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Latin American Economic System (sela) Defines New Policy Objectives For Region

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On Sept. 7-11, Latin American Economic System (SELA) technical and ministerial-level meetings took place at SELA headquarters in Caracas, Venezuela. SELA member-nations number 27. Summarized below are highlights of reports prepared for the conference, policy developments and debate. Sept. 3: According to results of a new study by SELA, positive domestic and external conditions contributed to a healthy inflow of financial resources to the region last year. Argentina, Brazil, Chile, Mexico, and Venezuela attracted a combined total of US$41.272 billion. Among contributing factors for the increased capital flow were substantial growth of regional stock exchanges, accelerated privatization of public enterprises in most countries, and the restructuring of bilateral debt with the US by some nations under the so-called Brady Plan. In addition, a reduction in foreign interest rates (principally in the US) combined with lucrative bonds issued by some governments encouraged capital repatriation. Nevertheless, SELA warned that these positive tendencies may be temporary. A sharp decline in savings in the advanced industrialized nations is now aggravated by investment needs in other parts of the world, foreshadowing a chronic lack of resources for Latin America and the Caribbean in the near future. Next, economic recovery in Western Europe and the US will require costly investment in new technologies, draining already scarce resources. SELA points out that the most beneficial scenario for Latin America would be continued recession in the US and Europe, i.e., short-term diversion of investment resources to Latin America. Sept. 7: In a speech, Venezuelan Foreign Minister Fernando Ochoa Antich emphasized the region's economic problems, and the fact that over 200 million people live in poverty. Given the interdependency of the world economy, Ochoa warned that "transparency and justice" in trade relations are essential for economic progress. At the opening session of the technical meetings, SELA head Salvador Arriola summarized organizational policy objectives for the immediate future as follows: * SELA must adapt with greater flexibility to changing international conditions. In particular, the organization should strive to expand cooperation with legislatures, private sector organizations and universities, as well as member- nation executive branches. Closer collaboration and coordination with other regional organizations was described as essential to avoid duplication of effort. * SELA should continue to study ways to expand and improve trade relations between the US and Latin American and Caribbean countries, with special attention to implementing President George Bush's proposal for creating a hemispheric free trade zone. * SELA should work to expand economic relations with the European Economic Community (EEC), especially through promoting investment by companies headquartered in EEC member- nations, technological assistance and development aid, and new markets for Latin American exports. At the same time, SELA will closely follow economic and political developments in Central and Eastern Europe to explore trade opportunities for Latin America. * In addition to strengthening relations with Japan, SELA should also seek to expand links with other Asian countries in the Pacific Basin. * SELA is committed to promoting environmental protection via the design of strategies which incorporate environmental concerns into trade and economic development programs. * SELA will prioritize all integrationist initiatives between Latin America and other regions as well as among Latin and Caribbean countries.
themselves by assisting in the establishment of customs unions and free trade zones. * SELA must draw up new methods to attract more foreign aid and investment to the region. * Finally, SELA will develop programs to incorporate new technologies in all regional industrialization processes, working closely with private sector associations and chambers of commerce. Next, SELA plans to coordinate special science and technology forums, while promoting policies for protection of intellectual property rights. SELA will collaborate, for example, in preparations for the 1995 "World Forum on Social Development" proposed by Chilean President Patricio Aylwin. Sept. 9: A report by the SELA permanent secretariat indicated that the region's combined foreign debt declined from US$431.091 billion in 1990 to US$429.174 billion in 1991. The major contributor to the decline was Washington's decision to pardon outstanding debt owed by Bolivia, Chile, Guyana, Haiti, Honduras, Jamaica and Nicaragua. The appreciation of the US dollar vis-a-vis certain European currencies also benefited Latin American debtors. In addition, several governments negotiated debt reduction plans. For instance, the Chilean debt was cut by 8%. The figure for both Argentina and Bolivia was 6%. At year-end 1991, interest arrears on the foreign debt for the region as a whole totaled US$25 billion. In a few cases, Latin American governments' foreign debt increased. Venezuela, for instance, issued bonds on foreign stock exchanges. Outstanding debt held by Mexico, Peru and Ecuador increased by 3%, 6.6%, and 2.1%, respectively. Brazil, Argentina, Mexico, and Venezuela account for US$317.7 billion or 74% of the region's total foreign debt. SELA also reported a US$7 billion positive net capital transfer for the region last year, the first such positive figure since 1981. In 1990, the capital flow was a negative US$16 billion. In another report, SELA analyzed investment prospects in Cuba aimed at reinforcing economic cooperation with the rest of Latin America. Cuban trade and tourism enterprises were described as the most promising prospects for Latin American investors. Sept. 11: Chile proposed an overhaul of SELA objectives and programs to conform with Latin America's changing economic agenda. Chilean officials asserted that SELA's principal focus should be support for regional common market and customs union initiatives. Sept. 12: Selected final resolutions approved by participating ministers are summarized below. * An "energetic call" for the successful, rapid conclusion of Uruguay Round negotiations. SELA warned that failure of the General Agreement on Tariffs and Trade (GATT) talks would encourage a return to unilateral decisions, bilateral trade accords, and protectionist tendencies. SELA particularly condemned advanced industrialized nations' inflexible positions, especially a recent decision by Washington to increase wheat export subsidies. * Agreement to organize a SELA ministerial-level meeting to focus on foreign debt issues and problems. * SELA will concentrate on reinforcing trade relations with the EEC, Japan, Southeast Asia, Eastern Europe, and Canada, with special attention to developing closer ties among governments and private sector associations. * An appeal for greater economic cooperation with Nicaragua. SELA also requested that the US Congress reverse a decision on freezing aid to the Central American nation. * Finally, a call for expanded international cooperation to resolve political problems in Haiti, plus a mandate for SELA's permanent secretariat to prepare economic development proposals for that country. (Sources: Agence France-Presse, 09/03/92, 09/08-12/92; Radio Havana Cuba, Spanish news service EFE, 09/08-12/92)