

CEPAL

Review

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within this decade, and it must already be taking its first steps by 1992: a year which we must make the symbol of our continued vigour and will to progress, exactly 500 years after our first meeting with the Western world.

It is therefore a matter of great satisfaction to me that this session should have adopted the transcendental and historic resolution on changing production patterns with social equity, an issue analysed so responsibly and feelingly by the ECLAC Secretariat, together with the

resolution on the International Development Strategy.

The challenges facing us are clear. We must transform and modernize our economies, compete at the international level, further perfect our democratic systems, develop better and more effective policies for social solidarity, advance rapidly in the field of science and technology, and not delay one instant more the process of Latin American integration.

And now, to work!

Carlos Ominami
Minister of the Economy of Chile

Growth is compatible with social equality

The democratically elected government of Chile, headed by President Patricio Aylwin, is taking part in this twenty-third session of ECLAC with interest and high hopes. Our mandate stems from the Chilean people's decision to put an end to an authoritarian régime which has lasted for over one and a half decades, choosing instead a democratic road towards economic, political and social development.

Our basic objective is to restore democracy in our country. To this end, in addition to the indispensable need for the democratization of public institutions, we are striving to clear up the dramatic problem of human rights, to improve the living conditions of the poorest sectors of the community, and at the same time to progress towards the modernization of our social and productive structure.

We are also a government which is trying to re-enter the international community and which sets great store on the development of links of solidarity and co-operation among all the nations of this continent. In this respect, our government considers that the contribution which ECLAC has been making to the region's development for decades past is of the greatest importance.

Our government's economic strategy has been prepared on the basis of a judicious review of everything that has taken place in recent

decades. We take a positive attitude to the development of a climate of economic discipline in the country, the achievement of greater trade openness *vis-à-vis* the rest of the world, the emphasis on the development of exports, and the existence of an entrepreneurial spirit which takes as one of its goals the attainment of capacity to compete both on the domestic and the international markets.

At the same time, however, it is evident that these achievements have had enormous costs, associated with the profound restructuring of Chilean industry and of ownership in the agricultural sector. Up to 1984, there were many enterprises which went bankrupt, subsequently giving way to more technically advanced initiatives. This fact —aggravated by the world crisis— resulted in labour unemployment rates in Chile that exceeded 30%, with a drastic fall in real wages which has still not been made good.

Likewise, the poorest sectors were virtually abandoned in such vital areas as health, education, housing, family allowances and social security benefits.

This process was accompanied by a very marked concentration of investment in fields connected with primary export activities, thus causing some imbalance between the various sectors of production.

In view of these facts, our government is putting into practice policies designed to tackle these problems directly in a forward-looking manner. It would, of course, be absurd to try to turn the clock back in such matters as macroeconomic discipline, trade openness, the new awareness of the contribution made by the entrepreneurial approach, or the proper functioning of the market.

What we do want to achieve is to show that democracy is compatible with efficiency and that growth can go hand in hand with a major effort to increase social justice. In this respect, our strategy is based on three main pillars:

—Guaranteeing macroeconomic stability through fiscal, financial and exchange policies based on strict management of the public finances and the maintenance of a high real exchange rate, thus preventing upsurges of inflation and the appearance of an anti-export bias in the country.

—Restoring social justice by promoting an economic and social programme which will make it possible to significantly reduce the current levels of poverty and marginalization, while at the same time seeking an improvement in labour/employer relations.

—Developing the productive capacity of the country through economic policies designed to impart greater solidity to the various sectors of production, and especially those connected with international trade.

This latter challenge basically means increasing competitiveness. In seeking this objective, however, it is not enough merely to rely on the free play of market forces, because the market suffers from too many imperfections which prevent the proper exploitation of all the potential associated with our natural and human resource endowment. The policies which the government will put into practice are designed to make good these shortcomings, within the democratic context which we are striving to reconstruct.

Against this background, we have designed a modernization policy which covers three substantive aspects.

The first of these corresponds to the deliberate and systematic incorporation of technical progress into the nation's production processes. Although the country's research and

development effort has increased in recent years as a percentage of the gross domestic product, we still have a long way to go before reaching the levels of the fastest-growing nations in this respect.

Consequently, one of the government's central objectives is to substantially increase the capacity for technological innovation in the various production activities. We view this concept in a broad sense, as meaning any change in products, production processes, organization of production or use of inputs which is reflected in commercial applications.

To this end, a technological development fund will be set up to help provide financial resources for the execution of innovative projects. Likewise, the establishment of productivity centres for the various lines of activity will be promoted, with a leading role being assigned in them to the enterprises concerned. Another effort in this direction will be the provision of resources for the preparation of pre-investment projects.

As well as encouraging technical progress on the part of the enterprises, the government has also committed itself to further the training and recycling of the existing labour force. It will only be possible to aim at ambitious targets as regards world market shares if we can substantially increase the productivity of our workers, for this is the fundamental means of achieving a significant increase in our competitiveness.

Finally, we consider that a process of modernization of production aimed at attaining a greater presence on increasingly complex international markets must be based, *inter alia*, on an ever-broader base of businessmen and businesses, in terms of both number and entrepreneurial capacity. By doing this, we will be in a better position to cope in a decentralized manner with the challenges posed by rapid technological change, the dynamism of world markets, and the need to satisfy the more varied and sophisticated demands of a growing population.

We believe that these are necessary conditions for progressing towards development with social justice, in a democratic framework which is in the process of consolidation. As Gert Rosenthal, the Executive Secretary of ECLAC, already noted, there are

some who maintain that growth and equity are mutually antagonistic objectives. For the government which I represent, however, not only is it necessary to reconcile these two purposes, but equity must be seen as an intrinsic element in the sought-for changes in production patterns.

