Interpretative Summary

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I

The New Latin America*

Latin America stands at the treshold of the 1980s as the most highly industrialized region in the Third World. Because of concern in industrial countries over the increasing competitive capacity of some developing countries in the production and export of manufactures, Latin America's essential thrust is often perceived by those *outside* the region as based on its new industrial capability. Thirty-five years of deliberately encouraged industrialization have brought Latin America to a point where it can be viewed as a newly industrializing region on the verge of participating in a major way in world trade in manufactures. Import substitution industrialization, fostered by internal protectionist policies for twenty-five years, led in the 1970s to singnificant expansion in manufactured exports and to freer trade policies. Export-led growth policies met with considerable success in the late 1960s and early 1970s. Hence, one view of the "new" Latin America sees its world role essentially as that of an industrial region, similar to several emerging Asian countries, whose principal relationship with the industrial countries in the 1980s will be based on manufactured exports. The Conference discussion questioned this view of Latin America's essential thrust and the central role of industrial exports in its international economic relations in the 1980s.

Another significant dimension of Latin America's current profile is the degree to which it has become integrated into the world economy not only through its trade patterns but also through expanded investment, capital flows and international debt. Increased diversification of the region's economic structure has led to a new kind of relationship with the world economy. Countries in Latin America have moved from dependence on a few primary products or agricultural commodities to a more macroeconomic interdependence that is more complex and interlaced with the world economic system. The combination of increased industrialization, the rise of the multinational corporation as a major presence in the region and the recycling of the OPEC surplus to Latin America in the form of increased debt have brought this region to a degree of integration into the world economy which is higher than in the past and also higher than that of other developing regions. This new macroeconomic interdependence poses problems as well as potentialities, but it is an important feature of the Latin America of today. This aspect of the new Latin America shows what a stake this region has in the fate of the world economy, the economic recovery of the industrial countries, and world economic reforms.

These two dimensions of Latin America's new world profile —industrialization and integration into the world economy— emphasize its distinctness from other Third World regions. They lead to still another set of questions regarding its relations with other regions of the South, its participation in the North-South dialogue, and the importance to Latin America of the New International Economic Order (NIEO) and of the international institutional system.

These issues and questions, as well as others, received considerable attention at the Conference and are discussed in the following sections.

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II

Latin America and the world economy

The long-run historical trend of Latin American industrialization and increasing integration with the world economy since the Second World War, along with the more recent changes in the world economy in the wake of the initial oil "shock" in 1973, have now combined to create unprecedented external pressures on the region's future and have elevated the importance of its relationship to the world economy to the top of the Latin American economic agenda. Whereas there is deep concern for internal development and economic conditions, there is an increasingly widely held perception that the global economic environment and its future evolution are now critical to Latin America's short-run economic management. The balance of payments of individual countries and for the region as a whole are already crucial to immediate survival, in contrast to the emphasis in earlier decades on the external accounts as critical to savings and development in the long run. Financing current imports, servicing foreign debt, and sustaining economic growth in the short run are urgent economic policy priorities which tend to supersede longer-run perspectives.

Given the importance of Latin America's external relations, there must be a global analysis of the different international economic elements which define the external context. International finance, export of manufactures, commodity trade, monetary issues and the flow of technology are interrelated in their impact on the region. It is difficult, if not impossible, to treat these different elements in isolation due to the immediacy of the external constraints which impose the overriding criteria of the balance of payments in the aggregate as the ultimate benchmark. The circumstances of each country vary significantly, and the manner in which each will ultimately cope with the current international pressure will depend on the particular confluence of internal and external variables. Nevertheless, the fundamental nature of the international economic problem facing Latin America can best be seen by considering the region as a whole in a global context.

For Latin America, as well as for the world, energy is the most significant single "swing" variable, both in an internal and an external sense. Every non-oil-producing country in the region is examining alternative energy sources and re-examining economic policies in the light of the ever-rising price of oil. Brazil, because of its size and because it imports 80% of its oil, is perhaps the most dramatic example of the problem faced by the region as whole. Hence, it can be expected that Latin America will want to focus on energy issues in future international economic discussions.

