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Latin America, facing contradictions and hopes

Nicole Rosensohn and Bertrand Schneider

Translation: Ann Johnston



The various countries of Latin America share in a different way a multitude of contradictions and hopes. This book aims to offer a greater understanding of the present-day situation of this continent, often ignored or insufficiently known. The publication of this work aims to stimulate a process of joint reflection with Latin American leaders. This will constitute a first step towards an initiative orientated towards the sharing of ideas and opinions, not only political or economic but also social, cultural and religious. With this objective, the Club of Rome, in collaboration with the BBV Foundation, is presenting the subject of "*Latin America, Facing Contradictions and Hopes*" in order that it should serve as a base for the establishment of an indispensable dialogue which could become of great significance.

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We would like to express our special gratitude to:

7

His Excellency Luis Alberto Lacalle, President of Uruguay.

His Royal Highness Prince of Asturias, Don Felipe de Borbón y Grecia.

His Excellency Hector Gros Espiel, Minister of External Affairs of Uruguay.

Among its distinguished contributors were the following:

Ibrahim H. Abdel Rahman (Egypt); Jawad Anani (Jordan); Belisario Betancur, former President of Colombia; Gabriel Betancur (Colombia); Hans Blauwkuip (The Netherlands); André Danzin (France); Ricardo Díez-Hochleitner (Spain); Peggy Dulany (U.S.A.); Pedro Duran Farell (Spain); John Fobes (U.S.A.); Marcio Fortes (Brazil); Francisco J. Garza (Mexico); Orio Giardini (Italy); Jacques Ginesta (Brazil); Daniel Goeudevert (France); Azeddine Guessous (Morocco); John Harris (U.S.A.); Carl-Göran Heden (Sweden); Hiroyuki Hisamizu (Japan); Enrique Iglesias (U.S.A.); Helio Jaguaribe de Mattos (Brazil); Anthony Judge (Belgium); Carlos Jung (Uruguay); Alexander King (United Kingdom); Ranjit Kumar (Canada); Ervin Laszlo (Italy); Martin Lees (United Kingdom); Brian Locke (United Kingdom); Pentti Malaska (Finland); Mircea Malitza (Rumania); Carlos Mallmann (Argentina); Enrique Martín del Campo (Uruguay); Manfred Max-Neef (Chile); Dennis Meadows (U.S.A.); Mihajlo Mesarovic (U.S.A.); Donald N. Michael (U.S.A.); Jesús Moneo (Spain); Paulo C. Moura (Brazil); Jozef Pajestka (Poland); Roberto Peccei (U.S.A.); Pierre Piganiol (France); Lilia O. Ramos (Philippines); Vadim Sadovsky (Russia); Zdzislaw Sadowski (Poland); Germanico Salgado (Ecuador); Ivo Slaus (Croatia); John Stokes (Australia); Kazuo Takahashi (Japan); Hugo Thiemann (Switzerland).

PROLOGUES

The cooperation agreement signed with the Chairman of the BBV Foundation, Mr José Ángel Sánchez Asiaín, in May 1991, has permitted us to bring together in this volume, the essence of the work, papers and debates in which the Club of Rome has recently participated in Ibero-America, and more specifically, as a result of the Conference which took place in Punta del Este in November 1991, within the series which has until now been dedicated to Africa, Asia and Europe in successive years.

As concerns the Conference in Punta del Este, the subject dealt with was, once again, world problems, with particular reference to reality and prospects for Latin America in the medium term. This included the contribution of what at that time was the recently published report of the Council of the Club of Rome ("The first global revolution") and also the progress being made by one of the main authors on the then still unpublished manuscript of "Beyond the limits of growth".

The intellectual contribution made by the President of the Western Republic of Uruguay, Dr Luis Alberto Lacalle, and the generous sponsorship of his government, as well as the co-operation of the Institute of Ibero-American Co-operation of Spain and UNIDO, enhanced the conference in a particularly important way. For His part, the active participation throughout the conference of HRH the Prince of Asturias, who gave His account of and inspiration towards facing the future, was particularly meaningful for the Conference which is about to embark upon the celebration of its Five-Hundredth Anniversary.

Lastly and by way of grand conclusion, it should be emphasised that the Conference gave rise to the text for a project aiming at complementing the Universal Declaration of Human Rights with a Declaration of Human responsibilities with respect to future generations and to the biosphere.

Ricardo Díez Hochleitner
Chairman of the Club of Rome

For the BBV Foundation, which gives priority among its objectives to the creation of frameworks of rigorous, pluralist, integrating thought on the most important problems of our society, it is a clear privilege to collaborate with the "Club of Rome", in the structuring and development of its projects.

Our Foundation has also been especially privileged in collaborating in the work of the Conference in Punta del Este which Nicole Rosensohn and Bertrand Schneider have taken as the basis for their report.

Due to the historical factors that unite us with this critical part of the world and its permanent collaboration and empathy with these sister countries, the BBV Group has always felt committed to their problems, anxieties, responsibilities and hopes.

May this book help those who have undertaken to promote and adopt decisions to gain a better understanding of the prospects and commitments facing the countries in this region of America, which are so dear to us, but so often and in so many ways also unknown.

José Ángel Sánchez Asiaín
President of the BBV Foundation

INTRODUCTION

For the last quarter of a century, together or as individual members, the Club of Rome has constantly drawn the world's attention to the problems of humankind. Year after year, Conference after Conference, report after report, these problems have been discussed exhaustively, "dissected" and studied from every angle. But the problems are so intertwined, nations have become so interdependent, that whatever approach is adopted, the whole problematique must be examined.

During a Conference held in Montevideo and Punta del Este (Uruguay) from 18-20 November 1991, the Club of Rome examined how the various aspects of this problematique affected Latin America, and also what were the special characteristics of the region. These deliberations gave rise to some conclusions as regards the paths open to Latin America and the priorities it should consider.

In their opening speeches to the Conference, Mr. Alberto Luis Lacalle, President of the Republic of Uruguay, Mr. Ricardo Diez-Hochleitner, President of the Club of Rome, and the Prince of the Asturias, don Felipe de Borbón y Grecia stressed that the development of Latin America, like that of the rest of the world, could only be achieved if certain overriding principles were respected.

The Prince of the Asturias emphasized the fact that the "stubborn" inequalities remaining between human beings could be overcome only, in our complex and uncertain world, if there were greater co-operation at every level and also a return to ethical values.

"The world, which has been divided and set against itself for centuries, is beginning to change and gives great cause for renewed hope, despite the enormous suffering and the damage resulting from the selfishness of many people. It is reassuring to note that, thanks to the good in the men and women who make up long-suffering humanity, extraordinary progress has been made with regard to cultural, scientific and material matters. This progress has brought with it greater freedom, justice and well-being, but the level is still inadequate and above all in inequitably distributed.

For hopes to become realities, it is both urgent and indispensable to strengthen co-operation among all peoples, starting with greater integration within communities, without impediments, in order to harmonize and build on the complementary diversity of the people of our planet.

