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

**(San José, Costa Rica, 3-5 March 1992)**

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## A. ORGANIZATION OF WORK

### Place and date of the meeting

1. The eighteenth session of the Committee of High-level Government Experts (CEGAN) was held in San José, Costa Rica, from 3 to 6 March 1992. CEGAN, which was established by ECLAC resolution 310(XIV), is made up of the developing countries members of the Commission. Pursuant to the mandate entrusted to the Committee by resolutions 419(PLEN.14) and 422(XIX), the sessions of the Commission are normally preceded by a meeting of CEGAN.

### Attendance

2. The meeting was attended by representatives of the following States members of the Committee: Argentina, Bolivia, Brazil, Colombia, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. Puerto Rico, an associate member of ECLAC, was also represented.

### Election of officers

3. At the first meeting, the participants elected the following officers:

Chairman:	Costa Rica
First Vice-Chairman:	Venezuela
Second Vice-Chairman:	Jamaica
Rapporteur:	Chile

### Agenda

4. The meeting adopted the following agenda:

1. Election of officers
2. Adoption of the agenda
3. Bases for changing production patterns with social equity in Latin America and the Caribbean

- a) Conditioning factors in changing production patterns with social equity
    - i) Changes in the international environment since the last session
    - ii) Other conditioning factors
  - b) Complementarities between changing production patterns and social equity
  - c) Technical progress and international competitiveness
  - d) Human resources, changing production patterns and social equity
- 4. Other matters
  - 5. Consideration and adoption of the report.

#### Documentation

- 5. The Secretariat submitted the following working document to the Committee: Social Equity and Changing Production Patterns: An Integrated Approach (LC/L.668).

#### Adoption of the report

- 6. The draft report of the meeting was submitted and adopted in accordance with normal practice.

#### Opening meeting

- 7. At the opening meeting, statements were made by Mr. Gert Rosenthal, Executive Secretary of ECLAC and Mr. Gonzalo Fajardo Salas, Minister of Economic Affairs, Industry and Commerce of Costa Rica.
- 8. The Executive Secretary of ECLAC began his opening statement by thanking the Government of Costa Rica and its highest authorities for their support in the work of the Commission and their cooperation in organizing the meeting.
- 9. The meeting was being held against the backdrop of the dramatic changes which had recently occurred throughout the world and had affected both ideas and institutions. The region had felt the impact of these profound changes, which had given rise to an intensive debate as to how to adapt to them.
- 10. The ECLAC secretariat had participated actively in that debate while at the same time making considerable progress in providing guidelines for the development of the countries of the region, as reflected in the documents which had been prepared for the present meeting and for the forthcoming session: Social Equity and Changing Production Patterns: An Integrated Approach and Education and Knowledge: Basic Pillars of Changing Production Patterns with Social Equity, which were the natural continuation of the two documents previously issued, Changing Production Patterns with Social Equity and Sustainable Development: Changing Production Patterns, Social Equity and Environment. Those four

studies sought to promote an enlightening debate on how to achieve a coherent frame of reference for Latin American and Caribbean development. The document An Integrated Approach dealt with the achievement of greater social equity in conjunction with a change in existing production patterns and the consolidation of democracy, upholding the concept that social equity was not possible in the absence of an economic expansion which was supported by greater levels of productivity.

11. Although some progress had been made in the area of productive efficiency, greater international competitiveness and financial stabilization, the social cost of those advances had been considerable. Thus, per capita income had fallen, poverty had risen and income distribution had become more uneven. The real income of workers had also fallen, and open unemployment and the incidence of employment in informal activities had increased, especially among young people.

12. In view of the pressing need to reverse those trends, the ECLAC secretariat was proposing the adoption of an integrated approach, the objective of which was to promote the policies of growth and social equity at one and the same time.

13. He also referred to the restructuring of the United Nations, especially in the economic and social fields. The Secretary-General had launched a radical restructuring of the Secretariat, the effects of which could not yet be evaluated since the exercise constituted a process. In any case, the Executive Secretary said he felt that regardless of the repercussions which might be had by that process, ECLAC would continue to play an important role in it because of the Commission's multidisciplinary nature, its Latin American and Caribbean focus and its geographical proximity to regional realities.

14. Finally, he referred to the nature of CEGAN itself, from the time of its creation as a forum for the developing countries members of ECLAC, up to the present, when by government mandate it had been turned into an intergovernmental body covering Latin America and the Caribbean exclusively and empowered to address a wide range of topics relating to the development of the region. In that connection, he said he was convinced that the current meeting would initiate a high-level technical debate which would yield concrete guidelines for those who would formulate and carry out economic policies and strategies at country level.

15. The Minister of Economic Affairs, Industry and Commerce of Costa Rica, after cordially welcoming the visiting delegations, thanked ECLAC for honouring Costa Rica by choosing it as the venue of the present meeting, an especially great honour in view of the high level of the delegations and the importance of the issues under discussion.

16. The proposal contained in the document Social Equity and Changing Production Patterns: An Integrated Approach represented the taking of certain positions: it set forth a series of policies and actions for merging the changing of production patterns with social equity, and combining these with democracy and environmental sustainability.

17. He then made some observations on the issues to be dealt with at the meeting. First, for the Latin American and Caribbean region, the momentous challenge at present consisted in undertaking concrete actions to improve the socio-economic situation of the vast majority of the population. It was high time for action, not words; to move beyond the debate on objectives and appraisals, and to talk instead about defining and implementing programmes to correct inequities.

18. The second need that should be stressed was that of coherent macroeconomic policies, combining the objectives of equity, democracy and environmental sustainability in an international environment whose volatility would require a greater capacity on the part of the region, and each country in it, to react to changes and anticipate new ones. He underlined the role that the education and training of human resources should play as crucial elements in the region's strategy for becoming more integrated into the world economy.

19. Thirdly, the prestige of intergovernmental forums increasingly depended on their ability to produce concrete strategies and promote actions for the short, medium and long term. The secretariat document should therefore be taken as a basic framework for defining how to implement the action proposed: it discussed the tools, mechanisms and strategies that could be used, and even suggested a timetable for the work to be done, thereby creating an awareness of the urgency of the needs of the great majority.

20. Lastly, he expressed the hope that at the end of the debates the delegations would be satisfied that their discussions had helped to enrich the document in a pragmatic way. In that way, the countries would be making a fundamental contribution to the success of the forthcoming session of the Commission, to be held in Santiago.

#### Closing meeting

21. The closing meeting was attended by the Ministers of Economic Affairs in the Central American countries, including Mr. Gonzalo Fajardo (Costa Rica), Mr. Arturo Zablah (El Salvador), Mr. Juan Luis Mirón (Guatemala), Mr. Ramón Medina Luna (Honduras) and Mr. Julio Cárdenas (Nicaragua).

22. The meeting was addressed first by the Representative of Chile, who again invited the ministers and delegations participating in the meeting to lend their valuable support to the twenty-fourth session of ECLAC, soon to be held in his country's capital city.

23. The Executive Secretary of ECLAC expressed recognition of the support received from the Government of Costa Rica and gratification that the Ministers of Economic Affairs of the Central American countries had attended the meeting. He also expressed gratitude for the warmth, high level and content of the debate, which was a positive contribution to the work of the twenty-fourth session of ECLAC, at which an effort would be made to identify improved development prospects in the 1990s.

24. The representative of Brazil, speaking on behalf of all the delegations attending the meeting, thanked the Government of Costa Rica for its hospitality and expressed gratification at the presence of the Ministers of Economic Affairs of the Central American countries.

25. He said his Government shared the enthusiasm felt by the whole region for the work performed by ECLAC and that the documentation submitted provided an excellent starting point for it to renew its influence and standing. ECLAC based its views on concepts which were at once conservative and forward-looking in that they retained the basic features which had characterized them in the past but had been modified without hesitation when it was necessary to adapt them to present conditions in a way which was both consistent and creative. The region was facing tremendous challenges in which ECLAC, as a forum distinguished for its thinking, would provide studies and proposals and would also serve as a coordinating mechanism among the countries of the region.

26. The Chairman noted the high quality of the documentation submitted and the constructive results of the deliberations, in which attention had been focused on the subject of the deterioration of health and education indicators in the region. He suggested that the same kind of attention should be paid to the strengthening of democracy and to environmental sustainability. He noted the need to bring all social sectors into the process of conscious-raising regarding the need to solve these problems since their dynamic participation was of vital importance for building a more highly developed and just society based on consensus. He felt that ECLAC should continue to be the centre of Latin American thinking as the people of the region sought their own solutions through interregional cooperation. He ended his intervention by wishing all the participants a safe return to their countries as he closed the eighteenth session of CEGAN.

## B. SUMMARY OF THE DEBATES

### Bases for changing production patterns with social equity in Latin America and the Caribbean (agenda item 3)

27. All the representatives opened their statements by thanking the Costa Rican authorities for the cordial hospitality offered by their country.