Because of Latin America's high degree of integration into the world economy and because of the linkage of the various elements of the international economy to each other and the immediacy of their impact, the region has a vital stake in the economic recovery of the more industrialized countries. The economic growth of the OECD countries has a major effect on the rate of growth of world trade, which in turn makes a substantial difference in the potential rate of growth of Latin America. However, because this region and the rest of the Third World are important importers of OECD products, their growth has an equally important impact on the prospects for recovery of the industrialized countries. Hence, there is a strong sense of mutuality of interest, and both industrialized and developing countries have a stake in the economic recovery of each other. The hope is that this mutuality of interest can be translated into action and enhanced international co-operation that can be held up as proof of benefit to those who insist that "what's in it for us" should be the criterion for judging international policies.

The immediacy of Latin America's external economic situation is defined by the confluence of recent patterns and developments in international finance, world trade and the international monetary system.

A. *International Finance and Debt*

The high degree of Latin American indebtedness to the rest of the world is one of the key constraints in the current situation. It is useful to see the current circumstances against a background of three periods over the last decade.[1] The first period, from 1970 to 1973, is one in which Latin America had increased access to international capital markets due to its high growth and export prospects. The debts thus contracted in turn helped finance growth and the accumulation of reserves, further strenghthening the region's economic position. This period can be seen, then, as one of debt-led growth.

After the initial rise in oil prices in late 1973, Latin America was able to continue to finance moderately high economic growth during 1974 and 1975 through increased international debt, which led to extremely high current account deficits. The increased debt was used in this period to finance accommodation to the oil price rise rather than suffer restraints on imports and growth in the short run. These were essentially postponed until the subsequent stage in the process from 1976 to the present, when current account balances decreased relative to the earlier period but growth rates also declined, imports levelled off and investment fell. Foreign borrowing continued and was partly used for the further accumulation of reserves to provide the creditworthiness to sustain more borrowing. Hence, "for many of the countries of Latin America, the debt cycle threatens to come full circle in little more than a decade —from a process of debt-led growth to one of potentially debt-constrained growth" (Fishlow).

This process occurred in the region as a reflection of shifts in the world economic situation. In the first three years after the initial oil price rise (1974-1976), the developing countries in general and Latin America in particular ran current account deficits to offset the massive surplus on current account accumulated by the OPEC countries, while the industrial countries, especially Germany and Japan, continued to run current account surpluses. In the following two years (1977-1978), the United States ran current account deficits as inflation and depreciation of the dollar had their impact on its external accounts, and the United States deficit joined with that of the developing countries in helping to offset the continuing OPEC surplus, as international concern grew regarding the debt burden of the poorer countries.

Now, as the United States position begins to improve and the price of oil continues to increase, the question becomes: what countries are going to be able to run deficits on current account to offset the OPEC surplus, and how are these going to be financed? This global management question is a pressing issue for Latin America. This region's oil and capital goods import needs continue to grow even as a higher proportion of export proceeds are needed to service the already high external debt. If Latin America is perceived to reach what might be construed as a debt limit, severe restraints would be placed on the region's immediate growth and longer-run development prospects. Hence, it has a vital stake in the successful management of global debt financing and in the securing of growing export markets to continue to finance the debt during the next stage of the global adjustment process.

The pattern of international financial adjustment in the 1970s and the kinds of economic policies adopted in Latin America in recent years have left the region with huge debts and these must be serviced in the 1980s at the same time that the real internal adjustment to higher real energy costs must be made not only in terms of higher internal energy prices but also of large investments in new sources of energy. The cost of this internal adjustment, which has been postponed by the availability of foreign credit (in some instances pushed on developing countries by foreign creditors), will almost certainly entail higher inflation, lower internal growth, or both.

[1] Albert Fishlow, "A New Latin America in a New International Capital Market", *herein*.

The debt issue is not a problem which can be viewed in isolation. In this instance, it also becomes an investment issue. Savings in Latin America must increase even as consumption patterns realign themselves to higher internal energy costs, and these increased savings must go into new investment rather than being allowed to be used to pay off the external debt. Added investment is needed in order to assure future growth and to achieve less dependence on external sources of energy.

