allocation of SDRs, over and above the size of the quotas of the developing countries, and the channelling of the allocations corresponding to the developed countries to multilateral and regional financial institutions;
- (iii) the IMF should step up its monitoring of the major reserve currencies, paying special attention to the circumstances of the developing countries, and the compensatory financing facility should be improved and expanded in order completely to check the decline in the purchasing power of exports of the developing countries;

(iv) the flow of real resources to the developing countries should be promoted as an integral element of an effective system. In this context, there is an urgent need to establish a long-term financing facility to finance the purchase of capital goods by the developing countries, as well as the creation of a medium-term facility to provide support for externally-induced balance-of-payments difficulties.

B. As regards economic, social and human development

Policies for promoting the development of the developing countries will be defined by those countries within the framework of their national development plans and priorities.

Economic development

(a) development must be regarded as an integral process, characterized by the achievement of economic targets in terms of objectives of social change which ensure the full involvement of the entire population in the efforts and benefits of development. In this context, the countries of Latin America should, individually and free of external interference, strengthen their economic, cultural and social structures so as to achieve coherent development based on national self-determination. Governments should intensify activities aimed at achieving a genuine redistribution of income and high levels of employment in favour of the marginal groups, so as to increase their social well-being by improving the quality of life (health, nutrition, housing, social security) and social and economic status (mass participation, education and training);

(b) in the context of this integral process, it is necessary to promote changes in production and technology of such a nature as to ensure a process of growing diversification and integration of the national economies and lay sounder bases for future development;

(c) the growth of agricultural production must be speeded up, taking special account of the need to increase the availability of food in order to correct as rapidly as possible the situation of poverty and indigence faced by great masses of the population of Latin America and cover export needs in order to contribute to the external purchasing power required to ensure supplies of essential products which must be imported;

(d) a vigorous impulse must be given to industrial development, using methods in keeping with the conditions existing in different countries and regional integration programmes, and the production of consumer goods, essential intermediate products and capital goods must be encouraged in order to ensure sustained economic growth and increase exports of manufactures within a new structure of international trade;

(e) the fundamental basis for this acceleration of economic development should lie in the domestic effort and the mobilization of the countries' own resources. The region has shown that it possesses this development potential, because of the natural and human resources it possesses and its capacity to give impetus to a dynamic process of investment and increase the economic efficiency of its production to levels which enable it to compete in the international market;

(f) there is an urgent need to promote institutional and structural reforms in the Latin American countries in order to realize this development potential, especially with a view to promoting the large-scale accumulation of capital, which can only be achieved by means of substantial changes in the functioning of the economies designed, among other objectives, to reduce the high levels of consumption concentrated in a small sector of the population;

#### Social and human development

(a) economic growth is a necessary but not by itself a sufficient condition to ensure full social and human development. This requires the introduction of institutional reforms and appropriate policies within the framework of an integral and organic conception of the development process. The results of this economic growth must be more fairly distributed so that, in addition to ensuring the active participation of the different sectors of society, it will also be possible to create juster societies where human beings will find better possibilities for the fullest development of their potential;

(b) in this regard, the distribution of income and social consumption must be restructured, public spending rationalized and the trend of private and public investment changed so as to achieve the social objective of increasing the well-being of the entire population;

(c) it will also be necessary to introduce the reforms required to guarantee the access of the population to employment, education, health and other social, public and private services;

(d) specific high-priority objectives must be established in order to deal with the situations of extreme poverty which exist in the region. The measures proposed should not consist merely of aid policies but should take the form of lasting solutions in the context of an integral and organic conception of the proposed development strategy. It is therefore essential to envisage as a fundamental requirement the active participation of the population in the programmes designed to improve their quality of life.

C. As regards co-operation within the region and with other developing countries

(a) Regional co-operation should be considered as a basic instrument of Latin American development;

(b) Greater dynamism and flexibility must be imparted to the existing integration processes, and specific new forms of co-operation must be encouraged in the areas of industry, trade, agriculture, technology and financing. Efforts should be made to secure the convergence of these specific forms of co-operation with the integration processes so that they mutually strengthen one another;

(c) Economic and technical co-operation among the countries of Latin America and between them those of other developing areas should be fostered, in accordance with the guidelines of the Mexico City Conference on Economic Co-operation among Developing Countries and the Buenos Aires Plan of Action adopted at the United Nations Conference on Technical Co-operation among Developing Countries. This requires the full and unconditional support of the industrialized countries and of the United Nations system.

1. Requests the secretariat:

(a) to intensify its studies designed to provide support to Governments in the formulation of the basic development objectives of the Latin American countries for the next decade and the orientation of the strategies and policies which should be considered in order to achieve those objectives at the regional and international levels in the context of a New International Economic Order;

(b) to prepare a regional action programme aimed at instrumenting the implementation of the Strategy for the Third United Nations Development Decade to be adopted by the General Assembly, as regards the countries of Latin America;

(c) to maintain permanent contact with the Latin American Group and with representatives of other governments in the Preparatory Committee in order to provide them with the technical information they request;

(d) to contribute and make available to the Preparatory Committee the information and basic studies which show the size and nature of the development problems confronting the region, especially as regards the restrictions and obstacles imposed by external conditions;

(e) to prepare a study on the different multilateral sources of financing for the production and exploitation of commodities in Latin America (World Bank, regional banks and UNDP) and their degree of utilization among the resources channelled to the region. The study should contain specific recommendations to improve the flow of resources to permit the optimal use and exploitation of those products, including horizontal diversification, without detriment to the other priority areas supported by those institutions;

(f) to convene CEGAN before the end of 1979 and during 1980 that it may evaluate the progress made in the preparatory activities for the New Strategy carried out by the Preparatory Committee, and also the work of the secretariat. At these meetings, CEGAN, if it deems it appropriate, will formulate recommendations with respect to the subjects of particular interest to Latin America which should be included in the new IDS;

2. Recommends the member governments of the Commission:

(a) to participate actively in the Preparatory Committee so that the situations and problems of the countries of the region may be taken duly into account in the preparation of the New Strategy;

(b) to collaborate with the secretariat in the provision of information and in the preparation of the research it requires to fulfil the mandates assigned to it;

3. Also recommends the member governments of the developing countries of the region, to prepare plans or programmes which include the formulation of economic and social development objectives and goals for the next decade, together with their relevant strategies and policies, suitably linked with the instrumentation and implementation of the Strategy as far as the Latin American countries are concerned;

4. Further recommends that at the nineteenth session of the Commission, which will be held early in 1981, a regional action programme for the instrumentation and implementation of the New International Development Strategy to be adopted by the General Assembly be considered, and the development decade for the countries of Latin America be proclaimed.

209th Meeting  
26 April 1979