

Remarks by Mr. José Antonio Ocampo
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SEVENTH MINISTERIAL FTAA MEETING

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I would like to thank the Ministers for the invitation to speak before you today at this Meeting and express my special gratitude to the Government of Ecuador for the generous hospitality it has shown us. I would like to commend the Government of Ecuador for the leadership it has provided during the third phase of the negotiations to advance the construction of the Free Trade Area of the Americas (FTAA). Most notably, this includes the elaboration of a second draft of the future FTAA agreement, the initiation of negotiations for market access, the approval of guidelines for the treatment of asymmetries in size and levels of development, and the Hemispheric Cooperation Program.

The progress made during this phase is all the more significant given the region's economic difficulties over the past two years. After having stagnated in 2001, economic activity is expected to fall, according to ECLAC estimates, by 0.8% in 2002. With this decline, the region will have lost half a decade in terms of economic growth. Per capita output this year will be almost 2% less than in 1997. The severity of the Argentine crisis and its region-wide effects, particularly in neighboring countries, combined with the significant turmoil in international financial markets, the slow pace of recovery in the industrialized economies and the still-low prices of most of the region's main commodity exports, are the major factors responsible for this outcome.

Amidst hopes for a prompt economic recovery, the current recession underscores the importance of providing strong and timely international support to countries in crisis in order to prevent the deepening and regional spread of such crises. In a broader sense, it emphasizes the need to take new initiatives aimed at reducing the instability of capital flows and the strong business cycles that have characterized the region over the past decade, and to launch new strategies to accelerate economic growth. In this regard, as discussed in the recent ECLAC study "Globalization and development", the experience of Latin American and Caribbean countries during the 1990s illustrates that stable economic growth is not an automatic outcome of price stability and liberalization of trade and investment.

In the macroeconomic realm, in addition to the consolidation of achievements in terms of price stability, this will require the design of macroeconomic policies whose time-frame takes into account the whole economic cycle, and which seek to curb instability in real economic variables. In the productive sphere, sustained economic growth requires an improvement of the region's structure of comparative advantages. Despite the important progress made in boosting and diversifying exports during the 1990s, the region's strong export performance had weak returns in terms of economic growth. The average rate of economic growth of Latin America and the Caribbean since 1990, of 2.6% a year, was less than one third of the growth in real exports. The combination of high export growth rates with low overall economic growth is indicative of weak linkages between dynamic sectors and production activity as a whole.

This calls for an approach to developing open economy-oriented policies to improve competitiveness. This includes building systemic competitiveness by promoting innovation systems, by applying export diversification strategies and helping to create linkages between activities that are successful in international markets and the rest of the production system, and by supporting the development of production clusters and quality infrastructure.

In tandem with national strategies, the consolidation of subregional integration processes can also help to foster competitiveness. Trade flows within the various integration processes tend to have greater technological content and greater participation by small and medium-sized enterprises. Regional markets can thus play a key role in producing more knowledge-intensive goods and services with greater value added, and in creating stronger production linkages.

However, if subregional integration arrangements are to remain relevant alongside a hemispheric process, they will need to be strengthened. In particular, redoubled efforts should be made to bring countries' different macroeconomic regimes more into line with each other. In a broader sense, further progress in these processes in terms of economic, social and political cooperation can help strengthen the region's insertion in both hemispheric and global markets.

In the international sphere, the "development dimension" of trade negotiations should be understood as a recognition of the asymmetries between countries and the importance of providing leeway for active investment and diversification policies on the part of developing countries. This is the only way of strengthening the fragile production structures of many economies while at the same time promoting new sustainable and dynamic comparative advantages.

For many Latin American and Caribbean countries, the possibility of fully exploiting the new market opportunities that will be opened up by the Free Trade Area of the Americas (FTAA) and the WTO Development Round will depend to a large extent on their ability to pursue active policies to promote competitiveness. This is particularly true for the smaller and less advanced economies, whose productive structures tend to be weak, less diversified and more vulnerable to external shocks.

I would like to emphasize as well the importance of relieving the distributive tensions that may be generated by trade liberalization within and between countries. More active social policies are needed to help ensure that the benefits of trade liberalization spread throughout the entire population. To guarantee greater equity, the region needs to address and overcome its long-standing problem of employment instability and the growing demands of a more global, knowledge-based society.

In addition, financial, technical and other types of cooperation are required to support countries' efforts to participate beneficially and equitably in the FTAA. Let me note, in this respect, the significance of the Hemispheric Cooperation Program. ECLAC stands ready to provide support for this major undertaking.

Distinguished Ministers,

I would like to express in closing that, as a member of the Tripartite Committee, ECLAC remains committed to continuing to support the construction of the FTAA.