Without adequate financing of Latin America's high debt service payments, it will not be possible to increase investment for longer-run economic growth because the short-run financing needs are so great. Exports to the industrial countries are the most important means of assuring adequate debt financing capacity, and the region therefore has a fundamental stake in the growth of world trade and the openness of industrial markets for its exports. Looking beyond trade, there is a need to increase the availability of longer-term financing in order to attenuate high debt payments and to finance longer-run investment projects. Both longer maturities for lending by private banks at commercial rates and more development financing by the international financial institutions, such as the World Bank and the Inter-American Development Bank, at near commercial interest rates with long maturities, are required to meet the needs of the 1980s.

Increased international debt financing seems an absolutely critical need as Latin America looks to the future. Further import substitution could be part of a strategy for coping with external pressures, but it could not be the sole basis of such a strategy as there are limits to the reduction of imports. Curiously, the accumulation of reserves in earlier years has a perverse effect now, because to draw down on reserves to finance current imports under balance-of-payments pressure would be seen as a sign of weakness and restrain the flow of additional credit. Hence, the flow of new long-term resources becomes critical even though international reserves in Latin America are currently at high levels. It is equally important, however, that debt should not continue to be used to postpone internal adjustment. Rather it should be used to keep the economy going and investment increasing while internal income and consumption patterns change.

Ultimately, though, the debt problem becomes a trade problem. Without increased export growth, foreign exchange will not be generated to pay off the past external debt or attract new financing. World trade prospects and policies will not only have a heavy impact on how Latin America manages its external debt but will also have a critical effect upon its overall economic outlook.

B. *Trade*

Protectionism in the industrialized countries is now a matter of urgent concern to the Third World. With the OECD economies also suffering from the external pressures of the oil crisis, there is a generalized feeling that latent, and sometimes manifest, protectionism is on the rise. Now that Latin American and other developing nations have gained sufficient industrial capacity to export manufactures on a significant scale, the focus of concern is on the trade barriers most affecting manufactured exports. Non-tariff barriers are seen as the most important limitation now affecting exports of manufactures from the developing world.[2]

Although protectionism in Europe and the United States is a reality and often takes specific forms which can be highly harmful to LDC trade prospects, there is reason to suggest that perhaps too much emphasis is being given to Latin America's role as an exporter of industrial goods. There are distinct differences between the Latin American economies and the newly industrializing countries (NICs) of Asia in their degree of industrialization and the role of manufactures in their exports. Thus, for example, in 1975, 97% of Hong Kong's exports were manufactures, as were 82% of those of Korea, whereas for Brazil and Mexico the percentages were 27 and 52% respectively.[3] The export of manufactures to industrial markets is clearly of great importance to Latin

[2] Pedro I. Mendive, "The Export of Manufactures", *herein*.

[3] World Bank, *World Development Report 1978*, tables

America, but the region's export trade is more diversified than this, and its agricultural, mineral and raw material exports together are proportionately more import to it than manufactured exports. The idea that past industrialization should necessarily culminate in a growth strategy led by the export of manufactures had some currency ten year ago, but this is not now seen as a full picture of Latin America's future. Hence, the region's current concern over protectionism in the developed world is not limited to non-tariff barriers and other restrictions on trade in industrial goods, but is focussed also on import quotas, tariffs and more general economic policies affecting world trade.

The greatest restraint on the growth of world trade is the global economic slowdown caused by increasing inflation and continuing oil price rises. Slower economic growth in the OECD countries and a lower growth in world trade have more restrictive effects on exports from the developing world than the direct actions of protectionism which may spring from the same source. Because of the size of the more advanced economies, small changes in rates of growth in their imports generate much larger export growth rates in the smaller economies of the developing world. One potential avenue for more fully exploiting this difference in size would be to shift the country allocation of import quotas gradually from developed to developing country exporters. Since developing countries are relatively smaller in GNP, a small percentage shift in import quotas by the larger developed countries would translate into significant percentage increases in LDC exports.

There is more that the developing world can do to improve its own trade prospects. Increased trade among developing countries, along with enhanced integration and regional import substitution, has some potential, and greater exploitation of the principle of reciprocity could be achieved by making trade concessions and seeking further liberalization from OECD countries in return, although the Conference felt that these actions were second-best solutions compared with a more liberalized global trading environment.

