I am pleased to be able to address this forum for the first time, to report to Council members on three topics: firstly, the key features displayed by economic trends in Latin America and the Caribbean over the past twelve months; secondly, the main activities undertaken by ECLAC since last July; and thirdly, the outcome of the thirtieth session, which was held in San Juan, Puerto Rico, from 28 June to 2 July this year. In each case, I will confine my remarks to the most substantive aspects.

A. Prospects for economic performance in Latin America

1. Economic activity, jobs and prices

Gross domestic product in the countries of Latin America and the Caribbean is expected to grow by about 4% in 2004. If fulfilled, this will be the highest growth rate since 1997 — the year that saw the outbreak of the Asian crisis which had such negative effects on economic activity in the region — and a considerable improvement on the 1.5% recorded in 2003. Signs of greater dynamism began to emerge in the second half of 2003, when practically all countries posted positive growth; and they have lasted into the third quarter of 2004, with regional expansions above 5% compared to the first quarter of 2003 and the characteristics of last year’s growth pattern being maintained. Expansion has largely been driven by a strong performance in the export sector, stimulated by very buoyant international demand — driven in particular by recovery in the United States and Japan, economic growth in China — and high commodity prices. Although domestic demand, and private consumption in particular, is not yet showing the same vigour, consumption is expected to stage a recovery during the year, based on the expansion of economic activity, anticipated improvements in labour market indicators, and higher levels of national income arising from improvements in the terms of trade.

The indicators available for 2004 show investment figures moving to regain their former levels, albeit with an intensity that varies from country to country. In 2003, gross fixed capital formation remained essentially flat around 18% of GDP — 10.8% below the level recorded in 1998, when it achieved its most recent peak. Low prevailing levels, together with the expansion of economic activity and greater use of installed capacity, are factors that should favour investment growth.

Despite positive signs in the trend of economic activity in 2003, which allowed for a slight increase in employment, the rate of unemployment remained high at 10.6%, and poverty spread to encompass 44% of the region’s population. Given the relative
weakness of domestic demand, the situation in the region’s labour markets remained varied in the first half of 2004. In some countries where unemployment had surpassed the historic levels of recent years (Argentina, Uruguay, Venezuela), the year-on-year comparison in the first half of 2004 is favourable. In contrast, in Brazil and Mexico, among other countries, unemployment is not showing any sign of easing. Thanks to the effects of the situation in the first group of countries, the regional unemployment rate is estimated to have dropped from 11.3% to 11.0% in the first half of 2004. As regards real wages, in the first few months of 2004 most countries were displaying similar indices to those of a year earlier; and although wages have staged a significant recovery in Argentina, it is an atypical case in this context. Brazil, Uruguay and Venezuela, which all recorded sharp falls in 2003, are currently showing a slight year-on-year deterioration.

On the inflation front, prices in 2004 are expected to rise by slightly less than in 2003, thanks largely to an expected drop in the inflation rate in Brazil, which has a major weight in the regional calculation. In 2003, regionwide recorded inflation came in at 8.5% – almost four percentage points lower than the previous year’s figure. Nonetheless, in the early months of this year, several countries suffered inflationary surges reflecting price hikes in foodstuffs, and in basic services and transport. These increases largely reflect the rise in international food prices, especially cereals, but also rises in oil and other fuels. Meanwhile, economic recovery and the acceleration of growth in several of the region’s countries have enabled wholesale and retail suppliers to increase their profit margins once again.

The persistence of favourable growth trends in the region, which began to be discerned in the second half of 2003, depends on maintenance of the highly favourable international conditions that have obtained so far this year. This situation is not risk-free, however, given the uncertainty that continues to surround recovery in the United States (rise in the interest rate, fragility of the labour market, high levels of debt, acute fiscal and external deficits), and a possible growth slowdown in China in the wake of measures adopted to contain overinvestment in several sectors.

2. **External sector and balance of payments**

Regional exports are forecast to grow by about 15% in 2004 in value terms, with 6% corresponding to price increases. The first four months of this year have seen significant variations: firstly, export growth reached record proportions in several countries, especially in South America. This reflects the high commodity prices attained in this period, and larger volumes shipped, although export growth is set to moderate in the second half of the year. Secondly, exports in Mexico have recovered vigorously, on the back of strengthening activity in the United States. Exports from several Central American countries have also grown, although Costa Rica, El Salvador and the Dominican Republic have performed poorly, in the latter case owing to a major domestic crisis.