Whether we are from the American or the European continent, we must have a sense of solidarity in a world without cultural or economic domination, as integral

members of a universal civilization, created out of the best in the history of all the peoples of every part of the Earth.

The world in which we must live is undoubtedly complex and full of uncertainties, but it is nevertheless a wonderful place and is worth making even more pleasant and liveable. Consequently, we have, I believe, a duty to endow it with the optimism of a life enriched by freedom, responsibility and the exercise of ethical and moral values, qualities which ought to be the apantage of young people today."

Ethical values were also given an important place by Mr. Ricardo Diez-Hochleitner, who set them in the wider context of education. He stressed, too, the contradictions in our world, and recalled that time is also an ethical value when it comes to dealing with problems.

"The 20th century has been paradoxical and extraordinary: on the one hand, for example, there has been headlong population growth, the terrifying destructive force of wars, the unending increase in the numbers of poor and marginalized; while on the other, there has been enormous success in a whole range of technical fields, and equally remarkable progress in freedom, democracy, human rights, education and culture.

At the same time that our cultural wealth is undoubtedly growing, there persists a shameful absence of solidarity, as well as conflicts, intolerance and discrimination. In addition, the pillage of resources and the pollution of the biosphere endanger not merely the development, but the very survival of living species, including human beings, both the cause and the victim of the sum of so much selfish behaviour.

The world has never before had so much information at its disposal, the means of communication have never been so ample and so rapid, allowing experiences to be compared and knowledge increased.

But nor has there ever been such obvious pride and such obstinate refusal (exacerbated by the rise of fanaticism and fundamentalism) to recognize that truth is almost always relative, and that to attain greater wisdom, we should select better and higher criteria in guiding our knowledge and activities, in order to be able to make an impact on the forces with political and economic power.

Free market economics, which is so fashionable nowadays, achieves very obvious gains for enterprise creation and economic development in the short term, but the

strict application of its techniques does nothing to resolve the extremely serious global problems that affect the whole world, such as the problems of energy or the environment which require a long-term vision and strategy.

Sustainable development implies that we should no longer satisfy the needs of the few at the expense of the majority of individuals and peoples. Economic growth henceforth means expanding proportionately the physical inputs and the energy required, while at the same time improving our knowledge of its impact on the environment and the climate.

Several years ago now, the Club of Rome proposed that there should be an Environmental Security Council as part of the United Nations, accompanied by a World Compensation Fund which could forestall the suicidal confrontation between humankind and the biosphere which seems to be gradually taking the place of fratricidal wars between people.

The many promising developments in the field of détente and disarmament, largely brought about for economic reasons —pledges of material and moral 'reconstruction' of a world tainted by hate and the thirst for power— may make it possible to find the money needed for productive investment in world trade and agriculture, thus consolidating the reconstruction.

We now have the most marvellous opportunity in human history to extend economic, technological and cultural wealth to all the men and women on Earth. Yet our only real tool for doing this is education, or more precisely training, with appropriate teaching and learning to enable problems to be tackled at their roots; to be aware of the dignity, the rights and the duties of every man and every woman.

This response cannot be achieved merely by expanding or improving the existing educational systems through projects and reforms. The educational revolution of the 21st century means that we must tackle first and foremost the mismatch between our current educational systems and the demand for people who are responsible but also better educated, trained to create wealth and a democratic society.

This simple reality can be the starting-point for a new vision and for new aims, contents, and methods of teaching that make the link between arts, sciences and technology so as to generate sustainable development. It is not a matter of merely providing more education, which

would simply conserve the existing system, but instead of making a tremendous effort to create a totally innovative system geared to achieve ambitious social and economic results.

Above all, we need an education that teaches everyone what it is to work steadily and responsibly within a team, that offers an interdisciplinary syllabus that strengthens democratic participation and cultural and racial tolerance. We need an education that trains minds with discernment, upholds ethical and moral values, consciously accepted, and that instils an awareness of the appalling moral degradation that comes from dependency on drugs. We need an education that prepares people to cope with constant and rapid change, and that contributes to finding solutions for individuals and communities."

For President Lacalle, regional co-operation is one of the instruments of development in our world, where a shared awareness is beginning to emerge, encouraged by modern techniques of communication:

"The examples given by the Association of South-East Asian Nations, or those in North America, Mercosur or the Andean Pact, or the European Community, show us that we are no longer looking at an exception, but at the rule. Anyone who likes to think in terms of categories, there is now an intermediate stage between the nation and the world, which is the 'assemblage' of nations, which for very valid motives (since the same phenomenon is found throughout the world) decide to pool their efforts in order to strengthen their economies.

The current local conflicts are forcing us to rethink the whole concept of military strategy, until now conceived in terms of two opposing blocs and with the threat of total destruction of the planet.

We are now faced with new kinds of international relationships, good and bad, that are requiring us to reformulate the concept of the nation, or at the very least encourages us to reconsider the role of nations. The internationalization of sport, one of the mainsprings of social life in the world; the internationalization of communications, which allows us to follow wars in real time through the reporters in the battle fields; the internationalization of a collective consciousness generated by the major tragedies that require a response regardless of frontiers, consistent with a true international code of ethics; all these factors suggest that there are ways of combatting the great international plagues of terrorism, drugs and pollution, that affect the whole community.

We are not yet in the presence of a new world order, but we are seeing the beginnings of the process of building that order. The new world order will not be achieved through the old methods, through old-style treaties that are perhaps one of the greatest obstacles to international action."

Mr. Belisario Betancur, the former President of Colombia, spoke of one of the current international concerns, Latin America:

"In geopolitical terms today, Latin America has good reason to demand a voice in the running of the world, because it is now clearer than ever before that it is essential for the survival of the planet to take into consideration the unique biological concentration represented by the tropical rainforest. Conserving these reserves of life constitutes one of the highest priorities for the governance of the world now and in the future. The industrialized countries must respect and value this planetary asset."

The following report is based on the papers and proceedings of the Buenos Aires (Argentina) preliminary workshop and The Club of Rome Conference held at Punta del Este in November 1991. In addition, it draws on a wide variety of sources listed in the Appendix. It is not intended to be an exhaustive treatment—in any case, Latin America is understood here to cover the principal Spanish—and Portuguese—speaking countries—but rather a tool to increase knowledge, to stimulate debate and to suggest possible priorities.

Latin America: just two words to designate an area of more than 20 million square kilometers with almost 450 million inhabitants; two words that in fact cover a multitude of quite disparate geographical, historical, cultural, economic, and political realities. After having been united by the same sweep of European conquest, shared the same "historical misfortune", and after having provided the wealth of their conquerors for three hundred years, the peoples of the regions, from Mexico to Tierra del Fuego, one after the other, freed themselves of colonial rule in the space of just under 20 years.

Whether Spanish or Portuguese, the colonial yoke was thrown off everywhere at about the same time, independence in one country leading inexorably to independence in the rest, as happened later in Africa. Both Latin America and Africa were able to find a similar strength within themselves to achieve their freedom.