28. They also expressed satisfaction with the progress achieved by the ECLAC secretariat and great interest in the proposals contained in the document Social Equity and Changing Production Patterns: An Integrated Approach, to which they made detailed reference in their statements.

29. The Deputy Executive Secretary said that the 1980s had seen an increase in stagnation and social inequity, as evidenced by the indicators of per capita output, productivity, poverty and income distribution. Other regions of the world had managed to combine growth with social equity, which showed that that was a feasible goal and supported the argument that growth and social equity should not be viewed as mutually exclusive objectives; on the contrary, a careful study of economic policy tools showed the existence of a vast area in which the two goals complemented each other and revealed a large number of ways for attaining them.

30. The foundations of such an approach were technical progress, productive employment and investment in human resources, all of which reinforced each other. With a comprehensive approach such as that, specific policies and policy packages could be designed and considered with a view to achieving social equity while at the same time changing production patterns, all in the context of participatory democracy. Such democracy could not exist in the absence of social equity and growth, and they, in turn, strengthened democracy. After mentioning several examples of policies which would make it possible to achieve both social equity and growth within a democracy, he noted that subsequent statements would include a detailed discussion of the levels of social equity found in the region, as well as of policies that might be applied, especially in the areas of education and training, to improve the situation in that regard.

31. The representative of Chile said he was in favour of adopting a decisive attitude towards the challenge of achieving sustained growth with social equity, which was the pivotal factor in the public policies of his Government.

32. The strategies adopted in order to achieve sustained growth and social equity simultaneously should, however, be coordinated in such a way as to solve certain concrete problems which might stand in the way of their effectiveness. Those problems included the frustration of economic agents with respect to proposals for changing production patterns, which in the last analysis had added to the dilemmas of development; the need to structure an efficient government which could play a leadership role in the development process without in any way undermining the potential of the private sector, and, finally, the necessity of ensuring that the proposals adopted provided the private sector with possibilities for its development and encouraged it to join forces not only with the State but also with the labour sector in bringing those possibilities to fruition.

33. The representative of Venezuela said that the concept of changing production patterns with social equity was in conformity with the process of the liberalization of the economies of the region and with the need to combine economic modernization with social justice. The countries of the region were adapting their production apparatuses to the new requirements of the world economy and were embarking upon reforms to encourage the liberalization of trade, promote investment and stimulate competitiveness—a process which should not, however, be confined to regional or subregional arrangements. Since the selective protectionism practiced by a number of industrialized countries also made it difficult for the countries of the region to play an appropriate role in the world economy, its gradual elimination would ensure the successful conclusion of the Uruguay Round and would strengthen multilateralism.

34. The representative of Peru said that the secretariat document was very timely, since the region had reached the point where it needed to reassess its international position, and all the countries were going through adjustment and stabilization processes. It was therefore imperative that structural change go hand in hand with social equity.

35. He suggested that the Committee should devote more time to studying three topics which, in his view, would be especially helpful in determining the nature of the region's involvement in international trade, i.e., the threat of growing protectionism on the part of the developed countries and the potential failure of the Uruguay Round; the status of Latin American integration arrangements in the context of hemisphere-wide integration; and the developed countries' demands regarding copyrights and patents, which could affect the flow of technology to the region.

36. The representative of Brazil said the document did not contain enough details concerning two important topics. First, the population issue, needed to be considered from various angles, including those of the mobility of human resources, migrations, urban development, the pressure exerted on public services and social security and informal labour markets. Secondly, more attention should be given to planning, as was the traditional practice of ECLAC, and to a redefinition of the role of the public sector and its recovery, which posed the question of the role of the State. Without a strong public sector capable of projecting a strategical approach to a country's future, indicating priorities and providing incentives for meeting the targets proposed, the objectives of a development programme would be hard to attain.

37. Consideration should also be given to some of the more specific aspects of the problems discussed in the document, including, in the first place, recent trends which might have an impact on the economies and stabilization plans of the region. For example, the fact that the fresh inflow of capital did not correspond to productive investments but to a large extent represented short-term investments that were sometimes speculative in nature (such as investments in the stock exchange) could raise the exchange rate and increase imports. A rise in imports with the added impetus of a reduction in tariffs might weaken the structure of certain sectors, such as the capital goods and basic inputs sectors, resulting in unemployment.



Such flows of capital might also constitute a threat to a country's stabilization policy by increasing its monetary stock.

38. He said that certain considerations were central to the topic of growth with equity, including ways of carrying out tax reform, the tax base to be selected and the legislation relating to the process of tax collection and the policies and mechanisms to be adopted in order to ensure that the benefits of technical progress and of the increase in national income were transferred to the broadest sectors of society by, for example, raising export volume. Account should be taken of the tendencies towards concentration to be found in many aspects of the region's economies, such as in the capital market.

39. With regard to economic stabilization programmes, he said it would be necessary to examine the suggestions made with regard to the introduction of price controls, which in general had proved to be counter-productive. Other points might be examined later.

40. Finally, he suggested that ECLAC should organize seminars and meetings in order to disseminate the document in government, parliamentary and academic circles and in the private sector as represented either by workers' or managers' organizations.

41. The representative of Nicaragua said his delegation was pleased with the document by the secretariat and suggested that the question of development financing should be studied in greater depth in the context of the proposals contained in the document Social Equity and Changing Production Patterns: An Integrated Approach.

42. The representative of Mexico, sharing the position of other delegations, said that in view of the useful and helpful nature of the document, it should serve as a basis for the debates taking place in other forums—whether academic or labour- or management-related—and in certain social groups in order to bring about a broad-based process of deliberation.

43. The ECLAC proposal could, however, be further developed in the following ways: by giving more attention to the tools needed by Governments to analyse the policies they were planning to implement, especially in terms of public spending, considering varying country situations; placing more emphasis on the agricultural sector and linking it to trends in international trade in commodities; and studying demographic processes more thoroughly, especially migrations and their impacts on the size, composition and location of the labour force. It was important to recognize the heterogeneity of country circumstances in order to make full use of the suggestions contained in the document under consideration.

44. The Cuban representative said that, in undertaking the task of changing production patterns with social equity, it was important to ensure that the living standard of the lower-income sectors would not be sacrificed in order to achieve spurious increases in productivity. Moreover, any effort to change production patterns must be carried out on the basis of a social consensus which could only be achieved when criteria of social equity were applied, in which the right to education and good health were regarded as decisive in achieving sustained economic development based on equity.

45. In order to achieve that goal, it was important to take into account certain external factors, especially those pertaining to international trade, the transfer of financial resources, external indebtedness and others, which had an adverse effect on the region's efforts to change production patterns while ensuring social equity.

46. The Argentine representative said that his delegation agreed, in general, with the contents of the secretariat document, although the text should be revised and expanded. One of the topics that should be emphasized was the process of democratization in the region, since democracy was the only legitimate political system in which production patterns could be restructured with social equity.
47. He therefore suggested the inclusion of brief descriptions of recent experiences in democratization in the region.
48. The representative of Guatemala said that he agreed with the concepts expressed in the secretariat document, and suggested that demographic factors and those relating to human resources development should be explored in further detail, taking into account the specific features of each country situation.
49. The representative of El Salvador said that in order to attain sustained growth with equity certain aspects of retrofitting in both the agricultural and the industrial sectors had to be taken into account. To modernize those sectors, it was necessary not only to have enough resources but also to change the way in which the citizenry thought and felt about modernization.
50. He made special reference to the case of countries which had gone through a difficult adjustment process and had suffered both human and material losses in order to democratize their societies, and said that special stress should be placed on the need for those countries to have more resources and to build consensus in their efforts to reconstruct their economies.
51. Lastly, he stressed the need to carry out a more thorough-going analysis of the topic of integration.
52. The representative of Jamaica noted that the document prepared by the secretariat contained few specific references to the Caribbean. She agreed with other representatives as to the need to circulate the document widely and asked that seminars and workshops be organized for the purpose of studying it. That should be done at the level of both the public and the private sectors since the degree of development already attained called for close cooperation between the two sectors. Finally, she said her delegation would like greater attention to be paid to the question of capital and, in particular, to the use of stock exchanges in attracting additional investments to the region.
53. The representative of Ecuador said his delegation agreed with the proposal contained in the document, and he noted the importance of the policy decision to follow the suggestions made in it in accordance with the orientation of the successive Governments of the countries of the region. He also drew attention to the decisive role of technical cooperation and international financial cooperation when used to further social equity and changing production patterns.
54. The representative of Puerto Rico said the ECLAC document reflected an innovative approach which was of the utmost importance in so far as the strategies of his government were concerned. Generally speaking, a development strategy should perform a number of functions simultaneously, including those of setting priorities, focusing government attention on a small number of questions of central concern, guiding the conception and design of measures and the appropriate allocation of resources and ensuring the presence of an authority capable of mobilizing collective action.
55. The representative of the Dominican Republic said her delegation was concerned at the failure to deal with the question of macroeconomic planning in the document. Planning was needed in order to provide an economic, political and administrative framework of medium- and long-term strategies for

application to the processes of stabilization, adjustment and structural reform, although such strategic guidelines would not necessarily ensure that those processes of change would result in growth with social equity. It was for ECLAC to rise to the challenge of assessing the role of macroeconomic planning as a means of conceptualizing a new style of development which would ensure both growth and equity.