In 2003, regional imports also posted an increase on the previous year’s figure, with Argentina and Uruguay leading the way. This trend, which has intensified in the first
four months of 2004, currently embraces all MERCOSUR members, together with Ecuador, Mexico and Venezuela. In other countries, the increase is explained by the high prices paid for commodities, including oil, of which they are net importers; the Central American and Caribbean countries are particularly affected by this.

The terms of trade in Latin America and the Caribbean improved by 1.1% in 2003, when the prices obtained for the region’s basic export commodities rose by an average of 15.4%; in contrast, the overall index of export prices, including manufactured goods, grew by much less (3.6%). Import prices increased by 2.5%, largely due to higher prices for hydrocarbons and intermediate goods. These variations in export and import prices halted the cumulative 3.3% decline in the terms of trade that had occurred between 1998 and 2002, including for countries that are net oil exporters.

Judging by trends in the first five months of this year, the regional current account will again post a surplus in 2004, this time by about 1% of GDP (0.2% in 2003). This situation has not occurred in the region since 1953, which was the last time the current account was in surplus. It is worth noting that the region’s merchandise trade displays an even larger surplus than in 2003, when it had posted a record positive balance of US$ 41.9 billion, equivalent to 2.5% of regional GDP. This year, workers’ remittances will again make a major contribution to the current account surplus, although they are unlikely to grow as fast as in 2003.

Although capital inflows are projected to recover in 2004, the region will make a net resource transfer abroad amounting to about US$ 22 billion. Consequently, over the six-year period 1999-2004, the cumulative outflow of resources from Latin America and the Caribbean will have been equivalent to just under 6% of GDP in current dollar terms. Unlike previous years, foreign direct investment into the region is expected to increase in 2004 compared to its 2003 level, with inflows of US$ 35 billion forecast in this category, compared to US$ 28.4 billion last year, thanks mainly to the greater dynamism of these investments in small and medium-sized economies, complemented by reinvestment of profits.

This behaviour on the capital account prolongs the trend that began in 2003, when, unlike events a year earlier, capital flows grew positively. Despite the fact that autonomous capital flows remained modest – net inflows amounted to just US$ 4.4 billion – they represent an improvement on the US$ 14.4 billion outflow of the previous year, and have enabled the countries of the region to obtain financing at an average cost of 9.6%. In 2003, the countries of Latin America and the Caribbean received US$ 18.7 billion in exceptional financing, of which US$ 12.6 billion corresponds to arrears in Argentine debt payments.

3. Economic policies

On the economic-policy front, the goal proposed by the region’s countries for 2004 is to keep policy instruments on broadly the same course as in 2003; the predominant concerns are price stability and containment of the expansion of public debt.
Fiscal policy in the region continues to aim at increasing the central government primary surplus, which in 2004 is set to grow again to around 1% of GDP; in 2003 and 2002, the equivalent figures were 0.3% and -0.4%, respectively, calculated as simple averages.

In the first half of 2004, regional monetary policy was directed toward controlling inflation, in some cases using explicit targets; and low international interest rates have allowed for monetary aggregates to be managed consistently with this situation. Since the first few months of the year, many countries have witnessed increased lending to commerce and industry, reflecting stronger expectations among economic agents in the productive and banking sectors.

In terms of exchange-rate regimes, most countries have been consolidating greater flexibility and gradually lifting restrictions on foreign-currency operations. By late 2003, the average index of real effective exchange rates in the region displayed a depreciation compared to 2002, but fluctuations in national indices were very uneven throughout the year. In South America, the currencies of Brazil, Argentina and Chile all appreciated, while in the Central American countries and Mexico they moved in the opposite direction. Taking a broader view, the figures corresponding to late 2003 were about 18% above the average for 1997-2001. In regional terms, this increase in competitiveness has been maintained in 2004: in May, the real effective exchange rate index was practically unchanged from the average recorded in 2003. The situation varies from one country to another, however; over this period, Colombia, Chile and Paraguay display significant appreciations (ranging from 4% to 7%), whereas Bolivia, Peru, Uruguay and Venezuela are showing depreciations (of between 2% and 5%). Argentina and Brazil have maintained levels very similar to the 2003 average. In the case of Mexico, competitiveness has continued to strengthen in 2004, following the improvement recorded especially in the second half of the previous year, with a depreciation of 6% (11% in 2003), whereas trends in Central America are mixed, although most countries are recording slight depreciations.