But have they managed to free themselves completely? It would appear that, even if the links with the European rulers were indeed severed at that time, the new governing class preserved the social system, the hierarchical and stratified so-

22 ciety, that they had inherited from the colonial period in order to serve their own interests.

When they gained independence, the countries of Latin America were not real nations, but rather a series of regional entities with an economy based on partly self-sufficient agriculture. It was by no means easy to turn these entities—most of them with a very mixed population made up of descendants of the Indian survivors of the Conquest, of slaves brought in from Africa, and of immigrants from a wide range of European countries—into true nations.

Now, after 180 years in which each of the countries that achieved independence has written its own history, it is possible to try to discern what unites or distinguishes them, to assess the strengths and weaknesses of the subcontinent vis-à-vis the international community as it engages in a struggle which will determine the fate of humankind. In its last report, "The First Global Revolution" (1), The Club of Rome stressed what is currently at stake: "Never in the course of history has humankind been faced with so many threats and dangers... the most important are: inequitable economic growth, governance and the capacity to govern, global food security and water availability, environment and energy, population growth and migrations, the upheaval of world geostrategic facts. All these factors are interdependent, interactive and constitute what it has henceforth been agreed to call 'the world problematique'."

A DIFFICULT TRANSITION

Almost the whole of Latin America is going through a similar difficult political but also economic transformation.

The end of the dictatorships has not meant that countries have been able to avoid bureaucracy, corruption, economic collapse, terrorism or drug trafficking. Nor has it introduced a truly democratic way of life, or brought closer together different sections of the population which in some countries live according to a feudal model, perpetuating internally the old colonial traditions that were once imposed from outside.

We start by looking at some aspects of this difficult situation. We then discuss the great assets as regards real development that Latin America nevertheless has and is putting to use.

The ups and downs of economic growth

The World Bank classifies countries into four categories based on per capital GNP : low income; lower middle income; upper middle income; high income.

According to this classification, the only Latin American country to fall in the first category is Honduras, with per capita GNP of \$590.

Most of the other countries are classed in the second category, ranging from \$630 in Bolivia to \$1940 in Chile. Four countries belong in the third category: ranging from Mexico with \$2490 to Brazil with \$2680. None ranks in the top category, where the lowest per capita GNP is four times that of Brazil.

These figures indicate that economic development in the region is roughly at a similar level, despite the obvious differences in resources and in many other factors. The same causes lead to the same effects, so that it is likely that all the countries suffer similarly on account of the way they approach the problems, as well as the serious structural imbalances that they have all inherited from their shared past.

From prosperity to economic decline

During the first 80 years of our century, in comparisons of the annual growth rates of the different regions of the world, Latin America appears at the top (Latin America has grown something like 3.8 % during the past century, compared with 3.2 % for Asia and 3.3 % for the Soviet Union). The situation was not too bad during much of the century in the region, but deteriorated very significantly in the last decade, in contrast to the promise of the previous one.

Until "development" began, the economies and societies of

26 Latin America were dependent on the style of the nineteenth century, expected to be the source of important raw materials and basic products to feed the manufacturing plants and the consumer households of the growing industrial countries of the Northern Hemisphere. The depression of the 1930s—preceded in many Latin American countries by a succession of trade, financial and foreign exchange crises and by abrupt political changes and revolution—put an end to those means of raising growth capital.

However, events turned out to be more promising for Latin America's external sector than had been foreseen. Expansion in the 1950s, with European recovery on track, increased the demand for many basic goods produced in Latin America. Some of the capital allocated to European countries via the Marshall Fund, which was allowed to be spent off-shore, found its way to Latin America.

From the 1950s to the 1980s, it had become clear to many observers, and especially to the ECLA * Secretariat, that most countries in the region faced serious structural problems, connected with education, land tenure, lack of transport infrastructure, rural poverty and the like.

Development efforts had not been sufficient to break the rigidities, to enlarge the market economy and to ensure industrial efficiency. Some countries began to export quite small amounts of manufactured goods, but economic and trade policies looked mostly inward, and ultraprotectionism became popular; it created employment for the growing labor force without much attention having to be paid to the ultimate cost.

On the whole, the 1960s showed GDP growth on the order of 5.5 % annually and significant gains were achieved in per-capita income, as well as education, health, rural conditions and urban infrastructures.

The prosperity of the 1960s resulted in a papering over of many still unresolved fundamental problems.

The 1970s, with acute instability in the world economy, intensified by the oil shocks and the resulting recycling of financial resources, served only to highlight those problems.

The external debt crisis exploded in 1982, revealing, among other things, the basic structural problems of Latin American development which had been covered up by easy access to external financing. As countries engaged in short-term adjustments and financial restructuring to try to meet external debt obligations and control inflation, the economies began to decline in real terms.

* Economic Commission for Latin America.

In 1990, for the third year running, the output of the region fell, and as a result the level of production per capita decreased to the 1983 figure, after the foreign debt crisis became acute, which in its turn was the same level that the Region already reached in 1977.

ECLA estimated that overall during the 1980s per capita output declined by 8 %.

However, the lack of growth in Latin America in the last ten years has not been unique. Three regions of the developing world (Latin America, Africa and Western Asia) experienced a fall in per capita output from 1980 to 1990. If we also consider Eastern Europe and the Soviet Union which have suffered a major recent decline, we would find that 30 % of the planet's inhabitants have seen a reduction in GNP per head. This has been without a doubt the worst decade for poor developing countries since the 1950s.

In economic terms, Latin America's own war on poverty, waged during the preceding thirty years, was lost during the 1980s. Declining GDP per capita, increasing internal inequalities, higher rates of unemployment and underemployment, stagnant total exports, excessive external debt service, and a large transfer abroad of real resources equivalent to more than one-third of domestic savings, constitute, taken as a whole, a complex set of steps backward. ECLA has designated the 1980s as the "lost decade".

Not all was lost, nor was the loss the same in every country. But it is arguable that, judging by today's standards, Latin America on the whole has not made a great success of its development policies.

The Latin American countries, for the most part, are depicted as having followed erroneous inward-looking industrialization policies in the past, thus creating inefficient, non-competitive manufacturing industry; as having allowed the public sector to grow excessively beyond its true function and thus imposing an undue economic burden on society through subsidies, inefficiency and corruption; and as having indulged, for a number of both internal and external reasons, in vastly increased external borrowing under onerous terms, without adequate evaluation of programmes and projects, nor of capacity to earn foreign exchange from which to service the loans. All of this has been accompanied by inconsistent development programmes, poor short-term economic and financial management, and above all, exchange rate policies that created incentives for capital flight.

**WHAT IS THE SITUATION
OF LATIN AMERICAN
COUNTRIES, NOW?**

In order to get an overall impression of the situation, we have examined the most recent statistics which show the position of the region in general as regards certain important economic and social indicators: the present level of per capita GNP and the growth of domestic product, inflation, the variation in savings rates, the external debt and the cost of servicing it, the quantity and nature of imports and exports, the volume of aid, the size and breakdown of national budgets.

We then analysed how some of these factors affected each of the countries in the region.