If protectionism increases and the Third World feels that it has exhausted its own policy possibilities and patience, retaliation by developing nations might well become a distinct option. These countries can restrict foreign investment opportunities, access to their raw materials, and export penetration into their internal markets. This would be political action with definite economic costs for the retaliating countries. Retaliation against protectionist actions is already contemplated within the multilateral framework of the GATT, which helps both to regulate and to legitimate retaliation actions. While multilateral agreements are useful mechanisms for channelling such actions, however, the best restraint against retaliation is avoidance of the need for protectionist measures.

Increased consultation among Third World countries producing the same commodities would be helpful in developing countervailing power in cases of protectinist actions by industrial countries, and might be particularly helpful in shoes and textiles. Resistance to protectionism cannot best be achieved by Latin America alone but should also include actions in conjunction with other developing countries. Until now, there has been a lack of consultation and an absence of common strategies among developing countries with similar interests.

The prevailing mood in Latin America in the face of rising protectionism in the industrial world seems to be one of resignation. It was felt that very little could be done in the face of this trend, since the scope of action of GATT, for example, is constrained by its juridical base and its mandate. What is needed is a broader framework which does not isolate trade but treats it within a global context, linked to finance and monetary matters. Given the intimate linkage between these different elements, the debt problem also is a monetary problem.

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6 and 7. Also, trade among industrial countries in manufactures is very much greater than the total exports of such goods from LDCs. See Pedro Malan, "The Latin American Countries and the New International Economic Order", *herein*.

C. *The monetary system*

The difficulties and disjunctures in the international monetary system antedate the energy crisis. The end of the Bretton Woods phase in international monetary management came in 1971 when the dollar ceased to be pegged to gold. Since that time, the international monetary system has operated on an *ad hoc* basis, with floating, semi-floating, and pegged exchange rates replacing the generally uniform fixed exchange rate system of the Bretton Woods era. The oil crisis is taking place within a less regulated international monetary system and has made the system still less subject to overall management. In fact, it can be said that "the present international monetary system is a 'non-system' in which the traditional problems of confidence in a stable reserve currency, of adjustment to asymmetries in the balance-of-payments positions among major trading countries, and of control of the expansion of international liquidity remain unresolved".[4]

In the current circumstances, Carlos Massad concludes that floating and pegged exchange rates have not solved the adjustment problem nor have they insulated countries from external shocks. Pegging simply transmits inflationary shocks from the issuing country to the pegging country. Floating can help achieve equilibrium in the balance of payments as a whole but not in the current account. Massad concludes tartly, "floating is no substitute for responsible domestic policies".[5]

Reasonable rates of liquidity creation and greater co-ordination of domestic policies among the industrial countries would dampen fluctuations in exchange rates and facilitate the adjustment process instead of exacerbating and extending the inflationary process. However, such policy co-ordination is difficult to achieve.

Under the current scheme, reserve currency countries do not have incentives to adjust whereas non-reserve currency countries have IMF incentives to do so. Massad proposes that reserve currency countries should undertake to settle their international obligations through asset settlement. In this way, they would have to pay international obligations through the transfer of assets rather than by increasing their liabilities abroad. As these assets are run down, incentives to undertake adjustment policies would come into play.

Secondly, an SDR substitution account could be created in the IMF in which industrial countries would make reserve currency deposits in exchange for SDRs as a means of short-term debt consolidation on the part of monetary authorities in issuing countries. The SDRs that would result from this exchange could be used for long-term lending to developing countries, thus making this account a "substitution link".[6]

Thirdly, a debt refinancing facility could be established as a joint enterprise of the World Bank and the IMF. This would be available to developing countries on a voluntary basis and operate in a manner similar to the IMF Oil Facility.

These proposals would help facilitate the international adjustment process and the workings of the international monetary system, and in so doing, they might ease protectionist pressures in industrial countries, thereby making it possible for developing countries to incur additional indebtedness in order to aid their development. The goal of Latin America is not to achieve equilibrium in its current accounts but to finance the deficits on current account through surpluses in the capital account by increased foreign borrowing. Hence, Latin American debt must continue to grow, and for it to grow there must be adequate international liquidity and sufficient international finance on a longer-term basis. Without these, trade growth will decline, lowering world economic growth rates as a result.