B. Most important activities undertaken by ECLAC since July 2003

ECLAC has continued to collaborate with the countries of the region, implementing a work plan that combines activities corresponding to its function as regional forum and facilitator in building regional consensuses on the various aspects of development, regulatory issues, comprehensive analysis of development processes, public-policy formulation and operational tasks, including the provision of technical assistance, dissemination of specialized information and training. I would like to take this opportunity to mention some of the most important proposals developed and activities carried out by ECLAC over the last year.

Firstly, the Commission has strengthened cooperation with the countries by adopting measures aimed at forging a more agile and effective organization, characterized by more transparent management, further decentralization in decision-making and greater accountability. Our aim is to simplify and modernize operations, and eliminate overlap. This is framed by the set of reforms that the Secretary General
proposed to the General Assembly in September 2002, and which have resulted in an exhaustive evaluation of the workings of United Nations system. Without going into details, I would stress that the aims of this process are to strengthen coordination and ensure that budgetary and planning processes are results-driven, with a view to developing more effective systems for evaluating and monitoring activities.

Secondly, ECLAC has been very alert to the effects of economic and social events on the political stability of fragile democracies in a number of countries, and it has lobbied for greater multilateral attention to be paid to the situation of the region within United Nations priorities. A notable event in this regard was the visit made by the Secretary General to a number of the region’s countries, namely Bolivia, Chile, Ecuador and Peru. At ECLAC headquarters in Chile, a high-level debate was organized in which the Secretary General, President Ricardo Lagos of Chile and Ms. Tarja Halonen, President of Finland, analysed the urgent need for the United Nations to have a consistent agenda in place for the region; and to re-examine interagency cooperation in conjunction with other bodies and organizations within the multilateral and inter-American system, involving stronger institutions, organized in a regional network, that mediate between the global and national levels.

ECLAC is particularly well placed to respond to these challenges by offering a multidisciplinary method of analysis, tailored to the specific features and diversity of the region’s countries.

Many of the key issues in the current development debate were the focus of attention at global summit meetings held in the 1990s, culminating in the Millennium Summit in which the Heads of State and Government of United Nations States members adopted the Millennium Declaration as a roadmap to combat poverty. Monitoring the Millennium Goals has become the navigation chart for the work of the United Nations, and this naturally includes ECLAC.

Accordingly, I also want to stress that one of our most important activities in this period has been to develop a methodological platform making it possible to support countries in their follow-up to world summits on economic, social and environmental issues from a regional perspective and in the framework of the Millennium Declaration.

We have been organizing preparatory and follow-up activities, and have made progress over the last few years in applying an integrated approach, which has been particularly valuable for follow-up of the International Conference on Population and Development, the Fourth World Conference on Women, the International Conference on Financing for Development, the World Summit on Sustainable Development and, more recently, in preparation and follow-up for the World Conference on the Information Society.

On the issues of “population” and “women and development”, and with support from the United Nations Population Fund (UNFPA), a single indicator system has been developed for joint regional monitoring of the action plans of the corresponding world
conferences. In the case of financing and sustainable development, the Secretariat has been encouraging the creation of linkages for implementation of the measures that emerged from the Monterrey Consensus and the Johannesburg Plan of Implementation, in close coordination with the United Nations Department of Economic and Social Affairs.

In addition, we worked with the Government of Brazil in the Regional Conference for Latin America and the Caribbean on Renewable Energies, preparatory to the International Conference for Renewable Energies, held in Bonn, Germany, in June 2004. We have also collaborated in meetings on implementation of the Programme of Action for the Sustainable Development of Small Island Developing States.

I would specially like to highlight our commitment toward the First World Conference on the Information Society, the first part of which was held in Geneva in December 2003, and the second is to be held in Tunis in 2005. ECLAC is supporting countries in structuring the regional plan of action and their national strategies in response to the agreements reached in Geneva. The main goal of our work in this domain is to ensure that the process of disseminating new information technologies does not replicate the heterogeneity of the region’s economies, but, on the contrary, serves as a tool for strengthening equity and ensuring that it has positive effects on the productive structure.