The debt problem

Of course, the external debt was not the only problem facing Latin American economies at the beginning of the 1980s, but it was the most acute and brought with it the most unfortunate consequences.

How the debt arose

The debt was incurred in a variety of ways. Some countries, for example, chose to borrow in order to carry out major projects or to finance their public sector deficit.

Then there were the oil shocks of 1973 and 1979, which had consequences of two kinds. The first was to force oil-importing countries to run up debts in order to maintain their supply of oil. The second was that the enormous sums earned by some of the oil-exporting countries as a result of the increase in petroleum prices were in search of lucrative investment possibilities. The big international banks found placements for these funds, especially in Latin America, where countries were offered tempting loans.

It should not be forgotten either that the social system of many of these countries also contributed to swell the debt: some of the loans benefited only the middle and upper classes, the money merely passing through Latin America before being placed in Europe or the United States. Other loans financed useless or unprofitable schemes and encouraged corruption.

“A populist State, a bourgeoisie involved in financial speculation, excessive demands from already well-off urban consumers everything conspired to squander the resources flowing in from abroad, until the rises in interest rates and the worsening of the terms of trade led to a catastrophe that had in any case become inevitable because of the thoughtless expenditures and the massive flight of capital” (Professor Alain Touraine).

32 Finally, mention must be made of the steady rise in interest rates, which added substantially to the debt burden and forced countries to fall ever deeper into debt in order to pay the interest on it. At least a third of the current debt was accumulated as a result of a ruinous rise in real interest rates in the U.S. between 1979 and 1983.

The extent and rapid expansion of external indebtedness, which rose tenfold from 1970 to 1980, was too great to be absorbed and contributed to inflationary pressures and to balance of payments disequilibria. By the early 1980s the damage was done and it was difficult, if not impossible, for most of the Latin American economies to maintain their rates of domestic investment and economic growth.

The problem of the debts of developing countries did not make the headlines until Mexico brought it to public attention by suspending payment of the interest due on its debt. This decision caused great commotion because of fears that Mexico's example would be followed by other debtor nations—there was even talk of a cartel of debtors—and this threatened to lead to disaster by undermining the stability of the international financial system.

Today the industrialized countries have learned how to manage the problems relating to the debt. The commercial banks have established adequate reserves to cover possible losses.

The debt no longer threatens the financial world, although it has grown substantially since the storms of 1982.

US\$ 23 million in 1970, US\$ 223 in 1980, US\$ 432 million today. This monstrous foreign debt, despite massive annual interest payments, continues to grow, despite also the renegotiations undertaken by several countries, which many of them have allowed to reduce their debt under the terms of the Brady Plan.

Before the Brady Plan there was the Baker Plan, which aimed above all to ensure that debtor countries did not avoid paying what they owed. The Brady Plan, by contrast, tries to reduce the debt and not simply manage it.

The Brady Plan, which has been applied to the case of various countries after laborious negotiations, has not led to a major reduction in the debt.

The Plan was launched in March 1989 but was not put into effect until 1990. It sets up a framework for cooperation between debtor nations (which have undertaken a plausible policy of restructuring) and individual state or multilateral creditors, with the aim of implementing programmes to reduce the amount or the interest burden of the debt and to increase

the flows of new funds. These efforts are backed by guarantees financed by the creditor nations, the IMF and the World Bank. In each case, an agreement must be reached with the banks providing the funds, a process that can take a long time.

In 1990, four Latin American countries reached such agreements. On 15 February, Mexico received US\$ 6.4 billion of new finance, swapped \$19.7 billion for State bonds backed by American Treasury bonds at a discount of 35 % (thus removing almost \$7 billion from the total debt of about \$70 billion). Mexico also swapped \$22.8 billion of the debt for State bonds issued at the fixed rate of 6.25 %.

On 6 May, Costa Rica renegotiated about 60 % of its debt at a discount of 16 %.

On 21 August, Venezuela renegotiated \$1.4 billion of its debt, part of it swapped for fixed-interest bonds, thus reducing the risk of increases in interest rates as well as the repayments to be made to the banks. New loans were also made available.

Uruguay made an arrangement similar to that of Venezuela towards the end of the year.

Other candidates are hoping to be accepted as eligible: Argentina, Bolivia and Ecuador.

Although it has been useful, the effect of the Brady Plan has been an effect of very minor significance and the savings in the interest payments is minimal. ECLA estimates that, for example, in the Mexican and Venezuelan agreement the reduction in the service of interest is only 10 % of what was originally programmed.

So, there is a little hope that the renegotiating process under present conditions will lead to important debt relief. One possibility is that the new bonds for which the renegotiated debt has been exchanged will be sold at substantial discounts in the secondary markets and the debtor countries will then be able to afford to redeem them. But the more prosperous the debtor, the lower the discount, which also suggests that this will not be the way to find rational solutions to the debt problem.

Borrowing from Peter to pay Paul

One problem that has not had the attention it deserves is that of the multilateral debts, incurred with the IMF, the World Bank or the Inter-American Development Bank. During the 1980s, these institutions made loans which the recipient countries used largely to pay off their debts to the commercial banks. While these debts fell (they made up more than 60 %

34 of the debt in 1982 and now represent less than half the total debt), loans from public sources tripled.

The Brady Plan should be strengthened and extended to cover the debts with public institutions as well. The strategy of the Paris Club should also be applied more widely, and should cancel a major part of the debt of some Latin American countries as has already been done for Poland and Egypt.

Other bilateral agreements should also be reached along similar lines to those made by the United States, cancelling between 20 and 25 % of countries such as Honduras, Nicaragua, Jamaica and Guyana.

The total external debt burden, as a percentage of GNP, for each country is shown in Table I.

Table I shows that Brazil is the only country to have reduced its debt burden as a percentage of its GNP in the course of the decade (even if in absolute terms it is still one of the most heavily indebted nations), whereas the debt of the rest has increased. The growth has been relatively modest in Bolivia, Peru and Costa Rica, but it has been far more substantial everywhere else, and in some cases the debt as a proportion of GNP has more than doubled.

In all cases, the large size of the debt is obvious; in Bolivia, Honduras, Ecuador and Panama, the debt is as large or larger than the GNP.

Table I. External debt burden, as a percentage of GNP

	1980	1990
Honduras	61.5	140.9
Bolivia	93.3	100.9
Dom. rep.	31.5	63.3
Guatemala	14.9	37.5
Ecuador	53.8	120.6
El Salvador	25.9	40.4
Paraguay	20.7	40.5
Peru	51.0	58.7
Colombia	20.9	44.5
Panama	92.3	154.7
Costa Rica	59.5	69.9
Chile	45.2	73.5
Argentina	48.4	61.7
Nicaragua		112.1
Mexico	30.5	42.1
Venezuela	42.1	71.0
Uruguay	17.0	49.3
Brazil	31.2	25.1

Judging by the characteristics of the immediate future, the most conflict-ridden situations and perhaps the most difficult ones, will be in the countries of the region that are heavily indebted. Amongst them are big countries like Brazil and Argentina and small in population and territory like Ecuador. For the time being, states that have renegotiated their debts according to traditional procedures or have relied on the Brady Plan, will be the least harassed. Nothing prevents the problem in these cases from reappearing because with the exception of Costa Rica, the relief obtained has been small and in general the debt had to start to increase again to satisfy balance of payments requirements. But it is conceivable that these countries will benefit from a waiting period of a few years. The major pressures will fall on the other heavily indebted countries, which will face a period of relatively high interest rates and will have to compete to obtain financial resources. For everyone, but specially for them, the judgement made by the U.N. 1991 World Economic Survey is valid when it comments on the prevailing financial atmosphere to renegotiate the debt: "Highly indebted countries may carry their debt burden for another decade" - and it is worth adding, if internal and external conditions tolerate it.