56. The Deputy Executive Secretary of ECLAC thanked the representatives for their comments, which he said would be highly useful to the secretariat in the performance of its tasks. Documents were in preparation on topics in which the representatives had expressed a desire for further information, such as integration, regional cooperation and population considered from the point of view of the strategy for changing production patterns with social equity.

57. He invited the representatives to express their views concerning the role of the State in present circumstances. He pointed out that the document submitted by the secretariat not only dealt with the topic from the perspective of the deregulation of economic activities and the reduction in size of the public sector, but also advocated the paradigm of a strong State, which was not necessarily large in size but was capable of giving impetus to selected activities by adopting concrete policies designed to achieve both accelerated development and a more even distribution of its fruits.

58. The representative of Mexico said his country was very interested in the question of population, especially in so far as it related to international migrations and regional preparations for the forthcoming world conference on the topic. He also said the ECLAC secretariat should provide the countries of the region with support in international forums in areas such as population and environment, as well as those relating to social participation. The approach adopted should promote policies for improving the situation rather than encouraging political scrutiny from the outside.

59. The representative of the Dominican Republic stressed that the protectionist view of the role of the State which had been held up to now must be changed. The size of the State must be scaled down in order to improve its efficiency and increase its contribution to productivity. Nevertheless, private enterprise and the market should not be expected, on their own, to achieve social equity, inasmuch as that was one of the State's obligations which it had not always fulfilled satisfactorily. Democracy had often allowed room for impunity for crimes of corruption which had had a high social cost for the countries.

60. The representative of Brazil said he did not agree with the suggestion made by the representative of the Dominican Republic that there was a correlation between democracy and impunity. On the contrary, experience suggested that the more tightly closed political systems were, the greater the likelihood of impunity. This view was supported by the representative of Argentina.

61. The representative of Brazil noted that the document drew attention to a lack of systematization with regard to the role of the State, which in some sectors might even have to increase its intervention, as other speakers had pointed out.

62. The State was the most appropriate instrument to promote an all-inclusive approach to the economy and society, in view of the lack of a cohesive civil society in the countries of the region.

63. The representative of Puerto Rico noted that there had been a paradigm shift with regard to the role of the State. From the historical standpoint, it should be noted that in certain cases, the State had played a key role in promoting economic development and social equity; in other cases, however, it had done just the opposite.

64. Growth with social equity called for a strong State with the power to mobilize collective action and provide guidance to both the public and the private spheres. The State must also be efficient; otherwise, its strength could become a disadvantage.
65. With regard to productivity, he pointed out that there was a need not only for technological development, but also for proper management of the resources available to national entrepreneurs. Management skills must also be enhanced, both in the public and the private sectors.
66. The representative of Haiti said that the recent political events in his country had aggravated an already serious social and economic situation. Some economies in the region were in a particularly difficult position because they were unable to absorb the shock waves coming from the external market unless the international community applied special measures to protect them, and their situation should be analysed more specifically.
67. He also stressed the important role played by social discussion of a country's economic problems in order to create an atmosphere of support for the difficult measures that had to be taken, and a more propitious environment for democracy.
68. It was also important to find a way to capitalize labour through the savings made by workers. Education and environmental conservation, in addition to workers' savings, were essential elements in "buying into the future", with the support of other nations.
69. Finally, he noted that the extreme dependency created by the overproduction of goods whose market was entirely controlled by forces outside the region was not conducive to bringing the structures of production into better balance.
70. The Peruvian representative approached the question of the role of the State from the standpoint of his own country's experience. Referring to the negative aspects of the growth of government which had taken place in his own country after 1968, and which had not been reversed with the return to democracy in 1980, he said that the present Administration was in the process of trimming the State down to the point where it would be concerned mainly with the services sectors of education, health and environmental sanitation, and other clearly defined activities. The State, in rendering services, should above all do so efficiently.
71. The representative of Nicaragua said that in Latin America and the Caribbean the size of the State depended on what political options and style of government the countries had adopted at different stages in their history. In that regard, his own country's experience was a good example. At present, Nicaragua fully agreed with the idea that the State should be kept small and efficient.
72. The representative of Argentina said that the secretariat study on the role of the State should be expanded in two directions. First, the document should make explicit provision for the various national cases in which production activities were observed to be moving from the State towards the private sector. Secondly, consideration should also be given to a framework of suitable regulations for governing activities transferred to the private sector. This included the more general question of the new relationship between the State, the private sector and the market. That issue should not be dealt with by referring to it sporadically throughout the document but should be covered as a separate question.

73. The representative of Cuba said that decisions concerning the strength and size of the State were matters which fell within the sovereignty and self-determination of each country.
74. In any case, many of the tasks involved in changing production patterns with social equity, in such fields as health, education and social security, could be carried out effectively only by the State.
75. In the case of his country, the State's role had been essential in giving priority to scientific research in areas of national interest and in responding to the needs of the population in the present circumstances, in view of the shift in the sources of international cooperation.
76. He agreed on the need for an efficient state apparatus, and noted that the state sector in his country had entered into joint agreements with sources of private capital in certain areas of priority activity.
77. The representative of Chile said that the ECLAC document, rather than being an exhaustive study of the role of the State, made reference to it in the context of proposals for changing production patterns with social equity. In that regard, the document offered a wealth of information on such areas as institutional changes, technical progress, social policies and others, where the State obviously played a fundamental role; its proposals in those areas showed that it did not favour the weakening of the State.
78. He put particular emphasis on the topic of fiscal policy, noting that stress was often placed on reducing expenditure rather than on obtaining new resources which could be put to use in promoting social equity. In that respect, untapped tax-collection opportunities existed in the region.
79. The representative of Uruguay said that in her country an exhaustive study had been conducted with the aim of rationalizing government activity and that on that basis the size of the state apparatus had been reduced in activities where government intervention was not essential. Accordingly, activities in certain sectors were allowed to be taken over directly, and for profit, by those who had been employed as civil servants; in cases where that offer had been refused, the activities in question would be opened up for public bidding or eliminated.
80. She stressed the need for balance between efficiency and the maintenance of social equity. An excess of ethical and social concern in Uruguay since the turn of the century had led to the current crisis situation. In the short term, therefore, the effects of traditional State paternalism had to be counteracted through painful measures, such as de-indexation of wages and reduction in public spending, to achieve the hoped-for equilibrium in the medium term.
81. The representative of the secretariat presented the findings of the research it had carried out on the situation with regard to social equity at the beginning of the 1990s. First, he noted the effects which certain aspects of the economic policies of the 1980s and of economic reforms now applied were having on equity. The structure of employment had changed, in that during the 1980s human resources had been transferred from activities characterized by greater productivity and higher earnings to activities where productivity and income were lower. This made it possible to keep the figures on open unemployment down, but the drop in output per worker was accompanied by marked declines in real wages. Secondly, with regard to the restructuring of the fiscal budget, it had been shown that the elimination or contraction of subsidies and the reduction in the number and quality of public services had increased the cost of baskets of basic goods and services. In circumstances where wages were depressed, that increase had resulted in a very considerable increase in the number of people living in poverty situations. Finally, it had been shown that changes in capital and labour markets together with the transfer of resources abroad

had altered the functional distribution of income. Wages as a proportion of gross domestic product had fallen in some countries by as much as ten percentage points while the share of transfers abroad and, in some cases, that of the gross earned surplus received by nationals increased.

82. Secondly, selected indicators were presented to account for the drop in equity in respect of income distribution, poverty situations and job opportunities. The appreciable differences from country to country made it clear that there was room for policies to maneuver in order to alleviate the negative effects experienced in periods of crisis, especially when economic reform programmes were in operation.

83. Thirdly, the representative noted the difficulties which the majority of Latin American countries would encounter during the 1990s in their efforts to promote the absorption of the labour force into production. Owing to a combination of high growth rates of the economically active population and the burden imposed by a significant degree of unemployment, many of them would not succeed in reducing the level of underemployment although reasonably high rates of economic growth would be recorded.

84. That prospect made it necessary for social policy to provide for broad and long-term programmes to reduce the social impacts of persistent underemployment. In many cases those programmes would have to be accompanied by structural changes, such as land redistribution, which would improve the outlook of the poor by reducing rural poverty.