The support shown for the document “ECLAC: Priorities for Latin America and the Caribbean in the Coming Years”, which I presented in April this year at the Plenary Committee meeting here in New York, together the comments made by delegates at that meeting, including the suggestion to add the topic of financing for development to our list of priorities, were very important in preparing the thirtieth session.

On that basis, together with experience accumulated over the last few years, we have adapted our work programme to enhance the cooperation we provide to member States, in support of steps they may take to fulfil commitments assumed. I would like to stress five fundamental lessons that will make it possible to direct the Commission’s future work more effectively in relation to the Millennium Declaration:

- Poverty reduction policies must not be exclusively social; account must also be taken of the equity and inequality effects of economic policies. We believe that the goal outlined in the Declaration should refer not only to extreme poverty (for which the document establishes specific targets), but also to alternative definitions of absolute and relative poverty which ECLAC has been using in its analyses for several years now. In addition, the Commission prioritizes gender equity, both in the indicators it uses and in the policies it proposes.

- National policies, and both regional and international cooperation mechanisms, offer a chance to respond systematically, and on a multisectoral and interagency basis that makes it possible to link economic development, social equity and environmental sustainability in a partnership for development that is enriched by the agreements reached at the Monterey Summit. By way of example, it is worth
noting that based on earlier collaboration with the United Nations Development Programme (UNDP) and Brazil’s Institute of Applied Economic Research (IPEA), the 2002-2003 edition of Social Panorama of Latin America includes an assessment of the chances of halving extreme poverty by 2015, based on an analysis of the most recent and reliable estimates of poverty and indigence, corresponding to 2001 and 2002.

In addition, thanks to an initiative launched jointly with the World Food Programme (WPS), the Social Panorama also includes a chapter containing basic information on rates of child subnutrition and malnutrition (the two dimensions of hunger specified in the Millennium Development Goals) in 23 of the region’s countries over the past decade, together with trends in measures aimed at complying with the goals. There has also been collaboration with the United Nations Development Fund for Women (UNIFEM), UNDP, the International Labour Organization (ILO) and the Government of Italy, with whom we have completed nine national case studies on fulfilment of the goal of promoting gender equality and women’s empowerment.

- The links between economic and environmental strategies form the basis of goal 7 on the sustainability of development. In order to evaluate progress in this field, we have identified a more precise set of indicators for natural resource depletion, sustainable energy use and integration of policies, relating the Millennium Goals to the commitments undertaken at the World Summit on Sustainable Development.

ECLAC has designed an institutional website to disseminate information on the regional monitoring of the Millennium Development Goals, which, in addition to publicizing the Commission’s interdisciplinary activities, disseminates the work of other regional bodies and United Nations agencies in this field. This website has links to other Internet sites dedicated to the Millennium Development Goals and follow-up to United Nations conferences and summits, and has potential to become an inter-institutional website in the future.

Fourthly, I want to highlight the work performed by ECLAC in conjunction with the other economic commissions, aimed at creating a mechanism for inter-regional cooperation on specific issues. This collaboration includes active participation in the international debates organized by the United Nations system, with the aim of bringing the regional dimension to the fore in these mechanisms. The most recent of these debates took place during the eleventh session of the United Nations Conference on Trade and Development (UNCTAD) held in São Paulo, Brazil. Following this, a meeting of the Executive Secretaries of the five regional commissions, held at ECLAC headquarters in the middle of last month, defined multiple areas for cooperation between the commissions, including follow-up to the Summit on the Information Society.

The fifth element concerns coordination between ECLAC and other intergovernmental bodies that do not belong to the United Nations system. In this case
there has been close collaboration with the Inter-American Development Bank (IDB) and the Organization of American States (OAS) on several areas of common interest, including support for integration, governance and equity. As a member of the Tripartite Committee formed by these institutions, we have been providing support to the negotiations aimed at establishing the Free Trade Area of the Americans (FTAA).

