

**REPORT PRESENTED BY MR. JOSÉ ANTONIO OCAMPO, EXECUTIVE
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I have great pleasure in addressing this forum to report to the members of our Organization on the most salient aspects of the economic situation in Latin America and the Caribbean during the past year and on the main activities carried out by the Commission since July 2000. In both cases, I will limit my remarks to the most substantive points.

1. Recent economic trends

Unfortunately, the recovery in the economies of Latin America and the Caribbean which began in the last quarter of 1998 and continued through 2000 has been affected by the adverse external situation that has developed over the course of the current year. While regional GDP grew by an annual average of 4.0% in 2000, compared with 2.3% in 1998 and just 0.3% in 1999, the deterioration in the external environment has made it necessary to revise down growth forecasts for this year from the 3.8% estimated last December to about 2.5%, which would be one and a half percentage points lower than the 2000 rate.

The contradictory tendencies seen in the international economy during 2000 had no less contradictory effects on the region's economies. There were divergent trends in commodity prices, with oil rising 60% while mineral prices increased by 8% and the prices of some agricultural products, particularly coffee, fell. The international financial situation was also complicated, with limited liquidity and onerous terms for the countries of Latin America and the Caribbean being compounded by great volume and price volatility in the financial markets. The high international growth rates seen that year, however, had a galvanizing effect on the region's exports.

This year, by contrast, the slowdown in the world's two largest economies, the United States and Japan, is adversely affecting Latin American economies in two ways, through trade (both volumes and prices) and through external financing, although this influence varies from country to country.

Latin American trade growth is forecast to be sharply lower in 2001 than in 2000: goods exports will increase by about 5.5%, as against 20% last year, while imports will rise by about 7.5%, as compared with 16.4% in 2000.

Because of this, the 2001 current account deficit forecast for Latin America is US\$ 55 billion, as compared with just over US\$ 48 billion in 2000. This increase will be due primarily to the disappearance of the goods trade surplus seen in 2000, which will be

replaced by a small deficit. Much of this change will be accounted for by a fall in Venezuela's trade surplus, although this will continue to be very large. Consequently, the region is expected to have a goods and services trade deficit of about US\$ 17 billion in 2001, with current transfers into the region of about the same amount, while net interest and profit payments and factor services should remain at around their 2000 level of some US\$ 52 billion.

As regards external financing, in early 2001 the multilateral financing plan approved for Argentina and interest rate reductions in the United States led to expectations that the current account deficit forecast for the region in 2001 could be financed comfortably out of autonomous capital. In the first two months, particularly January, the moderate upward trend in the region's international reserves continued, taking them to US\$ 164 billion, the highest level seen since the Russian moratorium and an increase of US\$ 15.5 billion since recovery began in May 2000. After the end of the first quarter, however, a deteriorating international economic environment combined with the emergence of difficulties in Argentina to slow the inflow of capital into the region, raising the possibility that the annual total would be significantly lower. The level of reserves fell in March and again in April, chiefly in Argentina.

In 2000, net inflows of US\$ 52 billion came into the region, more than in 1999 but significantly less than in preceding years. Excluding foreign direct investment (which totalled US\$ 57 billion), net inflows were negative. In 2001, foreign direct investment is expected to contract, as it did in 2000, but it seems that other types of capital may be able to fill the gap, keeping total net inflows of autonomous capital into the region at the same level as in 2000.

Where macroeconomic policy is concerned, it was already clear by late 2000 that there had been a significant change in the external and internal conditions under which the region's economies had to operate, and this gave a more austere cast to monetary policy, reducing the room for manoeuvre that had been created when exchange-rate regimes were eased between 1999 and 2000. The difficult situation in Argentina –one of the main emerging financial markets– infected neighbouring countries and caused their currencies to fall. Paradoxically, this combined with the strength of the United States dollar on the international markets to increase the value of the Argentine peso in real terms, owing to its link with the dollar. The Mexican peso rose against the United States dollar, but the currencies of other South American economies (Brazil, Chile, Colombia) tended to weaken.

Lower interest rates in the United States and Europe were not reflected in domestic credit conditions. This was essentially because the fall in rates was accompanied by increased uncertainty about growth in the industrialized countries, something that plays a central role in determining the fundamental parameters of many Latin American economies: exports, fiscal balances and economic prospects. Even in countries where the policy was to reduce borrowing costs, credit did not expand, owing to a lack of opportunities.

The fiscal sector, however, should partly fulfil its stabilizing function in 2001, and the average public-sector deficit in the region should increase, as a result of lower economic activity in the region's countries, lower international commodity prices and higher financial charges as domestic financing became more expensive.