Servicing the debt

According to the World Bank, the countries with the largest debts, the poorest nations, paid only 40 % of the interest charges on their debt in 1989 (\$3.2 billion instead of \$8.5 billion). The current programmes to reduce the interest charges would bring the total down to \$7.5 billion, which is still well above what these countries pay in practice.

Given this situation, new proposals were made in 1990. One suggestion was to cancel the whole of the public bilateral debts of the poorest debtor nations, on condition that they put in place appropriate economic policies. Another was to make the terms of the Toronto Agreement more flexible (rescheduling the debt under very favorable conditions, with the possibility of cancelling one-third of it).

There is no unanimity internationally as to the best way to deal with these problems. Some are afraid that straightforward cancellation of the debt will be taken to be right. On the other hand, it is recognized that a reasonable scaling down of the debt would allow the debtor nations to achieve healthier economies.

"If we did not have to pay 40 billion dollars or whatever of the interest on our external debt or not all of it, because we are paying a real rate of interest which is very high; if we could save 20 billion of that, pay the normal historical real

36 rate of interest, we would have 20 billion dollars more money available to pay for imports, for budgets and so on. But as long as the World Community says, 'you have to pay', we are paying."

Latin America's attitude today with regard to these issues has been to shoulder the responsibility for this situation and the major efforts to correct it. Some words have dropped out of Latin American vocabulary, such as repudiation, or non-payment of debt. Latin America has paid the interest charges, rescheduled the debt, although a few countries are not yet at the stage of negotiations. There was in general a very responsible attitude towards the problem. The fact that Latin America never failed to face its commitments is, in historical terms highly respectable in terms of its relations with the international community.

As ECLA has clearly shown, the 1983-1990 period has been one of virtually zero growth of GDP, with persistence of a high external debt burden so that 25 to 30 % of foreign exchange earnings merely go to pay interest charges. These orders of magnitude have prevailed even after the Baker and Brady initiatives and their limited application, plus the efforts of certain countries to reduce their debt through swaps and various other alternatives—as we saw above—taking advantage of the lower debt-asset values in the secondary markets.

Overall, the annual debt service equals 26 % of the whole of Latin America's exports, but there are great variations between countries in this regard.

Interest charges as a percentage of foreign exchange earnings from the export of goods and services are shown in Table 2.

It is clear that, while virtually every country has become more heavily indebted during the last decade, for a fair number often, their debt service has been partly offset by increased exports.

Exports

Latin America has to maintain a balance of trade surplus in order to cope with the debt. The results are impressive: in the course of the last ten years, the region has transformed a deficit of \$2 billion into a surplus of \$30 billion. In the first five years, the improvement came largely from lower imports, but afterwards the gains were achieved through higher exports.

The countries of Latin America must keep expanding their exports in order to keep pace with their commitments. But what should they export?

Table 2. Total debt charges

	1980	1990
Honduras	21.4	40.0
Bolivia	35.0	39.8
Dominican Rep.	25.3	10.3
Guatemala	7.7	13.3
Ecuador	33.9	33.2
El Salvador	7.5	17.1
Paraguay	18.6	11.0
Peru	46.5	11.0
Colombia	16.0	38.9
Panama	6.3	4.3
Costa Rica	29.0	24.5
Chile	43.1	25.9
Argentina	37.3	34.1
Nicaragua	22.3	4.1
Mexico	49.5	27.8
Venezuela	18.8	41.0
Brazil	63.1	20.8

Opinions at the Conference on this matter differed.

"Latin America should put all its efforts into the export industry, but we know that everybody in the world is doing the same. It seems to me that it is like a great square in a city where many roads meet: the square is the world market, and each road is a one-way street. So what will happen?"

"One can see how wonderfully some countries are exporting kiwi fruits and others are exporting flowers. Well, you know that is not a significant development. I think we have to get away from this 'kiwi economy idea'. I am getting at something more substantial, that generates more employment. The problem of the smaller countries is that they are mainly exporters of basic products."

"It is reasonable for the developed countries to import manufactured goods from the developing countries that have lower costs or some particular resource advantage, like sugar for example, or that are able to organize in the comparative market. That is what we have been told: to compete with high-tech industries. Should we not do this, should we not pay the interest on our debt? There is no other way out. If we do not reduce our interest payments, we have to increase our exports and that will mean for some countries manufactured goods, for others basic products —hopefully at better prices— and for others kiwi fruit and flowers."

But the fall in imports and the increase in exports have not had a uniquely positive impact on the balance of payments.

As imports have decreased and production has switched more towards exports, the relative prices have altered. This change

38 affects incomes, as less money flows to sectors involved in the domestic market and switches toward exporters, as well as away from workers and toward capital. Among other consequences, this process gives an initial boost to inflation.

The fiscal crisis

Another cause of the speeding up of inflation is the fiscal crisis, one of the most serious components of the Latin American crisis in the 1980s. This fiscal crisis was soon converted into an enormous increase in the public deficit, in other words a profound fiscal imbalance.

This situation had a precedent in the dependence on external financing which was characteristic of the 1970s. In this period, public savings were too low to finance public investment, which therefore had to rely more and more on foreign and domestic loans, to finance the public deficit by means of credit.

In the 1980s, with very few exceptions, the current income of the State could not even cover the totality of the current expenditures.

The Problem of inflation

There are differences among the situations of Latin American countries and there are a few that have maintained an acceptable growth rate and have been able to avoid soaring inflation. In this category fall Colombia, Paraguay and Chile from 1984 on. The rest of the countries, to a greater or lesser extent, face serious problems of inflation, of growth or, more frequently, both inflation and stagnation at the same time.

If we examine the average annual rates of inflation of the various countries of Latin America in the 1970s, we see that four countries suffered very high inflation: in decreasing order, Chile, Argentina, Uruguay and Brazil. The rest managed to maintain reasonable or slightly too high levels.

If we then make a comparison between the 1970s and the 1980s, we see that very few countries managed to keep their inflation rates under 10 %; the only ones to do so were Honduras and Panama, with 5.4 % and 2.3 % respectively, and both even managed to reduce inflation (Table 3).

Chile, which had had the highest rate of inflation in Latin America until 1980, managed to get it down remarkably well.

The rest had rates in double or even triple figures.