We have noted with great satisfaction the high quality and soundness of the documents prepared for discussion at this twenty-third session of ECLAC. I refer, of course, to the papers entitled *Latin America and the Caribbean: options to reduce the debt burden* and *Changing production patterns with social equity*.

As we embark upon a new decade, after one which has come to be known as "the lost decade", we are all faced with the shared need to take actions which will ensure an international environment that will facilitate our development.

The development process, which is difficult in itself, cannot be undertaken in a hostile environment in which serious financial problems persist and there is no guarantee of smooth access for our exports to the great international markets.

In our opinion, the document *Latin America and the Caribbean: options to reduce the debt burden* represents a good statement of the problems assailing the region in this field and the ways they could be tackled.

We agree with ECLAC on the need to seek ways to strengthen the Brady Plan and correct its shortcomings. We also agree that the developed nations must make a bigger effort to provide public resources for debt reduction and supply additional financing to the nations affected, for flexible allocation in the renegotiation of their commitments to the creditor banks. This effort to reduce the debt should also extend to commitments with the Paris Club.

Likewise, we believe that it would be an important step forward if measures were taken to eliminate the legal, regulatory, accounting and tax obstacles standing in the way of debt reduction.

We must, however, take care with regard to proposals which could give rise to certain rigidities in the conduct of some of the actors in this process, such as the IMF. We must also avoid any measures which could affect the flow of

development resources from multilateral agencies such as the World Bank and IDB.

With the same determination that we must show in trying to secure a less restrictive environment, we must also assume our own responsibilities in the creation of conditions and the definition of policies to improve our situation.

It is no use restricting ourselves to merely denouncing the international obstacles that stand in the way of our development. In this respect, we are in full agreement with the view, expressed in the document *Changing production patterns with social equity*, that development calls for a long-term effort in a number of directions.

These directions include the maintenance of macroeconomic discipline, the pursuit of social equity, concerted action by the various actors in the economic process, and of course an ongoing effort to increase our competitiveness. This in turn calls for the existence of a properly articulated production structure with great capacity to adapt to changing technological trends.

We consider that the ECLAC proposals make substantial contributions in all these areas. It is therefore important to disseminate and further develop them in order to adapt them to the characteristics of the different economies of the region. My country is particularly interested in working with ECLAC and the other member governments in this direction.

On behalf of President Patricio Aylwin's government, I wish to take this opportunity to officially confirm our offer that Santiago should be the venue of the twenty-fourth session of ECLAC in 1992.

We wish to join with the other countries of the region in a commitment to growth, modernization and social justice. We do not believe that a country can or should go it alone in seeking to integrate into the world economy.

It is our firm will to co-operate with the countries of Latin America and the Caribbean. However, we do not want to get bogged down in rhetorical pronouncements which serve only to bring new frustrations. Integration must be based on a quest for concrete results. The rapid industrial and technological changes which are taking place in the world undoubtedly offer

possibilities for both integration and co-operation at the regional level, and we must make every effort to take advantage of these.

The difficulties through which Latin America and the Caribbean are passing make it difficult to advance towards our great goals. Even against the background of its recent political and economic crisis, however, Latin America has achieved some useful results which could serve as a guide in our common quest.

In this respect, we are completely in agreement with ECLAC's view that integration should provide net benefits for all those participating in it, be reflected in the national political projects, and win the support of the various strata of the population.

A first aspect in which we have made some progress is that of achieving greater political homogeneity. Past experience of integration processes shows that they are more feasible when the participating countries not only share similar problems and geographical locations but also have common values and political objectives. Latin America's advance towards democracy at both the national and regional levels is the underlying foundation that makes possible the political co-operation and the dialogue which are essential for integration.

Secondly, I believe we are moving forward arduously but steadily towards the achievement of greater compatibility between our economic policies. If the nations desiring greater integration do not have proper control over their macroeconomic variables, if the conditions in which they carry on their domestic production are too disparate, and if there are still artificial

barriers between them which hinder trade and the free circulation of goods and services, then all the talk about integration will be mere empty rhetoric.

The adjustment effort in which our countries are engaged, each according to its own needs, represents the first step towards a situation where the economies are capable of being integrated at the regional level.

Thirdly, what has happened in the last few decades has served to give Latin Americans a greater sense of realism. The co-operation and increasing integration of our economies can only be based on real expectations of mutual benefits for all the participants. If the businessmen, transport firms, workers, exporters and bankers of our countries do not see clear benefits for themselves in integration, then integration will not take place, no matter what fine speeches politicians and intellectuals make on the subject. If it is to win support, co-operation must bring concrete results quickly, even though they may be only modest.

Our role, then, is not to design great plans for complementation but to use all our imagination to break down barriers, do away with red tape, and expand markets to the regional level. This will be possible in so far as we stabilize our economies at the domestic level, but it is not necessary to wait until then in order to set out on the road towards integration.

Only if we do these things will we be in a position to close the gap that separates our continent from the industrialized world and advance towards the twenty-first century in democracy.

Ernesto Zedillo Ponce de León
Minister of Planning and the Budget of Mexico

The mexican road to change

On behalf of the Government of Mexico, I should like to express to the Venezuelan Government our heartfelt appreciation for its having offered this beautiful city, founded by Diego de Lozada, as the venue for the twenty-

third session of the Economic Commission for Latin America and the Caribbean.

Caracas epitomizes much of our common history: its foundation as a colony furthered the mingling of races and cultures of which we Latin