

Mexico City, 6 April 2000

## **XXVIII session of the Commission - Ministerial phase**

*Address delivered by the Executive Secretary of ECLAC, José Antonio Ocampo, at the opening meeting of the ministerial phase of the twenty-eighth session of the commission*

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Your Excellency, the President of Mexico,  
Your Excellencies, the former presidents,  
Honourable ministers and deputy ministers,  
Distinguished delegates,  
Ladies and gentlemen,

Mr. President, I would like to begin by thanking you for inviting the Commission to hold its twenty-eighth session in Mexico as well as for your presence at this opening ceremony and for the friendship that you and Nilda have shown me ever since our university days. I would also like to express my gratitude to the distinguished former presidents who have so kindly accepted our invitation to participate in this meeting and to the ministers and other governmental delegates, special guests and representatives of international organizations who are with us here today.

Mexico, Mr. President, serves as an essential point of reference for all Latin Americans. Its rich history is rightfully a source of pride for all Mexicans. Its intellectual debates, its cultural wealth, its economic accomplishments and international presence have left their stamp on so many episodes in the region's history. In recent years, under your leadership, major advances have been consolidated on the economic front, as is attested to by the robust growth and diversification of Mexico's exports and the ability that its economy has demonstrated to withstand the recent Asian crisis. Determined efforts have also been made to address social issues by, among other means, increasing allocations of public resources for social expenditure and launching the innovative Education, Health and Nutrition Programme (PROGRESA). Moreover, during your term in office the scope of Mexico's political democracy has been significantly broadened. You have also made a valuable contribution in this respect through your firm commitment to prevent the perpetuation of the politically-driven economic cycle that has led to the outbreak of economic crises at the end of some past Administrations.

For all these reasons, we are gratified that the central event of the Commission, which is the patrimony of all Latin Americans and Caribbeans, is being held in this beloved and great nation during this milestone year. You will remember that it was here, in Mexico, in 1951, that one of the landmark sessions of ECLAC was held; it was here that it was decided that our institution would be constituted as a permanent organization following the completion of the three-year term for which it had been created in 1948. In the half century that has passed since then, a great many other meetings of the Commission have been held here, including the session of 1965, the session of 1986 and a special session in 1987. Accordingly, Mr. President, I can assure you that we feel very much at home here in Mexico.

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The fact that this session coincides with the beginning of a new decade and a new century has prompted the secretariat to prepare a document providing a comprehensive presentation of the Commission's thinking in regard to the challenges facing the region in today's world. As we all know, the world we live in now is witnessing the globalization of its markets, but we sometimes lose sight of the fact that it is a world in which values are also becoming globalized, as the principles enshrined in international conventions and summits continue to gain ground, especially in the areas of human rights, social development, gender equity, respect for ethnic and cultural diversity, and environmental protection. This document takes these two processes as the context for the design of development policies for the twenty-first century: the first, market globalization, provides the basic external economic context, while the second, respect for human rights ?in the dual dimensions of political and civil rights and of economic, social and cultural rights? serves as the ethical framework for all development policies.

Both of these processes open up enormous opportunities and pose formidable challenges for the region. In confronting them we bring with us a legacy that encompasses not only our economic reforms but also the remaining after-effects of the debt crisis and long-standing problems of poverty, exclusion and social inequality. The decade that has just drawn to a close is one in which the region made notable progress in the economic sphere, especially in terms of the correction of fiscal disequilibria, the reduction of inflation and strong export growth. It has also succeeded in consolidating regional integration processes and in attracting abundant flows of foreign investment. Nonetheless, achievements in the areas of economic growth and productivity have fallen short of expectations. The 3.3% average annual growth rate recorded during the decade for the region as a whole is far below the 5.5% rate achieved during the three decades preceding the debt crisis, and the annual increases in both labour and total factor productivity also compare unfavourably with the figures for those years. Equally importantly, the unsteadiness of economic growth and the frequency of financial crises in the region indicate that not all causes of instability have been brought under control and that in some cases they may even have grown worse. The structural heterogeneity of production sectors has increased; today, the region has more "world-class" firms (many of which are subsidiaries of transnational corporations), but it also has many other firms, especially micro-, small and medium-sized enterprises, that have been unable to adapt to the new policy environment, and employment in the informal sector of the economy is on the rise.