85. Social policy must also take account of the role played by the crisis in increasing inequality of access to the benefits of social services by the different strata of the population in that it had made private services more readily available to high-income groups and reduced the ability of the State to raise the number and the quality of the services accessible to low-income groups. Steps should be taken to change that trend to enable social services (social security, education and health facilities) to help reduce social inequality rather than consolidating it.

86. A social policy having such objectives would necessarily run up against sizeable political obstacles. In order to salvage such policies, it would be necessary to increase the financial and administrative capacity of the State, convince opposition groups of the need for an equitable social policy (which could be justified not only on normative grounds but also because of the economic, social and political contribution it might make) and support changes in political systems which would give the poorer strata of the population more say in decisions taken at national level.

87. After giving a brief description of the changes which had occurred in his country over the past two years, the representative of Panama said that the size of the state apparatus had decreased notably owing to the fact that it no longer practiced paternalism. As a result, the army had been abolished, and a larger role had been assigned to private enterprise in connection with investment and the reactivation of the economy.

88. He also provided a number of quantitative indicators to demonstrate and support his presentation, which showed that economic activity in his country had undergone a profound change and had increased sharply, which would enable Panama to return gradually to its status of qualified international borrower.

89. The representative of Nicaragua explained the difficult process of transition to democracy and a market economy which his country was undergoing. In order to achieve democracy, it had applied a policy of pacification and demilitarization, including the incorporation of demobilized forces into the labour market. With regard to the development of a market economy, inflation had been eliminated thanks

to the implementation of a programme designed to put public finance on a sound footing, to open up the economy, to build consensus within the society and to obtain loans and external aid.

90. In addition, trade in goods and services had been reactivated through liberalized policies for granting licenses and permits, the removal of barriers to imports and the re-establishment of private banking.

91. Finally, he indicated that the cost of adjustment was reflected in a drop in formal employment, the effect of which would be mitigated through an ambitious programme of public investment in infrastructure designed to absorb unemployed workers.

92. The representative of Chile began his statement by saying that social equity was necessary to the institutional stability needed for changing production patterns, although the amount of time required to realize the two objectives was different. Thus, whereas equity was related to pressing social needs which had to be met immediately, changing production patterns was a more lengthy operation since the type of investments it required took a long time to mature. For that reason, it was difficult to coordinate social equity with changing production patterns.

93. Although the market played a major role in the allocation of resources, it had to be recognized that when it operated on its own, it did not always succeed in promoting the restructuring required to compete in the international economy. For that reason, in some sectors, government action was required as a support, although it should not be allowed to inhibit action originating in the private sector. State support was needed in sectors which lagged behind the rest of the economy, and in that case, policies designed to bring such sectors into the modern economy did not create conflicts between changing production patterns and social equity. Although investments in technology by those sectors might result in a temporary unemployment problem in some firms, they encouraged other investments which generated additional productive employment. The task of modernizing sectors which lagged behind was the basic component of the overall effort to promote social equity, and all other measures which might be taken were of a complementary nature.

94. The representative of Mexico said that the extent to which the region was able to consolidate its position in the changing world economy would depend on the extent to which it was able to improve its social policies.

95. The goal of his Government's National Development Plan was to achieve economic recovery while ensuring price stability and improving the living standards of the population. In that regard, social policies were geared towards supporting the process of growth while at the same time seeking to achieve a better balance among regions and greater social equity.

96. The specific strategies being implemented were aimed at further increasing the share of social spending in overall public expenditure planning, strengthening education by improving its quality, coverage and relevance to the production process, improving rural living conditions, and meeting the needs of the lower-income sectors through a wide range of actions under the National Solidarity Program.

97. The representative of Cuba referred to his country's experience in the social domain, noting that for thirty years and in the face of strong obstacles, which were aggravated by the hostility of a neighbouring country, great social progress had been achieved. Examples of that progress included the reduction of the infant mortality rate, the increase in life expectancy at birth, advances in social security

and housing, the eradication of illiteracy and a high rate of secondary-school enrolment. Social services were provided free of charge, and neither racial nor sex discrimination existed; there were no beggars in the streets or homeless old people, and unemployment was kept down to a minimum.

98. In view of the political events in eastern and central Europe and in the former Soviet Union itself, Cuba had been forced to adopt a series of measures, none of which had detracted from the social advances just described. Even the relocation of the labour force was been carried out in an orderly manner, and subsidies were been provided for those who could not be incorporated into activities differing from those in which they had been previously engaged. The impact of the shortages had been dealt with by giving priority to the solving of problems experienced by the lowest-income sectors, such as children and old people. Thus, in his country there had been no lamentable contrast between opulent minorities and majority groups submerged in poverty.

99. Finally, he said that his country was prepared to face the particularly difficult circumstances which now surrounded it and expressed the hope that both the ECLAC secretariat and the countries participating in the meeting now under way would be able to accurately assess the social progress made by Cuba.

100. The representative of Brazil said that the diagnosis of the current situation —that industry was neither well structured nor competitive, while the development strategy did not provide social equity and tended to concentrate wealth— was similar to the diagnosis made by ECLAC 30 years earlier. The fact that it had not been possible to change the system, even though the diagnosis had been accurate, was further proof that the State must change its role and assume responsibility for devising a national plan for achieving growth with social equity.

101. In the social sphere, the elite must be persuaded that growth without social equity eventually led to violence and insecurity, which in turn entailed expenses relating to the protection of people and property. Hence, they must be made to realize that it would be preferable to use the resources so spent in order to improve social equity and keep greater problems from arising.

102. With regard to planning, the representative of Brazil referred to the recent exercise carried out by his country as revised for the period 1993-1995.

103. The first step had consisted in identifying the principal problems affecting Brazil so that priority areas for government spending, which represented 40% of a total of 225 billion dollars during that period, could then be established.

104. The five priority areas identified were: a) education, science and technology (including i) comprehensive assistance to children and adolescents, ii) improvements in the quality of elementary education and iii) development of technological training in order to effect improvements in terms of quality and productivity); b) agrarian reform in terms of increased productivity; c) the restoration and conservation of the rural and urban environment; d) the consolidation and recovery of infrastructure and e) the liberalization and modernization of the state apparatus.

105. A single planning system was being established, which would ensure a continuous planning process incorporating both the sectoral and the global dimensions and participated in by representatives of the leading economic agents.



106. A system of monitoring and evaluation of government actions, increasingly geared to the efficient allocation of resources, had recently been launched.
107. The representative of Venezuela said that she agreed with the secretariat's proposals, especially with regard to the identification of the various factors which had a negative impact on equity and on the complementarity needed between economic development policies and those designed to promote social equity.
108. In her country, priority attention was being given to investment in human resources and job creation policies. Other policies currently being implemented in Venezuela entailed strengthening saving and investment, increasing productivity and fiscal reform, in order to streamline public-sector management with a view to changing production patterns with social equity.
109. The representative of Jamaica said that structural adjustment programmes had had a negative impact (on such areas as education and health) in her country. That had occurred precisely at a time when there was a need for a better-trained labour force.
110. The agricultural sector had also suffered. She underlined the need to take a more scientific approach to agriculture in order to create the necessary backward and forward linkages to produce additional as well as new products.
111. The public sector was being restructured, as it was necessary to make the State's role more efficient, and certain functions could be more effectively carried out by the private sector.
112. The representative of Costa Rica said that the issues of poverty, the informal sector and inequity must be dealt with in a comprehensive manner. Costa Rica had traditionally adopted a welfare approach towards poverty, and had made an effort to halt the deterioration of social structures. One third of the budget was spent on social programmes.
113. With regard to the informal sector, deregulation policies were being applied, with a view to eliminating obstacles to production and commercial activity. At present, an effort was being made to move away from the traditional state-control approach and towards a policy of selective state intervention, with government playing a catalytic role and promoting assistance to small business.
114. With regard to social inequity, he agreed that the tax system must be used to reverse regressive transfer processes and to focus social spending.
115. The representative of Nicaragua said that his previous remarks on the economic situation in 1991 might have given the impression that the economic difficulties had been overcome; he therefore wished to expand on his previous statement.
116. He explained that, although unemployment and underemployment were difficult to measure in an economy like that of Nicaragua, where manpower fluctuated between formal and informal activities, it was quite likely that the latter might have increased since the Government began to apply its economic programme. Nevertheless, that did not necessarily mean that stabilization and adjustment were the cause of the situation. The alternative to the policies applied would have been constant turmoil, a prolongation of the trends of the past eight years, with certain jobs (which were actually held by a privileged few)

being maintained until a total breakdown had occurred, brought on by the discontinuation of external funding.

117. Assessments of structural adjustment programmes often neglected to take into account the fact that there was really no use in comparing one programme with another; rather, comparisons should be made in the light of the options that were available to the countries.