Bolivia, Peru, Argentina, Nicaragua and Brazil had amazing levels of inflation ranging from 200 % to almost 400 % per year.

1990 seems to have been the year when inflation achieved insane levels, since Latin America as a whole had a rate of 1500 %, after 1200 % the previous year.

Inflation is after all beginning to slow down since in 1991 it was a "mere" 300 %.

For 1992 a 36 % average inflation is expected. This recovery depends on the success of the stabilization policies and adjustments made, specially in the case of countries with a high inflation rate.

According to the latest information, with sacrifice and following several attempts, Argentina and Peru are struggling effectively to control an inflation that was already a hyperinflation or was on the verge of becoming one. Another country has managed to cut its inflation substantially (inflation is between 20 and 30 %, which is still high but much lower than before) and it appears that is close to resuming its economic growth. This is the case of Mexico.

If they are successful, they will be the first big Latin American countries to have overcome long lasting, intense, chronic inflation.

Brazil finds it very hard to keep inflation in check because it finds it difficult to apply the austerity programmes required. In Argentina, the government's readiness to bring stability to the economy is upset by social and political upheavals. In Peru,

Table 3. Inflation rates

	1970/80	1980/90
Honduras	5.7	5.4
Bolivia	15.9	317.9
Dominican Rep.	6.7	21.8
Guatemala	7.1	14.6
Ecuador	10.9	36.6
El Salvador	7.0	17.2
Paraguay	9.3	24.4
Peru	20.6	233.9
Colombia	17.5	24.8
Jamaica	12.8	18.3
Panama	5.4	2.3
Costa Rica	11.2	23.5
Chile	129.9	20.5
Argentina	78.4	394.2
Mexico	13.0	70.3
Venezuela	10.4	19.3
Uruguay	58.2	61.4
Brazil	31.3	284.3

40 the economic policy established by the new government seems sufficiently credible to have encouraged the return of \$60 million which had been taken out of the country.

Average annual inflation by country

Although specific factors explain the trend in each country, the overall trend is a good illustration of the effects of the debt discussed above.

The remedies applied to the crisis and their side-effects

The new economic strategies applied in the various countries were often "imposed" by those in a position of power —usually external creditors and large local enterprises— who were able to push the economic reforms that they wanted. To refuse their proposals carried the risk of worsening the crisis: capital flight, a fall in investment, etc., as long as no alternative economic policy was found.

The debt situation led to a shift in the relative strengths of different groups within Latin American societies. It is not the first time that a situation of this kind has given creditors a degree of control that would be unthinkable in other circumstances. Starting from the debt, the creditors were able to impose their views and their interests in discussions and actions. This led many countries to soft-pedal projects of economic and social reform, and to cut back on expenditures, especially on education and health.

This impression of having fallen into a trap, of being caught in a vicious circle, is frequently felt and is reflected in scepticism, the lack of credibility of political leaders, and a growing ungovernability, which makes matters even worse. This phenomenon has its roots not only in the persistence and seriousness of the problems that Latin America countries had to face during the 1980s, but in the character of the policies adopted to remedy these problems, whether labelled policies of adjustment, stabilization or, even, revitalization.

Many Latin American countries are in a period of transition, each one trying to find its way and its very own, unique model of economic policy. It is a period of change or transformation, without a doubt less dramatic than the one experienced by the ex-Soviet Union and the Eastern European countries, which in addition to profound economic changes must cope with a political mutation as well. The situation is risky and delicate, given that those who suffer the consequences of the upheavals and tensions of transformation are impoverished masses living on the edge of mere subsistence.

With an experience such as this, it is not strange that Latin Americans who personally suffer the badships of these trapped economies look upon the adjustment strategies implemented by their governments one after another, with profound mistrust and scepticism. They place no hope in the traumatic economic policies that their governments are forced to adopt, and they mistrust the international environment, which as far as they are concerned is in part responsible for the painful situation they are forced to face daily.

Ten years of effort and scarcity has gone by. Especially at the beginning, some of the countries tried to achieve the adjustment with halfway policies that aimed to avoid the worst sacrifices. The failures obliged them each time to resort to extremely drastic measures which were renewed with firm insistence. In spite of this, on few occasions were the desired results obtained as regards some of the objectives of these policies, success was never attained in all of them (price stabilization, growth of output, a sufficient reduction of the debt). In the majority of cases and especially in certain big and medium-sized countries of Latin America, the succession of different types of adjustment policies have only served to sow mistrust and lack of credibility. "Latin America has become a cemetery of economic strategies".

"Latin America has been the guinea pig in the experimental laboratory where theories for the perfect economy were tried out. However these theories never even worked in the countries of origin, let alone abroad.

The experimenters were all brilliant economists and loyal disciples of Keynes, but they were all lousy bankers. They tried to import Milton Friedman's theories into their home countries. They did not take account of their home environment."

Only now is there hope that some of the countries are moving toward recovery with low inflation and manageable debt as we saw before.

Is Latin America out of the red?

"We are perceiving for the first time in Latin America the signs of what we have called a silent revolution in attitudes and in policies, reflected in trends and moves observable everywhere in the region in the same direction. There are now in Latin America 25 trains moving in the same direction, albeit at different speeds in the pace of their reform but, more importantly, they are all moving in the same direction. This direction has been called 'the Washington consensus'. It was called this by Professor Williamson, because in a way we are all more or less going the same way, which is the way sup-

42 ported and even inspired by international institutions, particularly those set up at Bretton Woods. While the consensus of Washington became a recognized expression, the fact remains that there is global agreement on what has to be done in the region. We have a kind of mono-economy floating in the air.

Our most important asset today in the region is our share of mistakes that we have made in recent years and the good reading of those mistakes done by our political leaders."

There is a very interesting document of ECLA called "productive transformation and equity", regarding the transition to a new stage of development in which technical inputs and changes in policy play a very important role.

"Some countries, not all, are now in a transition from the adjustment process which is very painful. This has had a considerable impact on ordinary government expenditures in the social field, on education, health and so on. In the Iranian war, a French Marshal witnessed the charge of the light brigade and he is famous for saying: 'c'est magnifique, mais ce n'est pas la guerre'. We adapted this statement to apply to the adjustment process at a conference two years ago in Washington, with precisely those people who talked about the Washington consensus and what a marvellous adjustment everybody was making. We said: 'c'est magnifique, mais ce n'est pas le développement'."

We shall now look at how the various countries of Latin America measure up, this time not in economic terms, but as regards levels of human development. Is the worst now over? Here we have to use very different criteria from those that are usually employed to measure the "health" of a country, but which are probably equally valid since after all development is supposed to benefit people.

HUMAN DEVELOPMENT

In 1990 the Human Development Report was published for the first time and introduced the Human Development Index (HDI). HDI combines indicators of national income, life expectancy and educational attainment to give a composite measure of human progress.

HDI does not measure absolute levels of human development. It ranks countries in relation to each other. For each of its components, the HDI looks at the data to find the current minimum value, for example life expectancy, and the maximum desirable value or the maximum registered value.