As might be expected, the current slowdown will complicate the labour market situation yet further. In 2000, despite renewed growth, unemployment was around 9%, one of the highest rates in the region's history.

The overall result is that the economic cycle now beginning will be weaker than the two seen in the 1990s. As was pointed out above, the growth rates expected will probably not be enough to improve labour market performance to any significant degree, so that many countries will have to implement special policies to deal with this problem.

2. Main activities carried out by ECLAC since July 2000

ECLAC has continued to work with the countries of the region by implementing its Programme of Work, which combines activities deriving from its role as a forum for regional dialogue, facilitating the emergence of common regional positions that can contribute to the world debate on development issues, with normative activities, comprehensive analysis of development and public policy-making processes and other operational activities such as technical assistance, specialist information provision and training.

As regards the first aspect, the role of ECLAC as a forum facilitating the emergence of common regional positions, the activities of the Commission have been focused on assisting the countries of Latin America and the Caribbean with their preparations for the *International Conference on the Financing of Development*, the *World Summit on Sustainable Development* and the *special session of the General Assembly for Follow-up to the World Summit for Children*.

In the case of the *International Conference on the Financing of Development*, ECLAC, in collaboration with the Inter-American Development Bank (IDB) and with the support of UNCTAD, organized the *Regional Consultation on Financing for Development*, which took place in Bogotá, Colombia, from 9 to 10 November 2000. As its contribution to the intergovernmental discussions, the Secretariat prepared the document entitled "Growth with stability. Financing for development in the new international context". Along with the results of an expert meeting to be held in October this year, the final version of this document, which was published recently, will constitute the region's contribution to the International Conference.

ECLAC has joined forces with the Department of Economic and Social Affairs and UNEP to organize the regional preparations for the *World Summit on Sustainable Development*, involving the staging of four subregional meetings that will culminate in a regional conference. The four regional meetings (for the Southern Cone and Brazil, the Caribbean, Central America and Mexico) have now been held, with positive results. The

Regional Conference will be held on 23 and 24 October 2001 in Rio de Janeiro, Brazil, just after the Thirteenth Meeting of the Forum of Ministers of the Environment of Latin America and the Caribbean to be held in the same place from 21 to 23 October. ECLAC and UNEP are jointly preparing a document entitled “Evaluación regional de los logros alcanzados en la aplicación del Programa 21 y la Plataforma de Acción orientada hacia el futuro”, which will be presented at the Regional Conference.

A key activity at the Regional Conference will be the organization of a panel on Financing for Sustainable Development, which ECLAC is preparing for with the support of UNDP. The participants will include ministers and other high-level authorities in the economic field and the top executives of international, regional and subregional financial organizations. A reference document that ECLAC is preparing for the panel contains case studies of seven countries in the region in relation to the sources of financing available, both nationally and internationally, and the use made of such funds.

At the Tenth Ibero-American Summit of Heads of State and Government, held in Panama City, Panama, on 18 November 2000, the Heads of State and Government of the Ibero-American countries requested that the Commission, in close coordination with UNICEF and the Secretariat for Ibero-American Cooperation (SECIB), should carry out an evaluation of the current situation of children and adolescents in Ibero-America in order to identify concrete objectives for improving current tendencies in education, health care, sanitary services and the eradication of child labour, among other areas. To this end, ECLAC has headed a joint effort by different agencies within the United Nations system and the Ibero-American and inter-American systems. The Government of Peru, as the acting Secretariat of the Ibero-American Summit, has also been involved in these coordination activities. ECLAC and UNICEF will present the relevant document to the ministers responsible for social affairs as part of the special session of the General Assembly for Follow-up to the World Summit for Children, next November.

In addition, ECLAC and the United Nations Centre for Human Settlements (Habitat) called the *Latin American and Caribbean Regional Preparatory Conference for the special session of the General Assembly for an overall review and appraisal of the implementation of the Habitat Agenda*, which was held at ECLAC headquarters in Santiago, Chile, from 25 to 27 October 2000. ECLAC submitted a document entitled “From rapid urbanization to the consolidation of human settlements in Latin America and the Caribbean: a territorial perspective”, which examines various aspects of the territorial, urban and housing situation in the region. The Regional Conference approved the Santiago Declaration on Human Settlements.

ECLAC also collaborated actively with the Government of Chile and the Office of the High Commissioner for Human Rights to carry out the regional preparations for the *World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance*.

ECLAC also continued to monitor economic and social developments, both nationally and regionally, and to analyse national public policies with a view to providing

a systematic analytical view of the situation in the region's countries and an evaluation of the main tendencies in the region, so that future challenges can be identified. On the basis of this work, we prepared the five Annual Reports of ECLAC, two of which will be published next month: the Economic Survey of Latin America and the Caribbean and the Social Panorama of Latin America. The others are the Preliminary Overview of the Economy of Latin America and the Caribbean, brought out, in accordance with usual practice, at the end of last year, Latin America and the Caribbean in the World Economy, published in March this year, and the report on Foreign Investment in Latin America and the Caribbean, published last April.