Progress has been made in the social sphere as well. The most obvious example is the increase in government allocations for social expenditure; in recent years, in fact, social spending has reached all-time highs. This step forward has been coupled with a major effort to restructure social services, although the results of this endeavour are still somewhat uneven. The percentage of poor households was reduced from 41% in 1990 to 36% in 1997, but the absolute number of poor people did not decrease but instead held constant at around 200 million. However, in the last few years this downward trend in the percentage of poor households has been interrupted, and as a result the absolute number of poor people built up once again during the recent crisis, rising to 224 million; this increase was concentrated in the South American countries, which experienced a series of macroeconomic difficulties. Generally speaking, the performance of employment has been weak and, in fact, constitutes the Achilles heel of the economic reform process. This situation is apparent in most of the countries, where it is manifested as an increase in open unemployment, as a deterioration in job quality, or as a combination of the two. ECLAC

estimates indicate that seven out of every ten jobs that are created are in the informal sector. The widespread increase in the wage gap separating university-educated workers from all the rest within the region has also generated additional tensions against the backdrop of an adverse long-term trend in distribution in many countries.

Other achievements of the 1990s which ECLAC views as significant, although incomplete, include the progress of the region's democracies, the renaissance of local affairs, increased respect for human rights, recognition and visibility for women, and the gradual mainstreaming of the agenda for sustainable development.

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How should we approach the challenges of regional development within the context of this legacy? The answer can only begin to be formulated once we recognize the importance of building upon what we have already achieved in terms of reducing fiscal deficits and inflation, taking advantage of the opportunities offered by the international economy, broadening the private sector's participation in development, and improving the efficiency of the State. It is also important to realize, however, that there are no single, all-encompassing solutions in these areas. There is not just one model of macroeconomic management, nor is there one and only one way of becoming integrated into the world economy or of merging the efforts of the public and private sectors. The different approaches are, for that matter, reflected in the region's development process, in which the diversity of solutions in all these areas is beginning to be far more significant than the supposed homogeneity of the new development model. We therefore need to continue searching for pragmatic solutions and, in those cases where the reforms themselves are the cause of macroeconomic instability, a slow pace of growth or adverse trends in the labour market or income distribution, we will have to undertake the task <sup>3</sup>/<sub>4</sub> here again, on a pragmatic basis? of "reforming the reforms".

ECLAC also believes that the region's development patterns need to be reoriented in order to make equity ?or, in other words, the reduction of inequality in all its manifold manifestations- their central pillar. This is, then, the basic yardstick against which the quality of development must be measured as we look to the future. We feel that the objective neither can nor should be any other for countries which have the worst income distribution in the world. This effort should be accompanied by policies aimed at generating more stable and dynamic ?and, hence, competitive? forms of development, which are at the same time more socially integrative and environmentally sustainable. Finally, this endeavour should go hand in hand with a determined effort to weave a social fabric that will permit the development of more integrated societies. These objectives are broader and, more importantly, reflect different priorities than those that served as the frame of reference for the period during which the region was working to restore macroeconomic equilibria and to liberalize its economies. And because of this, and because we are convinced that this kind of edifice can only be constructed upon a foundation formed by more democratic societies, the problems to be dealt with will necessarily have different solutions. Given this state of affairs, diversity should be seen as a virtue, and the desire to contrive universally applicable models is perhaps the least desirable type of response.

*Equity, Development and Citizenship*, the document we have presented to you here, thus ties together a number of the essential components of the Commission's tradition of research and analysis, including, above all, its view of development as an integral process. This concept has served as the mainstay of the Commission's thinking throughout its history.

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Of course, the phenomenon of inequity is not unique to this stage in the region's development; it has been a characteristic of virtually all of the development models that have predominated at one time or another in Latin America and, to a lesser extent, the Caribbean. This inequity is a reflection of highly segmented social structures that are passed on from generation to generation through educational, employment, ownership, and demographic channels, as well as through discrimination based on gender and ethnic origin. Over the last few decades, these long-standing inequitable structures have been reinforced by two new factors: the growing educational demands associated with this era of globalization and knowledge acquisition, and the accentuation of the structural heterogeneity of the region's production sectors.