Hence, the world economy finds itself at this moment in a closed circle with no exit. Debt, trade, the monetary system and development are all inextricably linked to each other, and since every element in the system is under extreme pressure, they interact to form the present crisis in the world economy, in which

[4] Malan, *op. cit.*

[5] Carlos Massad, "Latin America and the International Monetary System: Some Comments and Suggestions", *herein.*

[6] Massad, *op. cit.*

Latin America now has such an important stake. All this heightens Latin America's fundamental concern over the fate of the world economy, the recovery of the industrial countries, and the international dimensions of its own problems.

III

The New International Economic Order

While increased growth in the industrial countries and more dynamism in the existing international economic system have now gained a new urgency and immediacy for the developing countries, there is also a need to reform the world economic system in ways specifically designed to improve living standards in the Third World.

Much effort has been expended in recent years in formulating and trying to implement proposals for international economic reform which would lessen the gap between rich and poor nations. The demand for a New International Economic Order (NIEO) in which developing countries would benefit more equitably from the workings of the world economy led to discussions in various forums on specific proposals. At the beginning, the NIEO proposals and the North-South dialogue it generated held out great promise for a more equitable world order, and progress has indeed been made in several areas, while the dialogue itself has provided a means of exploring the feasibility of a variety of options.

Nevertheless, as one prominent Latin American stated at the outset of the present Conference. "The world has been losing faith and enthusiasm for the New International Economic Order". He went on to say that at the Manila meeting of UNCTAD earlier this year, there was "stagnation in the course of negotiations, confrontation in rhetoric, fatigue, and a sense of indifference and irrelevance in the work", all of which seemed to him "very serious in relation to the crisis the world is facing to accommodate expectations and build a new world order for humanity".

An important focus of this Conference has been on the specific proposals of the NIEO, to better understand where the North-South dialogue stands. Thus, William Cline examined each of the major NIEO reforms to assess their potential impact on the world distribution of income.[7] This provided an overall assessment of the NIEO based on an evaluation of the specific elements.

Cline calculated the impact on the share of world income received by the world's poorest countries that would be caused by a quadrupling of prices for a dozen LDC commodity exports. The results showed only minor changes in the world distribution of income, partly because world trade in commodities is only a small proportion of world income and partly because the production of commodities is spread among both rich and poor countries, so that the benefits of price increases did not accrue solely to the latter. Similarly, although commodity stabilization is important for other reasons, it is not expected to have a major effect on the world distribution of income.

Increased concessional assistance would be the most direct and significant form of redistribution, but the likelihood of the OECD countries approaching the United Nations target of 0.7% of GNP is very small. Debt relief and an SDR link would be equally direct, though they would result in smaller real transfers of resources than reaching the 0.7% GNP target. Again, however, the political feasibility of putting through these reforms is low. Similarly, Cline found that while there would be benefits to LDCs, no major redistribution of world income would result from the recently

[7] William R. Cline, "International Economic Reform and Income Distribution", *herein*.

completed Tokyo Round of trade negotiations and from technology transfer schemes.

He concluded, "it is clear that the programme of NIEO reforms cannot be expected to make a major impact in equalizing the world distribution of income... Accelerated development within the LDCs holds much more potential for world equity than does a programme of redistribution through NIEO reforms. For the world's poorest 40%, an acceleration of 1% per annum in LDC growth rates would give the same result after one decade as if the entire agenda of politically difficult NIEO reforms were implemented... In this context, the question of whether the industrial countries can break out of their stagflation impasse and resume high growth rates will probably have a much more profound influence on the prospects for the poor in LDCs than will the specific, outcome of the NIEO negotiations".[8]

These analytical results are particularly useful when comparing different NIEO proposals with one another. However, the criterion of reducing the income gap between rich nations and poor is not as significant as that of reducing poverty within developing countries. The NIEO reforms are important in supporting efforts to reduce poverty, though the domestic economic policies of LDCs are the primary determinants. Furthermore, action on the NIEO reforms also has important effects on the international economic climate and on the perceived sense of fairness of the international system that go beyond the quantitative magnitudes involved. The indirect effects of marginal improvements in trade and financial conditions should not be belittled. A good example of an NIEO reform which has these several beneficial effects is the Common Fund.

A. *The common fund*

As a result of the decisions taken on several issues at the March 1979 UNCTAD meeting, the Common Fund will become a reality, with US$ 400 million being generated for "first window" buffer stock operations and US$ 370 million being put up for the "second window" supply expansion and diversification investments, both with the objective of stabilizing commodity prices.