There is naturally much to be said about both the choice of indicators and the data used to compose them; doubtless they could be improved. But we should congratulate the initiative of Mabbut Ul Haq, who has thus focused attention on a central aspect of development that has been overlooked or neglected for too long.

The results are presented globally and disguise many major disparities: between urban and rural areas, between rich and poor, between men and women, as well as between different ethnic groups and different regions. If these distinctions of this kind were made, the HDI would capture more accurately the way that people actually live.

Even as things stand, the HDI already makes it possible to bring a different perspective to the classifications normally used to determine the strengths and weaknesses of the various countries of the world.

For example, among the industrialized countries, Canada lies ninth in terms of per capita GNP but comes top in human terms. Conversely, Brazil comes 37th in the economic ranking and 59th in the human development ranking.

Table 4 shows the "league table" of the different countries of Latin America in alphabetical order, as ranked by the World Bank for economic performance and according to the HDI.

From this it is clear that Uruguay achieves the highest score, well ahead of Brazil, which gets higher marks for purely economic performance. Similarly, Chile ranks much higher in the HDI than in the World Bank classification. Conversely, countries like Bolivia and Guatemala come out very badly as regards human development.

Using the principles underlying the HDI, we have examined a variety of social indicators and problems specific to this area.

46 **Table 4. Ranking according HDI and WB**

	BM	HDI
Argentina	50	43
Bolivia	82	109
Brazil	37	59
Chile	56	36
Colombia	65	55
Costa Rica	57	42
Dominican Rep.	77	83
Ecuador	72	77
Guatemala	75	100
Honduras	90	101
Mexico	41	46
Nicaragua	43	97
Panama	58	62
Peru	67	81
El Salvador	69	96
Uruguay	38	29
Venezuela	39	44

Life expectancy

In Latin America, life expectancy at birth varies enormously from country to country. It ranges from 60 years in Bolivia, to 75 years in Costa Rica, which is very close to the average in the rich countries (77 years).

Then follow six countries where the average is 70 years or more: Panama, Uruguay (73); Chile (72); Argentina (71), Mexico and Venezuela (70).

Another group has an average between 65 and 70: Colombia (69); Paraguay and the Dominican Republic (67); Brazil and Ecuador (66); Honduras and Nicaragua (65).

The final group has a life expectancy between 60 and 65: El Salvador (64); Peru and Guatemala (63), and lastly Bolivia, where as we have seen life expectancy is the lowest in the region.

Access to health care

It is interesting to compare access to health professionals in each Latin American country (Table 5) with that in the industrialized countries, and then to see whether there is any connection with the figures on life expectancy.

In the industrialized countries there is on average one doctor for every 460 people and one nurse for every 290.

In Latin America, while the situation is far better than in Africa (where there is one doctor for several thousand, if not tens of thousands, of people), only Argentina and Uruguay are well placed, with one doctor for 370 and 510 people respec-

tively. Everywhere else the access is poorer. Nevertheless it must be acknowledged that matters have improved virtually every where. Despite the increase in population, the number of inhabitants for every doctor has fallen in the last 20 years, sometimes quite considerably.

It should also be pointed out that Guatemala has increased the number of nurses tenfold in 20 years, whereas Argentina now has three times fewer.

Unfortunately, because the figures are not available, this table does not give a true picture of access to health care for all sections of the population. In particular, there is no indication of the differences between rural and urban areas, with the former usually having worse provision.

In addition, it should be borne in mind that the presence of a doctor does not necessarily mean that people have access to care, because they may be unable to afford it.

Although there is no direct correlation between the number of health professionals and life expectancy, it is nevertheless clear that where there is a doctor and nurse for fewer than 1,500 people, average life expectancy is over 70 years. By the same token, when this single doctor and nurse have to cope with twice as many people, the average life expectancy is under 65 years.

There are two exceptions: Mexico, which has an average life expectancy of 70 years yet has only one doctor and nurse for

Table 5. Access to health professionals

	Population	
	per doctor	per nurse
Argentina	379	980
Bolivia	1,530	2,470
Brazil	1,080	1,210
Chile	1,230	600
Colombia	1,230	650
Costa Rica	960	450
Dominican Rep.	1,770	1,210
Ecuador	810	610
Guatemala	2,180	850
Honduras	1,510	670
Mexico	2,080	880
Nicaragua	1,500	530
Panama	1,000	390
Paraguay	1,460	1,000
Peru	1,040	900
El Salvador	2,830	930
Uruguay	510	590
Venezuela	700	560

48 3,000 people; and Ecuador, which has a low average life expectancy despite an adequate provision of doctors and nurses.

The explanation probably lies in what was mentioned above: the spread of health professionals through out the country and the cost of medical services.

Differences start at birth

In most countries of Latin America, the majority of births take place without a health professional. The exceptions are Chile, Costa Rica, Venezuela, Panama and Brazil. In the others, only between 20 % and 50 % of births happen under some kind of medical supervision.

Obviously these figures should be treated with prudence, since the statistics are not collected everywhere in a comparable basis. Even though the data come from WHO and UNICEF, some refer to births in hospital, whereas others refer to small rural clinics...

This has a substantial impact on the infant mortality rates, which in general are inversely correlated with the proportion of medically supervised births.. There is one notable exception: Brazil, which has a very high rate of infant mortality despite the fact that health professionals are present at a high proportion of births. To put the situation in perspective, Brazil's infant mortality rate is three times higher than that of Sri Lanka, although the per capita income is five times higher.

The highest rate is found in Bolivia, where almost one child in ten dies before his first birthday, and six others die before they are 5 years old.

It is also interesting to consider birth weights (Table 6). A low birth weight (under 2.5kg) is often the result of the mother's poor nutrition during pregnancy, and may later lead to a higher risk of infant mortality or serious physical or mental problems if the child survives.

For purposes of comparison, it should be remembered that in Europe, infant mortality rates lie between 5 and 9 per 1000 births, and that low birth weights (mostly the result of premature birth) occur in less than 5 % of births.

The fate of children in Latin America

There are roughly 150 million children under 14 years of age in Latin America. A great many of them live in poverty; the large families are usually also the poorest.

	Supervised birth %	Infant mortality %	low birth weight %
Argentina	?	2.9	6.0
Bolivia	36	9.2	15.0
Brazil	73	5.7	8.0
Chile	97	1.7	7.0
Colombia	51	3.7	15.0
Costa Rica	93	1.6	9.0
Dominican Rep.	57	5.6	16.0
Ecuador	27	5.5	10.0
Guatemala	19	6.2	10.0
Honduras	50	6.4	20.0
Mexico	?	3.9	15.0
Nicaragua	?	5.5	15.0
Panama	83	2.1	8.0
Paraguay	22	3.2	6.0
Peru	55	6.9	9.0
El Salvador	35	5.3	15.0
Uruguay	?	2.1	8.0
Venezuela	82	3.4	9.0

In certain countries —Brazil, Bolivia, Colombia and Peru in particular— some children are left entirely to their own devices, because either their parents are dead or have left to look for work, or else can no longer afford to feed and look after them at home.

