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Regional Economists: Growth Possible, but Unlikely Under Existing Conditions

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On Sept. 25 in Buenos Aires, a joint communique signed by five noted Latin American economists stated that economic growth in the region "is possible, but extremely unlikely," if orthodox policies such as those espoused by the International Monetary Fund continue to depress domestic investment levels and hinder technological development.

Participants in a seminar sponsored by the Raul Prebisch Foundation, the economists who issued the communique were Aldo Ferrer, president of the Bank of Buenos Aires Province; Armando di Filippo, UN Economic Commission for Latin America and the Caribbean (ECLAC); Germanico Salgado, former Ecuadoran minister of industry; Ricardo Cibotti, coordinator of Argentina's technical assistance program for public sector administration; and Victor Urquidi, president of El Colegio de Mexico and member of the Club of Rome.

According to Cibotti, growth in the region will take place only after the "path of development" has been redefined. This redefinition would involve lower interest rates on the foreign debt, and elaboration of development plans taking into account the "technological component" and greater long-term effectiveness. Di Filippo described how trends in international commodity and capital markets effectively stymied the regional economic integration process.

Latin American trade integration efforts, he said, have produced few positive results due to high interest rates on external loans, economic recession, and foreign debt service burdens. He added that other factors limiting the potential of integration were declining terms of trade, and capital flight "largely to the United States."

In the midst of world recession, said di Filippo, Latin American governments were forced to make economic "adjustments," e.g., export expansion to meet debt service obligations. This emphasis on export growth, he said, led to oversupply of certain commodities on the world market, producing in turn declining prices for raw materials and other Latin American exports.

Salgado declared that the existing international monetary system has produced great instability and high levels of protectionism. As an indicator of this fundamental disequilibrium, he pointed out that in recent years capital movements in the world economy have surpassed those of goods by a factor of 10 to 25. According to Urquidi, since the beginning of the debt crisis in 1982, the World Bank and the IMF have lost a great deal of influence over the world finance system.

Next, Urquidi mentioned that since 1982 debt service payments account for an average 36% of Latin American countries' annual export revenues. A major consequence of this, he said, was the depletion of resources for purchasing imports employed in domestic production, affecting the trade
balances of both developing and rich industrial nations. The Mexican economist stated that a viable solution to such problems could be debt service payments in the debtor nation's local currency. This alternative, he added, is presently under consideration by debtors and creditors. (Basic data from Argentine news agency, DYN, 09/25/87)

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