Lastly, I would mention that we have also maintained very fluid contact with other intergovernmental forums of a sectoral nature, especially meetings among ministers of agriculture, the environment, energy, housing and urban development; and, continuing a longstanding tradition, we have strengthened the annual Regional Seminar on Fiscal Policy which convenes authorities from the region’s finance ministries and is held jointly with the International Monetary Fund (IMF), the World Bank, IDB, and more recently also the Organisation for Economic Cooperation and Development (OECD).

C.  Thirtieth Session of ECLAC

The thirtieth session of the Commission was held in San Juan, Puerto Rico, attended by delegations from 47 of the 48 member States and associate members. In its ministerial stage, numerous ministers and vice-ministers participated from the areas of economic affairs, finance, planning, foreign relations, education and sustainable development.

In addition to meetings of the ECLAC sessional Ad Hoc Committee on Population and Development, the Committee on Cooperation among Developing Countries and Regions, and the Presiding Officers of the Regional Council for Planning of the Latin American and Caribbean Institute for Economic and Social Planning (ILPES), this time there was also a special session on sustainable development, a joint seminar with the United Nations Educational, Scientific and Cultural Organization (UNESCO) on the financing and management of education in Latin America and the Caribbean, and a high-level seminar entitled “Productive development in open economies”, the latter with the aim of deepening analysis of the keynote document prepared by the Secretariat for this meeting.

The keynote document, which maintains the ECLAC tradition by being set in the current historical context of the region, points out that Latin America and the Caribbean has invested heavily in its integration into the global economy over the past 15 years. In fact, of all the developing regions of the world, it has been the most resolute in its pursuit of economic liberalization. A review of this period reveals a number of important achievements, including greater stability, reduction of the fiscal deficit, increased exports, diversification of export patterns, and increased foreign investment. But the assessment also clearly shows that the strategy deployed did not achieve satisfactory results in terms of raising growth rates and reducing the structural heterogeneity that has characterized the region for decades.
Although in late 2003 a smaller proportion of the Latin American and Caribbean population was poor than in 1990, the number of people living in poverty has risen to an unprecedented 227 million. As much as 44% of the population is living below the poverty line, and 20% in conditions of extreme poverty. Moreover, we must not forget that poverty grew exponentially during the 1980s, and the result is that today we have higher relative poverty levels than in 1980.

The keynote document argues that, in addition to persevering with measures to increase and enhance the quality of social spending, which grew significantly from 1990 onward, it is essential to regain a rate of economic growth that makes it possible to reduce unemployment and informality. Otherwise, it will be impossible to overcome the marginality that characterizes much of the region.

To achieve this aim, in addition to continuing with and enhancing the reforms of the 1990s, other reforms need to be implemented that we consider essential for achieving growth with equity in the region. That is the purpose of the document that I will now attempt to summaries.

If I could synthesize the content of the document in a single phrase, I would say that reforms aimed at expanding market mechanisms must be accompanied by active public policies. The idea of “more market and less State” must give way to an understanding that “more market requires a better State”.

Governments welcomed the positive agenda proposed by the Secretariat to face the challenges posed by the current stage of the productive development process, in particular the upholding of national strategies in the framework of attempts to integrate into the world economy, as the pillars of processes aimed at consolidating competitiveness; the need to construct cohesive societies that alleviate social vulnerability and gain additional space for productive restructuring; and insistence on the importance of a comprehensive approach within which macroeconomic solvency is consistent with productive development policies and social cohesion.

During the Session, Governments approved the Draft programme of work of the ECLAC system, 2006-2007, adopting a proposal for priorities embracing the promotion of a broader vision of macroeconomic stability to promote growth and reduce volatility; integration into the global economy and the importance of regional mechanisms; increase in the region’s productive potential; strengthening of social cohesion; enhancement of global institutions, and the importance of migration, sustainable development and financing for development.

Governments also agreed to include among ECLAC activities a forum on the regional implementation of decisions taken at the World Summit on Sustainable Development, bearing in mind the biennial implementation cycle for actions of the Commission on Sustainable Development (CSD). They also requested support from ECLAC in regional preparations for the second phase of the World Summit on the Information Society; and they asked the Secretariat, pursuant to commitments assumed
by the countries of the region toward the reconstruction of Haiti, in cooperation with the Transitional Government of Haiti and in close coordination with the United Nations Stabilization Mission in Haiti (MINUSTAH), to help countries make the most of any actions they wish to take in the framework of the mission’s brief.