In view of these circumstances, the document argues that the effort to achieve greater equity calls for integral social policies guided by three basic principles: universality, solidarity, and efficiency. These policies must be upheld by two main pillars, or "master keys", namely, education and employment. Education is the key that will enable society to have a simultaneous impact on the triad of equity, development and citizenship, but this key will only work if it is coupled with a dynamic process of quality job creation. The document undertakes a thorough examination of the various challenges posed by these two "master keys". In the field of education, these challenges have to do with such goals as those of achieving universal coverage for secondary education as soon as possible; upgrading the quality of education; finding comprehensive solutions to the education-related problems faced by the poorest sectors of the population; developing skills that enable students to "learn to learn"; and promoting democratic values of tolerance and harmonious social coexistence. In the sphere of employment, suffice it to say that in the coming decade the region will need to create around seven million new jobs per year if it is to succeed in absorbing new entrants to the labour force and halving the current unemployment rate. In order to accomplish this, it will have to step up its pace of economic growth, adopt an ambitious policy to support micro- and small enterprises and foster greater adaptability on the part of workers and business enterprises to technological change and the economic cycle by, among other things, bringing about a veritable revolution in the field of vocational training. Education and employment should be a central concern of all economic and social authorities and a primary focus for the "social dialogue" on the question of equity that, at the highest level, should be taking place in our societies today.

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In addressing the issue of development as such, the document proposes a style of macroeconomic management that will enable policy-makers to move beyond the narrow definition of macroeconomic stability that has come into widespread use and ensure that, alongside the reduction of inflation and of the fiscal deficit and the attainment of external

equilibria, the stability of economic growth and employment are explicitly included in this concept.

This means that the time horizon of macroeconomic policy should encompass the entire economic cycle. More specifically, this entails improving the way in which we manage booms so that we can forestall the busts whose seeds are planted during periods of economic buoyancy, and thus maintain a certain amount of manoeuvring room that can be employed later on to head off difficulties. Accordingly, the document offers recommendations regarding fiscal, credit and exchange-rate policies and the prudential regulation of the financial system. It also contends that macroeconomic policy should place greater importance on the objectives of economic growth, which, when viewed from this standpoint, depends on a triad composed of sound fiscal systems, moderate real interest rates, and competitive exchange rates.

In keeping with a long-standing tradition of our institution, this document also asserts, however, that a sound macroeconomy is not enough in itself but that it must instead be supplemented with an active policy package aimed at strengthening the production structure by upholding competition and establishing public regulatory mechanisms for non-competitive market structures or markets having significant externalities, correcting failures in factor markets, and developing more dynamic production structures by promoting innovation and taking full advantage of inter-firm complementarities that contribute to the development of systemic competitiveness.

The combination of a sound macroeconomy and an active productive development policy continues to be the key, in the view of ECLAC, to a dynamic form of development. The persistent fragility of production structures in the region is attributable not only to the continued instability of our economies' growth rates, but also to a clear failure to devote sufficient attention to the second of these two elements. The destruction of institutions designed to deal with many of these problems has not been counterbalanced by equally energetic efforts to create institutions that are suited to the new development context.

In carrying forward our development process, we must take resolute steps towards the full incorporation of the agenda for sustainable development. This involves much more than the conservation of natural resources. First and foremost, it calls for the mobilization of productive efforts in the direction of sectors that use clean technologies and production processes, where competitiveness is achieved through the accumulation of capital in the broad sense of the term, which includes human, physical and natural capital. The region must approach these issues proactively rather than reactively. It must strive to make the fullest possible use of its comparative advantages in the context of the global environmental agenda, especially those associated with its potential for helping to mitigate and reduce carbon emissions, its biodiversity and sustainable tourism.

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The document explores the third element in this triad of equity, development and citizenship less exhaustively than the first two. More specifically, it does not address the problems of governance that our region is experiencing. The topic of citizenship is nonetheless included because we are

convinced, first of all, that an agenda for development with social equity can only be pursued effectively within a democratic context. Yet another reason for its inclusion is that, in addition to the problems our region faces in regard to equity, it is having increasing difficulty in maintaining social cohesion, in sustaining people's sense of belonging to society and of identification with collective goals. Hence the importance of joining forces to create a society that is more of a society, or, in other words, a fuller awareness of each individual's responsibilities to society together with greater opportunities for deliberation and the establishment of agreements ? in short, a culture of harmonious coexistence and collective development based on tolerance of differences and a willingness to settle disputes through compromise.

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Your Excellency, honourable former presidents, distinguished delegates:

We have gathered here to analyse the issues of equity, development and citizenship within the context of a wide array of urgent challenges which are addressed in our document. Challenges having to do with growth, productive development, employment, poverty reduction, the improvement of education, the adaptability of the labour force, and the broad-based participation of society in the construction of collective interests. We have sought to develop proposals referring to all these challenges which, while respecting and valuing the diversity of our member countries, will open up broad vistas for the future.

We are thus continuing to carry out the task that the Commission has performed throughout its history, the task of identifying challenges and proposing ways of meeting them. It is our hope, Mr. President, that this new document will serve as a basis for reflection and debate and for expanding the horizons of our shared future.