In order to ascertain gross producer gains from participation in UNCTAD Commodity Programmes for six commodities (coffee, sugar, copper, cotton, cocoa, and tin),[9] Jere Behrman calculated the benefits to Latin America over a 13-year period (1963 to 1975). He found that the gains over this period for Latin America could have been about 16% of an average year's export value. This is not only significant as regards the foreign exchange constraint on the region's economic growth, but is also of importance in stabilizing its demand for exports from industrial countries.

Hence, there would be sufficient gains to both Latin America and to industrial countries to justify the costs of participating in the agreements under the Common Fund. But commodity agreements are not a panacea for the region's problems. They must be seen rather as just one programme among the myriad of elements in the international system, valuable though they are in benefitting Latin America and the developing world as a whole while making a general contribution to stability in the world economy. There may be some disappointment in the size and scope of the Common Fund agreement as compared to the initial discussions, but this should be weighed against the fact that agreement has been reached after long and difficult negotiations. The Common Fund is the result of international co-operation, which must always contain elements of compromise if agreement is to be reached. The institutional machinery needed to administer the Common Fund could be more responsive to developing country problems, and this could provide an additional benefit. All in all, this Fund is an important step by the international community to relate trade and development together.

There is a need to ensure that investment in the expansion of the supply of commodities,

[8]Cline, *op. cit.*

[9]Jere R. Behrman, "A New Latin America in a Changing World Economy: Exports of Non-Fuel Primary Products", *herein.*

which may take place largely in an unplanned fashion through the private sector, does not clash with efforts at price stabilization under the Common Fund. Thus, there may be a need to monitor supply and to foster more investment where it is needed. The concern over the political risk in large foreign investments needs to be taken into account as well.

Basically, the Common Fund should work along with other programmes with similar objectives, such as the Compensatory Financing Facility of the IMF, rather than serve as a substitute for them or be displaced by them. The US$ 400 million initial assessment, while small in relation to the total problem, is the first rather than the last tranche, and can hence be increased with time.

B. *Technology*

Another area in North-South relations which has been characterized by both progress and limitations has been that of the international regulation of the transfer of technology. Technology is one of the few components of international trade that is not regulated by any multilateral agreement, and yet technological know-how is decisive in determining market shares and growth rates in the world economy today.

Progress has been made over the last decade in gaining a consensus as regards the conceptual understanding of the key role played by technology in development, the complexity of the transfer process, and the importance of the capacity within the developing countries to successfully utilize technology.[10] Nevertheless, it has not been possible to reach agreement on a Code of Conduct for the Transfer of Technology. Disagreement over the legal character of the proposed Code, its implementation machinery, and the practices of technological transfer to be reformed still remain to be resolved.

Despite this, progress has been made in the last ten years in understanding the nature of science and technology issues and the process of technological transfer. Whereas it used to be assumed that science and technology, once in existence, would be automatically absorbed into the economic structure, it is now well understood that deliberate efforts have to be made to assure that gains in productivity are drawn from scientific and technological advance.

The most important objective is to generate the autonomous capacity within Latin American nations to manage technology.[11] This requires not only national competence in science and technology but also a broader understanding in the academic community of the overall process of relating science and technology to national development. There has to be a clear perception of national needs and national interests, and all this must be more closely integrated into action in the political realm in the form of development policy. Furthermore, there is a need to generate domestic demand for locally supplied appropriate technology.

The generation of national capacity to deal with science and technology becomes all the more important against a background in which technological gaps within a country may be as large as or larger than technological gaps between countries. It would be exaggerating the potential benefits of the international transfer of technology to claim that such transfers can solve Latin America's development problems. Nevertheless, progress in the transfer of technology, whether in the form of case-by-case arrangements affecting specific countries or in the form of a Code of Conduct for the world as a whole, represents a forward step that the international community should support.

[10] Miguel S. Wionczek, "The Major Unresolved Issues in the Negotiations on the UNCTAD Code of Conduct for the Transfer of Technology", *herein*.

[11] Jorge A. Sábato, "Technical Development in Latin America and the Caribbean", *herein*.

IV

Latin America in the international institutional order

From the foregoing discussion, it seems clear that Latin America has a vital stake in the world economy and in the international institutional system at a variety of levels, and that the international order at these various levels would benefit from an active Latin American role.