118. The representative of Peru said that progress had been made under a strict stabilization programme and structural reforms towards the realization of two immediate goals of his Government: the reduction of the hyperinflation experienced in the country and the normalization of relations between Peru and IMF, the World Bank and IDB. The economic programme had a fiscal component which provided for austerity in public spending, large-scale privatization, the elimination of subsidies and the expansion of the tax base, including the incorporation of the informal sector in the tax system. Encouragement had also been given to a trade liberalization programme and a financial liberalization programme, and to an agricultural reform designed to solve financial, training and politicization problems which had arisen in the past. Foreign investment was also being encouraged, but there were still problems due to a low exchange rate which weakened the competitiveness of the country's exports, those problems being compounded by the recession and by serious tax-revenue difficulties. He recognized that the programme had a clear social cost, but if it had not been applied the situation would be worse. That cost had come on top of the serious crisis experienced by the country as a result of the application of poor policies in the past and of the violence perpetrated by terrorist groups which had severely damaged the country's infrastructure. Although priority was still being given to economic adjustment, the time had come to pay closer attention to its social dimension as an area in which the public sector and the other sectors, including the private sector, needed to cooperate, and that the resources derived from privatization should be used for social development. He ended his statement by expressing the view that international cooperation could supplement the action taken in the past.

119. The representative of Ecuador said his delegation felt that the payment of the so-called "social debt" had come into conflict with adjustment policies which favoured the concentration of income and lowered the living standard of the population as a whole. The economic situation had made it necessary to implement short-term monetary policies instead of embarking on structural reforms, and privatization could have an effect on basic services provided for the poorer sectors of society.

120. In his view, the policies designed to reverse those trends were half-hearted and not aggressive enough. He called for the adoption of more coherent policies in the future, for which it would be necessary to strengthen some of the structural reforms and the measures proposed and give the State a more important role in order to enable it to bring about the deconcentration of resources.

121. The representative of Argentina said he shared the view that macroeconomic disequilibria must be corrected before economic policies could be implemented. Nevertheless, the document submitted by the secretariat had a gap in it in that it referred only to the Plan Austral of June 1985. The document should also include an analysis of the March 1991 convertibility plan, which had made it possible to halt the inflationary process. Under a discussion of that plan, an analysis should also be made of the laws relating to economic reform and restructuring of the State, which were geared towards transferring production activities and services to the private sector.

122. In the view of his delegation, the external debt question should be dealt with separately, given its impact on the transfer of savings abroad and on the fiscal deficit. Hence, an analysis should be made of

the rescheduling process undertaken by the countries of the region in general, in particular under the Brady Plan. Another matter that should be taken into account was that of the obstacles to market access that had been imposed by the developed countries, such as protectionism and subsidies for agricultural production. Such policies made it difficult to implement changes in production patterns.

123. With regard to social policies, he asked the secretariat for clarification on two points: 1) on fiscal policy, including the net redistributive effect which resulted from measuring, by income brackets, how much was paid and how much was received (public social expenditures) as a criterion for equity in distribution; and 2), on the reference in the text to certain institutional reform experiments, such as the decentralization of social expenditure through the transfer to the provinces of health, education and food assistance services, along with the corresponding budgetary allocations.

124. The representative of Puerto Rico said there was a clear consensus as to the need for economic growth accompanied by social equity and as to what had happened in the countries of the region over the past decade. It was also agreed that each country was responsible for designing its own strategy and that it was highly desirable to identify certain key strategic elements which could prove useful at regional level.

125. He went on to refer to the experience of Puerto Rico in preparing a strategy document. That experience had pointed to the need to set goals and objectives and to quantify them so as to ensure the provision of permanent follow-up, to further develop the operational tools for applying the strategy and to provide for an appropriate plan for broadcasting and marketing the objectives with a view to incorporating different sectors in the tasks involved.

126. After defining social equity in terms of equal economic opportunities and noting that it was a priority concern of his Government, he listed the following strategic priorities: reorientation of public spending towards investment, development and maintenance of infrastructure; diversification of the industrial portfolio and increased international competitiveness; development of the basic skills and flexibility of the labour force; development of a dynamic risk-capital market; increased technological and administrative capacity; improved marketing ability; and the creation of interregional linkages.

127. The representative of Guatemala said his delegation considered it necessary for the general arguments contained in the secretariat document on an integrated approach to be reflected in pragmatic strategies which would be of immediate help in resolving the acute equity problems faced by the countries of the region. To that end, he felt that the ECLAC secretariat should work with the countries in seeking financing for projects which incorporated the poorer elements of the population into development, including the development of micro-enterprises and producers' associations, in rural areas in particular.

128. Addressing the topic of savings, productivity and employment, a representative of the secretariat said that the generation of productive employment was one of the cornerstones of the strategy of achieving growth with equity. In so far as productive employment depended on investment, factor productivity, growing markets and technology, policy proposals along the lines suggested below could convert growth and equity from being tradeoffs —as traditionally assumed— into complements.

129. Jobs depended on investment, and investment on savings. Everyone favoured savings. Yet the instruments usually prescribed were either detrimental to equity (the redistribution of wage earnings to capital to induce savings) or one-sided (the reduction of public-sector expenditures), jeopardizing adequate levels of public investment in infrastructure and education. ECLAC thus suggested redressing such

asymmetries by raising tax revenues —where, for most countries, private-sector tax burdens were well below those in developed countries— and by making more progressive the tax structure, raising notoriously low direct taxes (broadening the base and reducing evasion) and emphasizing indirect taxes which were not regressive (value added taxes which exempted key foodstuffs and taxes on fuel and cars). As for private savings, rather than compressing wages and transferring income to savers (the rich), the document proposed forced savings associated with social security programmes to reduce current deficits as well as to build up investment reserves to compensate for the foreseeable rise in the ratio of pensioners to workers in coming years. In that way investment would be raised (and consumption restricted) but the benefits would accrue to workers in employment today and better pensions tomorrow.

130. Employment also depended on the correct allocation of investment. The typical proposal to ensure its best use was to free interest rates. Although that was reasonable in the case of well functioning capital markets, it was very inadequate when capital markets were grossly defective, either because they were sharply segmented or because important components were missing. The result was a skewed distribution of investment, leading to overly capital-intensive activities for firms which had easy access to capital and to undercapitalized and low-productivity employment for the bulk of firms, which were characterized by having no such access. The document made specific proposals to redress such market failures especially with regard to the creation of a capital market for loans for training and post-secondary education and for generating financial instruments which catered to capital-starved small and medium-sized firms.

131. Productive employment depended as well on the efficient operation of the labour market. Proposals were typically made to deregulate such markets to render labour more mobile and flexible. ECLAC, nevertheless, considered that the low productivity of labour was a symptom of traditional, confrontational labor relations. Modernization required the use of wage formulas which linked pay with results more than simply with time on the job. The experience of Japan, the Republic of Korea and the Chinese province of Taiwan with such wage-share formulas as well as innumerable studies of the same indicated that such formulas led to more cooperative labour relations, higher productivity and, most importantly for developing countries, low unemployment. For although participatory wages necessarily fluctuated with the value of output, they tended to make prices and not just wages more flexible, so that employment and output were rendered more stable even in the face of possible falls in demand. Though such formulas were incipient in the region, they had shown much promise in those countries (Brazil and Chile) which had begun to adopt them.

132. Finally, productive employment depended on markets. For little was gained if goods were produced but could not be sold. Today there was a broad consensus that the future of the region lay in an efficient integration with the international economy. The differences concerned the means. Certainly, relatively low tariffs and a high and stable exchange rate were perceived as necessary. However, ECLAC felt that such policies did not necessarily in and of themselves guarantee that adequate use was made of the industrial platform created by import substitution. To restructure and reorient that platform for exports, ECLAC considered that a pro-export bias should be introduced transitorily into tax and credit incentives —especially for non-traditional and new exports to give time for such sectors to modernize and achieve international competitiveness.

133. In short, the above selection of proposals suggested that more than tradeoffs, growth and equity could be complements, especially when centered on the generation of productive employment. To achieve that, however, focus needed to shift from the typical focus on the labour market, deregulation and "correct prices" —all of which presupposed well functioning markets— to redressing market failures and developing new institutions in other markets, especially the capital market. Thus, growth and equity

required not just passivity (deregulation) but an active State as well. In that regard, the ECLAC approach was more symmetrical and balanced, and in that way could be considered a more integrated approach to development.

134. The representative of Brazil said that in implementing the participative wage scheme proposed by the secretariat, it was essential for companies to build employee confidence with regard to their transparency and loyalty in managing the variables on which wages were based. Failure to resolve that problem adequately could seriously distort the positive effect of this scheme on labour relations, especially where there was a risk of unemployment.

