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**WORKSHOP ON ALTERNATIVE ECONOMIC STRATEGIES FOR  
LATIN AMERICA**

12 June 2004 – Summary prepared by the UNCTAD secretariat

1. Some 80 eminent experts from academia, local and regional institutions and Governments, and NGOs in Latin America and the Caribbean region participated in the Workshop on Alternative Economic Strategies for Latin America, which was opened with introductory remarks by the Secretary-General of UNCTAD, Mr. Rubens Ricupero. He noted that the subject of the workshop fitted in well with the overarching theme of UNCTAD XI, namely coherence between national development strategies and global processes. While the national dimension is clearly characterized by continuous reform on the part of developing countries, the international processes involve more than trade negotiations, and should also embody the current state of the international monetary and financial systems, how they relate to each other and the ways in which they limit policy options. He noted the imbalance between the recent recovery in international trade growth in the Latin American region and less encouraging conditions in international financial flows, highlighting the need for coherence between the trade system and financial and monetary systems.

2. The workshop provided a varied and rich range of opinions and positions deriving from the economic development experiences of the region and the lessons that may be distilled from them. Frequent comparison was made between the Latin American and Asian experiences. In the 1990s, while Latin American countries embraced a “second” version of the Washington Consensus based on financing “growth with foreign savings”, the Asian countries relied on their domestic savings. The difference in outcome was economic stagnation in Latin America and rapid per capita income growth in Asia. Although macro stabilization policies put an end to the longstanding problem of high inflation by limiting public expenditures, balancing fiscal budgets, and generating surpluses on the external account accompanied by allowing the market a greater role in making decisions in the economy, the performance in terms of per capita income was poor. On the other hand, capital account liberalization led to a reliance on foreign capital, increasing external debt burdens and a build-up of domestic public debt. However, some dynamic Asian economies enjoyed rapid economic growth. They promoted their manufacturing sectors in order to seek foreign markets on the basis of a strong competitive base built on initially protected domestic markets. Capital account convertibility was limited and exchange rates were kept at stable, competitive levels.

3. There was a debate on whether or not the Asian model was a good one for Latin American countries. Some argued for a reassessment of “desarrollo desde dentro” (growth from within),

avoiding its errors and reinforcing its benefits and in particular the need to reinforce systemic competitiveness through the creation of a dynamic internal market. In this respect, a regional reassessment of continued growth of the domestic market through emphasis on rural development was suggested.

4. There should be a sufficient level of public and private investment in productive sectors. As pointed out in the UNCTAD secretariat's background paper, investment simultaneously generates income and expands productive capacity. In the interplay of variables that makes up a virtuous growth regime, capital accumulation occupies a central position. It was noted that the real potential market was not necessarily the external market, but the domestic market after the completion of a successful development strategy. With respect to trade, it was South–South trade that proved the potential of external markets.

5. Coherence between different sectors of domestic economic policies was also emphasized, including flexible financial policy and development of domestic capital markets. Economic growth and employment creation should go hand in hand to ensure social inclusion and avoid a social time bomb further down the road. There was a general consensus on the need to develop supply capacities and improve productivity growth and technological innovation.

6. The general conclusion was that more care should have been taken in assessing the benefits of financing growth through external borrowing, and also in building up a strong domestic market to generate the conditions to support the domestic investments necessary for increasing productivity and producing the international competitiveness needed to provide a competitive export sector capable of reducing the reliance on external capital and loosening the external constraint. In this respect, participants also agreed that the different national economic conditions of countries in the region warranted different approaches to economic development strategies and a diversity of approaches to coherence.

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