Latin America's vital stake in the overall evolution of the world economy in the short term —recovery in the industrialized countries, higher growth in world trade, an orderly evolution of the financial system to accommodate increased debt, a global approach to energy problems— points up the need for a global mechanism to co-ordinate trade, finance and development. The "globality" of the problems and issues themselves and their linkage to one another call for an international forum where these problems can be discussed and dealt with in a more integral fashion. The developing countries are sufficiently involved in these issues to make their inclusion in such a mechanism essential.

While there have been forces at work which have tended to make Latin America's interest somewhat *sui generis* within the developing world, this region has an interest in working within the Group of 77 to retain coherence within the South and in supporting further progress on the North-South dialogue. Latin America has a leadership role to play within the South, and the fact that the North-South discussions and the institutional system that sustains them have come to a stalemate calls for greater efforts to rally the increasingly differentiated South together around a set of common international interests. As Enrique Iglesias put it in his concluding remarks, "the New International Economic Order is not just an aggregation of individual interests but something more". Latin America has a stake in the progress of the international community and in asserting its identity of interest with the rest of the developing world. There is a mutuality of interests within the South that is at least as great as that between North and South. On the other hand, Latin America needs to give greater attention to a strategy for the region within the Group of 77. The South has suffered from lack of organization and strategy in international discussions. Hence, there is a need for more intensive South-South discussions in coming years to clarify common interests and generate coherent strategies.

To play a stronger leadership role within the South, Latin America will have to avoid a crisis of identity as the region becomes more differentiated, ranging from mini-States on the one hand to newly industrializing countries on the other. It is important to Latin America's world role to retain unity and identity in the region, and special efforts will be required to integrate the smaller economies of the Caribbean into the regional economy and discussions.

There are dangers that rich and poor countries will give too much attention to pressing short-run problems and lose a longer-run perspective. The North is preoccupied with the problem of stagflation, while the South is worried about the immediate balance-of-payments outlook, yet there are deeper problems of structure which may be overlooked and hamper the resolution of the short-run problems themselves. Access to markets and the adequate availability and terms of international finance are critical to world economic recovery and to external equilibrium. Latin America's concern for long-run investment and development will have to be asserted in international discussions in order to ensure that sufficient priority is given to this issue.

In addition, there is a tendency in the North to assume that recovery in the industrial countries and reforms in the world economic system that will stimulate such recovery will automatically redound to the benefit of the Third World, so that these results alone will be sufficient. On the other hand, there is a tendency in the South to think that the North should reform the structure of the world economy so that it will benefit the South. Both perspectives are limited by the bounds of self-interest, and neither formulation is sufficient. The North-South dialogue is necessary as a means of seeking global reforms which give global benefits, and adequate institutional machinery is needed in order to stimulate discussions and negotiations so that the common interests of the world community can be perceived and enhanced.

There will be a continuing need to emphasize the efforts required to reduce poverty within the Third World. World recovery creates conditions conducive to the improvement of the living standards of the world's poor, but without specific action directed at reducing poverty at both the national and international levels, poverty will worsen. Proposals that might improve the distribution of income between nations will not necessarily improve the distribution of income within poor countries. There is a tendency for the North to feel that support for development should be conditioned upon internal distribution measures within the South and a tendency in the South to see the North as having an obligation to provide assistance. Neither view is sufficient to articulate the stakes both have in the global community and the responsibilities of each within it. In global discussions, Latin America will have to be particularly assertive in emphasizing concern for the poor within the region, since the world's poorest people are more often perceived as being in Africa and Asia.

Finally, the political problems of bringing divergent perspectives and diverse nations together to discuss and decide on international measures to improve the world economic system are exacerbated by the institutional obsolescence which hinders international dialogue. The institutional machinery is not responding sufficiently to global needs. There is frustration and fatigue, and it seems that reform of the international institutional system must be an integral part of future efforts to achieve reform in the international economic order.

Hence, the 1980s pose a myriad of simultaneous challenges for Latin America and the world at large. A renewed international effort will be required globally, within the South and within Latin America, if the current crisis in the world economy and the prevailing stalemate in the international institutional order are to be overcome and if progress is to be made in long-run development and the improvement of the human condition.

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