135. The representative of Guatemala said he wondered whether some of the policies proposed by the secretariat might not be counterproductive in the search for social equity. He also felt that countries must have a certain amount of political and economic stability if the steps taken to meet the proposed objectives were to succeed, as happened in Costa Rica as a result of the solidarity movement.

136. Finally, he said that although the policies suggested by the secretariat were pragmatic in nature, the ability of a country to apply them would depend on the conditions prevailing at the time.

137. The representative of Costa Rica asked whether the different country-specific percentages of a firm's value added could have an impact on the effects achieved by using the wage-share formula to promote social equity.

138. He noted that in a number of Latin American countries, including his own, existing laws might prevent the implementation of participative wages, since it was recognized that salaries and wages depended on time worked and not on a firm's performance. It was possible, however, that allowances and benefits might be more clearly linked to that performance.

139. In reply to a question raised by the representative of Brazil as to how workers and entrepreneurs could be encouraged to trust each other, the representative of the secretariat suggested that one way might be to link profit-sharing with volume of production. It should be understood that workers would also receive competent legal counsel.

140. With regard to the question raised by the representative of Costa Rica, the representative of the secretariat said that industries with wage-share systems would not lose maneuvering room as a result of changes in the value added during production.

141. The representative of Puerto Rico stressed the importance of ensuring that those workers who chose to join a wage-share system were indeed allowed to participate. To that end, it was essential to have recourse to the advice of experts as to the responsibilities of labour and of management in the operation of an enterprise, in order to protect workers against having to pay for the mistakes of management.

142. The representative of the Dominican Republic said that he found the proposals put forward by ECLAC very interesting, although he realized that his country had very little experience in that respect. The proposal regarding participatory wages was particularly interesting, inasmuch as it would allow workers to keep their jobs, make it possible to maintain the purchasing power of wages, and help prevent drops in production. He felt, however, that it would be difficult to implement such a system because of existing regulations on wages, which were considered progressive by worker organizations. It would

therefore be necessary to conduct a campaign to raise the awareness of workers regarding the advantages of flexible wages.

143. The representative of Chile said he found the ECLAC proposal attractive, since it was designed to create productive employment. Specifically, he suggested five areas in which action should be taken in order to foster the modernization of backward sectors, and, in particular, to improve their managerial capabilities. The areas he had in mind were technical support, the acquisition of technology and its linkage with the production structure, access to financing, training, and the role of the State in promoting a country's export image.

144. Turning to other matters, he said he agreed with the ECLAC proposals on personal savings, but felt that the question of attracting external savings should be studied in greater detail.

145. The representative of El Salvador said, with regard to flexible wage systems, that consideration should be given to their usefulness not only for surviving periods of stress, but also for promoting productivity in better times. Also, it might be helpful to consider the possibility of instituting co-management as a means of building trust among the workers. It would be necessary, however, to determine whether such measures might not discourage investment. In conclusion, he said that the same rationale would eventually have to be applied with regard to wages for government workers.

146. The representative of Nicaragua said that his country had had considerable experience in a number of areas, such as public savings during the transition from a planned economy to a market-based system, wage policies, public investment and the strengthening of micro-enterprises.

147. The representative of Mexico said his delegation was happy with the pragmatic approach taken by the secretariat in its proposals and with the explicit recognition given to the increasing international role played by the economies of the region. His delegation also favoured a higher degree of regional integration. It was important to assess the effects on the region produced by economies outside Latin America and the conditionalities they imposed as well as the social impact of different national policies.

148. He called on the secretariat to be a partner in and a supporter of the domestic efforts which countries were already making in connection with the issues under discussion, by promoting the organization of specialized meetings together with other regional and subregional institutions and bodies.

149. In response to statements made by other representatives on the topic of the relationship between unemployment and wage and price flexibility, the representative of Brazil said he agreed with Joan Robinson that in a capitalistic system, it was preferable to be exploited by capital than not to be exploited by it. In Brazil, there had already been cases of flexibilization in firms of various sizes, which had guaranteed employment. With regard to the question relating to technology raised by the representative of Chile, he said there should be a minimum degree of local control over technologies so that the most appropriate technologies could be selected, generated, purchased or adapted. With regard to another issue raised by the representative of Chile concerning ways of attracting foreign capital, he said that although Brazilian legislation might not be ideal, during the 30 years the economy had been in expansion, no obstacles had been erected against the entry of capital from abroad. Concerning co-management, a topic introduced by the representative of El Salvador during the debate on wage-share formulas, he said that co-management was not essential to wage flexibility provided participation in management was practiced on a permanent basis. He also said that co-management was a complicated and difficult issue and was not

always supported, even by labour movements. For example, the German labour movement had traditionally favoured co-management, while the Italian movement had been opposed to it.

150. He asked the ECLAC secretariat to support the organization of seminars and conferences in which the issues he had just raised and other topics referred to in the document on an integrated approach could be considered. Such meetings could be organized to discuss case studies relating, for example, to the way in which certain countries were dealing with problems of tax reform, restructuring of the state apparatus, education and technological development.

151. The representative of Argentina proposed that studies should be carried out on the positioning and efficiency of the countries of the region and that some points relating to the expansion of export-oriented production should be incorporated into the document. He noted that the text referred to successful experiences in countries of other regions. In that regard, he and the secretariat might be given the task of preparing studies designed to identify the best competitive options for the various countries of the region. It was also necessary to explicate more thoroughly the factors involved in competitiveness, such as the cutting of port-related, marketing, shipment and credit costs.

152. Secondly, the integration possibilities opened up by MERCOSUR should be studied in greater detail. He stressed the importance of assessing how the members of that market coordinated their macroeconomic policies using a collective self-disciplined approach.

153. Thirdly, certain steps designed to encourage external financing, such as the agreements signed by Argentina concerning mutual promotion and protection of investments with a number of developed countries, deserved special mention.

154. A representative of the secretariat presented an overview of the document entitled Education and Knowledge: Basic Pillars of Changing Production Patterns with Social Equity, prepared by ECLAC and the UNESCO Regional Office for Education in Latin America and the Caribbean to be submitted to the twenty-fourth session of the Commission.

155. That document suggested that a strategic proposal should be formulated to help to create, in the coming decade, the necessary conditions in terms of education, training and the absorption of scientific and technical progress to allow for the restructuring of production patterns in the region in a context of growing social equity.

156. To formulate such a proposal, the document compiled experiences from within and outside of the region, the latest advances in the world-wide debate on education and recent developments in economic theory, business management and prospective analysis.

157. In suggesting how to carry out the proposed strategy, the document drew attention to a number of relevant policy areas, and discussed problems relating to the financing of that effort.

158. The document explained that throughout Latin America, a remarkable effort had been made to expand the education system, and that, in different ways, significant quantitative results had been achieved.

159. Nevertheless, such growth had taken place without reference to the economic development process, and serious deficiencies were now showing up which rendered the educational system incapable of

responding to the needs of society. That was also the case with regard to research, scientific and technological development, and training.

160. What was needed, therefore, was a far-reaching institutional change based on an educational consensus among all social agents.

161. The strategy proposed was centered on the objectives of citizenship, aimed at achieving social equity and democracy and the competitiveness to be derived from the acquisition of skills and the ability to perform productively in the modern world. The proposal was based on the criteria of social equity, which had to do with equal opportunity, and performance, which called for evaluation. Institutional reform was geared towards integration, which was aimed at strengthening institutional capabilities, and decentralization, designed to promote greater local autonomy.

162. Seven policy areas were proposed in order to implement the strategy. The first one had to do with creating institutions in which knowledge would be viewed in terms of the needs of society and of the production system.

163. The next two policy areas had to do with the results sought from the opening up of such institutions, i.e., to ensure universal access to the codes of modernity, and to foster creativity in access to, dissemination of and innovation in the fields of science and technology.

164. The other four areas were instrumental in respect of the first three and included developing a sense of responsibility in educational management; developing a professional attitude among educators and encouraging them to play a leadership role; convincing society to undertake a financial commitment to education, training and scientific and technological efforts; and regional and international cooperation.

165. The representative of Costa Rica pointed out that although a national research system was undeniably necessary in theory, in practice it was difficult to motivate and attract students to disciplines offering meagre financial rewards. Given this situation, research and development institutes should be established to provide advisory services to enterprises; they could be initially financed by development banks and by international cooperation sources and would eventually achieve financial self-reliance once enterprises and the market recognized the value of such activities.

166. The representative of Uruguay mentioned the serious problem of brain drain experienced by many countries of the region, which, after devoting considerable resources to preparing highly qualified personnel for essential activities in the area of technological research and development, lost such personnel with no compensation whatever when they migrated to developed countries offering more opportunities and better pay. To deal with the problem, the President of Uruguay had proposed the establishment of a "common market of knowledge" in the context of regional integration, one of the objectives of which would be to provide incentives for Latin American and Caribbean researchers to remain in their own countries or in the region, which could then benefit from the valuable contributions made by people who might otherwise have emigrated. That would require the adaptation of university curricula to new economic and technological needs, the creation of information and exchange networks on science and technology among universities and research centres in the region, the training of critical masses of researchers in various centres, the intraregional exchange of teachers and academics and the promotion of universities of excellence in the region.