In addition to these annual reports, ECLAC has continued with its publications programme, the aim of which is to disseminate the results of our analytical work as widely as possible. During 2000, there was a substantial increase in the number of titles published by the Commission. In the case of the ECLAC Series, there was an increase of 70% over 1999, with 169 titles being published, while the number of joint editions with commercial publishers quadrupled, with 12 titles coming out. The number of printed copies distributed was about 390,000, and a large number of documents were made available in electronic form on the institution's Web site, from which over 1,200,000 files were downloaded during 2000.

Particular mention should be made of the 14 books and 70 working documents that came out of the project *Growth, Employment and Equity: the Impact of the Economic Reforms in Latin America and the Caribbean*, which was carried out by ECLAC, along with researchers from nine countries, to study the impact of the reforms. This set of material includes a summary of the results, which is given in the first volume, four volumes on different subject areas –investment, technological change, employment and equity– and a further nine volumes on individual countries, examining the particular characteristics of the reforms in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Jamaica, Mexico and Peru.

To move on to the subject of inter-agency coordination, as I mentioned in my report to the Council last year, at the second *United Nations Inter-Agency coordination meeting for the Latin America and Caribbean region*, held in Santiago, Chile, on 15 May 2000, which ECLAC organized in its capacity as the regional representative of the Organization, it was decided that a meeting should be held in the Caribbean to optimize coordination among subregional agencies. ECLAC thus called the *United Nations Inter-Agency coordination meeting for the Caribbean Subregion*, which was held in Port of Spain, Trinidad and Tobago, on 8 and 9 March 2001. It was attended by the regional and subregional representatives of UNCTAD, UNDP, UNEP, UNICEF, UNFPA, UNDCP, ILO, FAO, ICAO, PAHO/WHO, the World Bank, ITU, WMO, IMO and UNIDO. It was also attended by representatives from other regional and subregional institutions with which the United Nations interacts on a regular basis for the benefit of the subregion, such as the Inter-American Development Bank (IDB), Caricom, the Association of Caribbean States (ACS), the Caribbean Disaster Emergency Response Agency (CDERA) and the Caribbean Environmental Health Institute (CEHI).

ECLAC presented a document describing the main characteristics of the cooperation in progress in the subregion which, although less structured than the formal collaboration undertaken at national level in the context of CCA/UNDAF activities, operates very fluidly. Inter-agency collaboration in the Caribbean is based on compatibility between the interests and mandates of the different actors and, although the initiatives concerned are not structured ones, it does help achieve the objective of improving efficiency within the United Nations system and projecting an image of United Nations unity. United Nations organizations have had considerable success with joint projects in the subregion, such as subregional and national meetings, research and publications. ECLAC proposed a possible programme of collaboration among organizations based on the experience described, to be structured around the three main spheres of particular interest to the Caribbean subregion, namely: the preparations for Rio + 10, the follow-up to Beijing + 5, and the subject of natural disasters.

ECLAC continued to give Member States active support in implementing their hemispheric integration commitments. In this area, the Commission's participation in the Summit of the Americas process moved to a higher level when it was fully integrated into the preparations for the Third Summit, held in Quebec, Canada, on 21 and 22 April 2001. This was partly the result of the maturity achieved by the summit process itself, almost a decade on from the first meeting, and of the participation of ECLAC, along with the Organization of American States and IDB, in the technical Tripartite Committee. Consequently, ECLAC has adopted a dynamic approach to collaboration and has emphasized in different Summit of the Americas forums that the success of international cooperation in the economic and social spheres depends on two fundamental conditions being in place: a sound technical basis, and clear political will. In this context, ECLAC has reiterated its firm commitment to the continuing provision of technical services to the Summit of the Americas process.

Linked to the above are the continuing efforts by ECLAC to build bridges to the other main regional and subregional organizations. Not only has our traditional collaboration with OAS, IDB and Caricom been consolidated, but the Council of Ministers of the Association of Caribbean States has given ECLAC the status of founding observer in recognition of its work in promoting the Caribbean integration process and consolidating the presence of the Caribbean in the hemisphere and the world.

The activities carried out by ECLAC, of which the account given here is just a small sample, have meant that we have been able to continue to support the countries of the region in the work of creating and applying social policies, programmes and projects and to keep analyses of the social situation in these countries up to date by carrying out systematic evaluations of the effects of social and economic development policies on social welfare and equity.