167. The representative of Mexico said raising levels of education was crucial for carrying out technological modernization programmes which would strengthen the region's integration into the world economy. The Mexican Government was therefore implementing education reforms which would improve the situation of teachers and, as a corollary, enhance the quality of basic education. More resources were being allocated to strengthening postgraduate programmes, especially in science and technology, in the hope of reaching levels of excellence that would improve the country's competitiveness and respond to social change.
168. The representative of Nicaragua emphasized the importance which the Nicaraguan Government attached to educational development, especially in terms of preschool and basic education coverage, to reduce the high drop-out rates at those levels as a result of war and poverty.
169. Among the measures adopted to handle those problems were curriculum changes, with input from teachers, to improve the quality of education; motivation of parents to participate in the educational process; and school lunch programmes to improve nutrition among schoolchildren.
170. In addition, technical schools had been strengthened, for the purpose, *inter alia*, of providing an alternative for secondary-school graduates who had been unable to opt for university studies.
171. Lastly, he said Nicaragua was in need of sufficient external financing to carry out those programmes.
172. The representative of Jamaica said her country attached great importance to the development of education and noted some problems that had arisen in that regard.
173. They included, *inter alia*, limited financial resources for education, science and technology; low salaries for teachers; brain drain as a result of low pay; the need to subsidize meals for pupils and provide them with appropriate textbooks; and a relative shortage of teachers, especially in certain scientific areas.
174. Lastly, she said it was essential to modernize education systems to better adapt them to the production requirements of the Latin American and Caribbean countries.
175. The representative of Guatemala said consideration should be given to the minimum objectives to be met by a pluricultural educational system, with special emphasis on the individual characteristics of the various Latin American and Caribbean countries.
176. He also felt that greater attention should be paid to determining the most appropriate educational processes for rural, urban and industrialized regions, taking due account of their differences.
177. The representative of Cuba said education was a priority for the Cuban Government as shown by the fact that 20% of the labour force worked in the education and public health sectors; the average educational level was eighth grade; one out of every fifteen employees had a university degree; and one out of every eight workers was a middle-level technician. In addition, women held 35% of all jobs, and their level of schooling was similar to that of men.
178. With respect to the adaptation of research and development to the production needs of each country, he said Cuba had 173 research centres, governed by an academy of sciences and 10,000 researchers, excluding university professors. He noted the importance of the country's medical and agricultural

research centres and, in particular of the Centre for Genetic Engineering and Biotechnology, which, by developing over 100 new medications, had helped to increase the welfare of the people to attract additional foreign currency. Lastly, he pointed out that human resources were Cuba's main source of wealth and said the country would willingly share the experience and knowledge gained from its scientific and technological development efforts with other countries of the region.

179. The representative of Chile said first that the issue of education was unquestionably not the exclusive province of educators and that other sectors must be involved in education if it was to help the countries of the region become adequately integrated into the world economy. Second, since market forces alone could not ensure the appropriateness of the education offered, the State must design policies and foster cooperation among various social agents to reach the strategic objectives of education. Such cooperation could help to remedy the absence of links between science and technology and the markets and, in particular, to resolve financing problems since it would lead to greater participation by the business sector. In that regard, it was important to note the potential contribution of reserve funds to education investment. Lastly, he noted the need for further analysis of creativity and innovation, which were directly related to the creation of new opportunities for integration into the world economy.

180. The representative of Brazil agreed on the importance of the issue under discussion and the analysis made of it. He raised a number of points which he felt required further consideration, including the role of public and private education and the advisability of channelling public funds to the former; the imperative of making a quality education available to the whole population, and especially to poor children, through such initiatives as the Brazilian Project on Integrated Child Support Centres (CIAC); and the necessity of involving other sectors in education so that it would no longer be exclusively the concern of educators. The enhancement of the role and status of teachers and of scientists and technicians should include a substantial increase in their relative earnings, whose current level sometimes put such professionals below less qualified workers. The purpose of that measure was not only to prevent brain drain, but also to encourage short-term visits by foreign scientists and expatriate nationals, taking advantage of university vacations or sabbatical years.

181. Lastly, the achievement of consensus on national priorities, particularly with respect to education, depended on a strategic vision of long-term needs, which could result only from a planning process.

182. On another subject, he suggested that a tribute should be paid in the current CEGAN meeting, and not only during the forthcoming ECLAC session, to Mr. Fernando Fajnzylber, the author of the document on education and the intellectual mentor of the proposal on changing production patterns with social equity.

183. The representative of the Dominican Republic gave details on her country's experience in formulating its Plan to Develop Basic Education, which sought to strengthen and transform basic education through a system of participation and US\$50 million in external financing. The plan included curriculum improvements and a commitment to raising the average training level of teachers and teachers salaries in order to keep teachers from leaving their profession.

184. Other contributions made by the plan included the improvement and construction of physical infrastructure, subsidized breakfasts for schoolchildren, the design of textbooks and other teaching materials and the establishment of close linkages with the health sector, especially in the organization of preventive campaigns.

185. The representative of El Salvador said that although Governments could not shirk their responsibilities in the field of education, they did not have sufficient resources to play their role effectively. He felt the solution would be for the State to establish educational parameters at the various levels and to evaluate performances within them while encouraging the private sector to participate actively in the actual execution of the educational project. He also noted how it was unreasonable for the State to invest resources in higher education to train professionals only to have them emigrate to developed countries later on.
186. He ended by saying that the involvement of the private sector in educational processes could result in revolutionary changes in that area.
187. The representative of Peru said he recognized the importance of knowledge for the future development of Latin America and considered education to be an essential element of any process of changing production patterns with social equity. Noting that in Peru the crisis of the 1980s had been a determining factor in the country's loss of talented manpower, he said the State should try to reverse that trend, although never by using methods which would curtail personal freedom. Because of its importance, education was the responsibility of the State and of society as a whole. Thus, the private enterprise sector should play a decisive role in it, operating in close contact with academia.
188. Although he recognized the vital importance of encouraging technological innovation and creativity, financial constraints made it necessary to seek new mechanisms for that purpose, such as by combining national efforts as proposed by the representative of Uruguay.
189. Finally, he stressed the growing tendency of developed countries to ensure greater protection of intellectual property rights and the problems that development posed for Latin America in the use of technologies originating in those countries which made the promotion of innovations in science and technology all the more necessary.
190. The representative of Puerto Rico said he agreed that since education was a topic of decisive importance to the region's future, it should not be left solely in the hands of educators.
191. The many issues related to education included the need to speed up the rate at which the countries of the region acquired and renewed their store of knowledge given the vital importance of that process to international competitiveness. The countries of Latin America and the Caribbean should not be mere users of knowledge from the developed countries but should also participate actively in its creation. The communications infrastructure must therefore be improved to ensure broad and expeditious access to knowledge generated throughout the world. He suggested that ECLAC should explore the possibility of developed countries' undertaking to support the formation and development of infrastructures for the communication of knowledge.
192. In the same connection he referred to other activities including the reform of university systems in such a way as to reduce their costs; the updating of databases as a support for public decisions; the promotion of new teaching methods to strengthen a country's capacity to acquire knowledge; the adaptation of educational systems in support of ongoing education and increasing the role played by education in building character and personal values.
193. The representative of Argentina said he had taken note of the interesting presentation made by the secretariat and of the valuable comments of those delegations which had addressed the matter at hand.

194. The Argentine delegation was awaiting the final text, which it would analyse with the relevant sectors of its Government with a view to elaborating proposals and observations for the forthcoming session of ECLAC in Santiago.

Other matters (agenda item 4)

195. Restructuring and revitalization of the United Nations in the economic and social fields: role and functions of ECLAC. In response to questions raised by several delegations, a representative of the secretariat said a note had been prepared on the topic on the matter under discussion (LC/G.1716(SES.24/18)) in order to provide a framework for the deliberations in that regard during the forthcoming session. That note had already been dispatched to the Governments. In a brief report on its contents, he explained that the purpose of the note was to provide background information so that the Commission, if it deemed appropriate, could make recommendations to higher bodies on the role that ECLAC could be called upon to play in the new structure of the economic and social fields within the United Nations system.

196. The representatives engaged in a preliminary exchange of views on the topic. There was consensus, first, that the highest forum of ECLAC should formulate recommendations to be submitted to the General Assembly, taking advantage of the opportunity offered by the twenty-fourth session. The representatives paid tribute to the work which ECLAC had accomplished both in analysing economic and social matters and in assisting the countries of the region in development-related tasks, and through the reciprocal cooperation arrangements which existed between the secretariat and other multilateral Latin American forums. Secondly, they agreed that the General Assembly, in adopting a formula for restructuring and revitalizing the United Nations in the economic and social fields, should favour the regional and multidisciplinary approach taken by ECLAC in its activities. Thirdly, they stressed the usefulness of having an ever-stronger and more analytically capable regional forum in order to facilitate the debate on Latin American and Caribbean development and to promote interregional and international cooperation from a regional perspective.

197. Lastly, the representatives agreed that the note by the secretariat contained enough background information and guidelines to form the basis of the debates on the item at the twenty-fourth session.

198. Proposals relating to the secretariat. The representative of Mexico asked that the document An Integrated Approach should be widely disseminated and also that the ideas expressed in it should be given practical application in areas such as services, population, trade and investment. Another important area of work to which this line of thought should be applied related to the integration of the various countries and subregions and to cooperation among them and between the Caribbean and the Latin American countries.

199. The representative of Brazil endorsed the requests made by the representative of Mexico and said that the subject of international trade should be studied in greater depth with a view to strengthening non-discriminatory multilateralism.

200. In response to a request made by the representative of Costa Rica, the representative of the secretariat said that the documents for the forthcoming session of the Commission had already been sent from Santiago to the Governments of the member countries.

201. The representative of Argentina suggested that problems relating to changing production patterns with social equity should be considered on the basis of three broad groups of topics, including i) democratization in the region; ii) adjustment and stabilization and iii) growth. In his view, realization of the goals implied in the first two groups of topics was necessary in order to strengthen the concept of growth with social equity.

202. The representative of Cuba said it was necessary to stress the need to continue adding to the existing integration agreements in terms of both the subjects and the geographical areas they covered. He also said he hoped the conclusions reached at the present meeting would be conveyed to the Governments for their use in preparing for their participation in the forthcoming session of ECLAC.

203. Homage paid to Fernando Fajnzylber. At the request of some representatives, the Executive Secretary said a few words in tribute to Fernando Fajnzylber, a high-level official of ECLAC who died recently. The Executive Secretary said he was making an exception to the United Nations practice of not making personal references to people who worked with the institution. Fernando Fajnzylber had truly been a citizen of Latin America who had contributed his original thinking not as a representative of an individual country but of the region as a whole. His contribution to the work of ECLAC had gone beyond the sphere of his technical skill and his creativity; his contagious enthusiasm had been instrumental in promoting work on an interdisciplinary level in the Commission. He was irreplaceable, both as a friend and as a colleague. His great professional achievements and his personal integrity would be an inspiration to ECLAC staff in their future work.

204. He then announced that an official memorial ceremony would be held in Mr. Fajnzylber's honour at the forthcoming session of the Commission.

205. The participants observed a minute of silence.

206. At the end of the meeting, the representative of Guatemala expressed his thanks and congratulations to the ECLAC secretariat, and the participants applauded Ms. Myriam Trocóniz, representative of Venezuela and Vice-Chairman of the meeting, for having conducted the debates so effectively.

## C. SUMMATION BY THE RAPPORTEUR

### 1. Introduction

207. The eighteenth session of the Committee of High-level Government Experts (CEGAN) had been convened for the purpose of continuing the discussion on guidelines for the development of the countries of Latin America and the Caribbean during the 1990s as well as certain aspects of their development in the longer term. The discussion was based on the secretariat document Social Equity and Changing Production Patterns: An Integrated Approach, the document Changing Production Patterns with Social Equity being used as background material. The representatives felt that both studies provided a coherent, useful frame of reference for government efforts to solve the problems related to Latin American and Caribbean development.

208. In general, the representatives were in agreement concerning the tremendous challenges faced by countries striving for development in an international environment radically different from that which

prevailed during the three decades following the Second World War. They emphasized the fact that as far back as the 1970s, average productivity per worker had begun to show signs of stagnation before experiencing a definite and increasingly steeper drop in the course of the following decade, while the nature of development, which had already tended towards exclusion in the post-war period, had been characterized more and more by exclusivity since the beginning of the 1980s. Thus, in addition to having been a "lost decade" in so far as economic growth was concerned, the 1980s decade also saw an increase in the equity gap.

209. It was also agreed that the considerable adjustment and stabilization efforts which had characterized the 1980s were beginning to pay off in terms of stabilization and diversification of the structure of production, but that the results achieved were not founded on an adequate base of sustained increases in productivity and that they were frequently offset by an irreversible deterioration of natural resources. Moreover, the progress made so far had inevitably come at a high cost for broad groups of the population—a situation which even jeopardized the social cohesion which was so important to the consolidation of pluralistic and participative political systems.

210. It was recognized that the problems in adapting to the radical balance-of-payments changes noted at the beginning of the 1980s made it necessary for economic and social policy to concentrate on resolving short-term problems, with the results that no medium-term projections had been made as to how the Latin American and Caribbean economies should proceed in the 1990s and beyond. The need to reexamine ways of approaching the question of development was becoming all too apparent. In addition, factors such as the new circumstances which prevailed within and outside the region; the need to coordinate short-term policies with medium- and long-term projections; and the tremendous amount of pressure on Governments and civil society to return to the road to growth, to strive for increased social equity, to defend the environment and to consolidate democratic political processes, called for a reformulation of the concepts behind the development of the region.

211. It was felt that ECLAC was the appropriate forum to undertake those tasks and that the document submitted by the secretariat to the eighteenth session of CEGAN was a valuable supplement to the ideas contained in Changing Production Patterns with Social Equity, which the Commission had discussed at the session it had held in Caracas in 1990. The new document proposed a set of policy measures designed primarily to advance the solution to problems relating to social equity. In it, it was suggested that growth with environmentally sustainable equity within a context of democracy was not only desirable but also possible. Moreover, just as social equity could not be achieved in the absence of solid, sustained growth, growth itself depended on a reasonable degree of sociopolitical stability, which, in turn, required a certain amount of social equity. This reciprocal dependency between growth and equity made it necessary to move towards the two goals simultaneously, rather than sequentially, in an effort which represented an historic challenge.

212. Following a detailed discussion of the experiences of their own countries in that connection, the experts indicated that their Governments endorsed the principles reflected in the document; expressed satisfaction with the efforts made by the secretariat to give practical political content to its strategy for changing production patterns with social equity; and underlined the need for it to intensify its efforts in that direction, proceeding along the same line of reasoning.

## 2. Additional studies

213. The representatives also drew attention to a few points which they felt had been insufficiently covered in the document, some of which are noted below;

a) Demographic problems, especially those related to migrations and the pressures they put on urban areas and on the demand for social services. The secretariat was asked to include those problems in future proposals. The secretariat explained that the problems in question were covered in studies now being prepared with a view to the regional meeting to be held in 1993 in preparation for the world population conference.

b) Modernization of the public sector and the role of the State in the process of changing production patterns with social equity. Efforts in that connection should include a reexamination of the role of planning, which, although neglected by the paradigm currently in fashion, was in fact still practiced in developed countries and large corporations. The secretariat was accordingly requested to submit a proposal providing an overview of problems affecting the public sector.

c) Regional cooperation, which should be assigned a leading role as a complement to the internal efforts made by individual countries. In that connection, the secretariat was asked to expand its consideration of such cooperation in future documents. The secretariat noted that a document was being prepared on the subject and was expected to be completed in the course of the year.

d) Some representatives insisted that the international situation still had a notable impact on the results of the internal efforts made by countries to tackle the problems they faced. The secretariat was asked to consider that problem in greater depth, especially since it was traditionally a matter of great concern to the Commission. Explicit reference was made to those aspects of the topic which related to trade, access to technologies and intellectual property and new sources of external financing.

## 3. Recommendations

214. The Committee considered the wide dissemination of the content of the secretariat documents to be essential in order to ensure that public opinion and the political media were aware of the proposals contained in them and were able to discuss them since they could not be implemented in a context of democracy in the absence of consensus. At the same time, it was suggested that at the twenty-fourth session consideration should be given to the organization of seminars in different countries to give Governments, private trade associations, labour organizations and academia an opportunity to hold technical discussions concerning the strategies and policies suggested by the secretariat.

## 4. Additional guidelines for future studies

215. In the course of the deliberations, a number of topics arose which the representatives felt should be examined by the secretariat as a matter of priority. In addition to giving consideration to the four topics mentioned specifically above (population and development, modernization of the state apparatus, regional cooperation and integration and the immediate international situation), the representatives were in broad agreement as to the importance of continuing to study the topics technology and productivity,

environmental sustainability, investment and development financing. In considering all those topics, the Commission should regard the quest for social equity and the consolidation of pluralistic and participative political processes to be part of its permanent concerns.