While millions of children are on the streets every day to work, beg or steal, there are fortunately only a few thousand who have to sleep in the open, according to Herbert de Souza *. The novelist Jorge Amado reckons that in Brazil alone there are 11 million.

Even if there are "only" a few thousand, that is far too many.

These children do not merely live in the most abject poverty, they are also preyed upon by unscrupulous adults and are victims of racketeering and violence at the hands of some members of the police.

Furthermore, even their miserable existence seems too much for a few people who do not hesitate to kill them in cold blood. "Death squads" killed 492 children in Rio in 1990.

"Brazilian society does not want to take responsibility for what it has itself produced", says Herbert de Souza *. "It does not want to look at what it has itself created, and to some extent it closes its eyes, maintaining that someone else should deal with the problem. In fact, the responsibility does not lie entirely with the shopkeepers who hire the killers nor with the military: it lies with society. Society must acknowledge

50 that it is its lifestyle and culture that have produced these abandoned, violent children."

This appalling hunting of street children does not happen only in Rio de Janeiro. The same thing is now affecting other Brazilian cities, having started in the streets of Bogota and in Colombia.

Since state provisions for coping with these dreadful problems are usually inadequate, it often falls to non-governmental organizations to try to solve them, with at least partial success.

Poor children in Latin America, like their counterparts in too many parts of the world, work from their earliest youth.

Many used to work in the goldmines of Peru, the tinmines of Bolivia or elsewhere. Many of the mines have now closed, but there are still far too many child-slaves, like the 50 children aged between 10 and 14 whose bodies were found in August 1991 in a Peruvian goldmine near the frontier with Brazil.

Others have less dangerous jobs than the "perritos" —little dogs— who, because of their small size, were able to pass through the narrowest passages in the mines.

Instead, they shine shoes, sell flowers, cigarettes or newspapers.

"Child labor is almost always characteristic of increasing poverty. For one thing, they are paid far less than an adult would earn for the same task: the profit from the child's labor therefore goes to his employer, not his family. For another, these children do not attend school, or not for long, so that they will not be able to escape from the downward spiral of ignorance and poverty in which their parents are trapped" (The Barefoot Revolution).

It should be pointed out that until very recently only a tiny proportion of children had more than primary education. Even today, not all children of school age attend primary school, and inevitably even fewer attend secondary school.

Education

Great progress has been made in the last 25 years. In virtually every country, roughly half of the relevant age group now attends secondary school, whereas in 1965 only Uruguay was in this position. Today, Chile, Argentina and Uruguay ensure that children study at least to secondary level.

More remarkably still, the proportion of girls attending secondary school has now caught up with or even overtaken that of boys, in line with what is occurring everywhere.

Literacy programmes or education?

Literacy is not an unmitigated blessing for those who are offered the delights of reading and writing. It can also serve as a political weapon, as happened for example in the literacy programme aimed at Maya Indians in Guatemala in the early 1980s. The Indians were strongly encouraged to learn Spanish in order to be more easily assimilated into the dominant Spanish-speaking culture.

In Latin America, it can be argued that literacy programmes are geared more to serving those in power than to helping to free the poor. For example, in the coastal plains of Ecuador in 1989, a national literacy campaign increased migrations from the rural areas to the cities as peasants searched for work. Many of those who had followed the campaign believed that

Table 7. Education in Latin America (UNICEF data)

	Illiterate adults % (1)	No. pupils per primary teacher	% attend primary school (2)	% attend secondary school +
Argentina	5	19	96 *	41 **
Bolivia	23	25	83	23 **
Brazil	19	23	84	11
Chile	7	29	89 xx	19 **
Colombia	13	30	69	14 **
Costa Rica	7	32	86 xx	27 **
Dom. rep.	17	47	?	?
Ecuador	14	31	78 *	25 **
Guatemala	45	35	53 *	2 *
Honduras	27	29 *	?	10 *
Mexico	13	31	100	15 **
Nicaragua	?	32	76	8
Panama	12	20	90	22 **
Paraguay	10	25	93	8
Peru	15	29	95	32 **
El Salvador	27	40	70	17 **
Uruguay	4	23	88	50 **
Venezuela	12	34	87	28 **

* 1965 figures.

** gross increase in 25 years.

xx rate of increase in 25 years.

(1) a higher percentage of women than men are illiterate, except in Venezuela.

(2) this rate reflects the percentage of children of primary school age actually attending school.

52 they had acquired the magical techniques that would bring them their fortune.

Literacy worked in the interests of those in power, providing a pool of wage workers for the agro-business and factories of the city.

These examples raise a question about literacy programmes that needs to be asked before they are evaluated. Who is organizing them and for whom?

In Latin America, many literacy programmes domesticate the learners, shaping them for a world over they have no control. Furthermore they are an export from the countries of the North, part of a development strategy that involves integration of an "illiterate" South into a developed, industrial free market world.

There is, however, in Latin America an alternative literacy tradition which began with the groundbreaking work of Paolo Freire in the 1960s. For Freire, literacy is not a technique which can be deposited in learners' mind as though the illiterate was an empty, and ignorant, container. Rather, literacy teaching must begin with the knowledge and the reality of the learners.

Literacy is as much about reading the world as reading the word. In classes, the written word is associated with images that encode the contradictions of the ways of life of those learning. In the process of discussing the image and the word, the learner acquires what Freire calls a "critical consciousness" an awareness that the world can be transformed and an understanding of how to change it.

In the Nicaraguan Literacy Crusade of 1980, Freire's methods were used to great effect. The teaching of literacy was associated with empowerment of the learners. In rural areas, the newly-literate made demands on the state for land, schools, health clinics, with the belief that their actions could change the world in which they lived.

As one learner put it: "Before the Literacy Crusade it would have been difficult for us to organize a cooperative because either we didn't have the basic skills necessary or we didn't have the belief that participating was worthwhile". Literacy in Nicaragua was the foundation for a genuinely participatory democracy.

Freire's methods have become a new orthodoxy.

In Guatemala, for example, the Ministry of Education, through CONALFA —the semi-autonomous state-funded National

Literacy Committee set up in 1986— has organized a literacy programme which completely does away with the traditional mass-produced workbook and primer. Instead, each community is encouraged to choose its teacher, decide on the language in which it wants to learn, as well as the themes and generative words it wants to discuss. This is a perfect Freirean approach, based on community involvement and rooting literacy teaching in the generation of dialogue on themes relevant to the learners' lives.

But there is a gap between the theory and the reality of CONALFA. Organized by the Spanish-speakers or "ladinos" in Guatemala City and aimed at speakers of the Mayan languages in rural areas, most of the teachers who were appointed were Spanish speakers. Furthermore, those who launched the programme were associated with a government that had been implicated in a massacre of Maya Indians a short while before. It is hardly surprising that the programme was greeted with little enthusiasm.

But independent literacy programmes in Guatemala have enjoyed great success.

Literacy, properly conceived, can form the basis for the active participation of people in their own development.

THE INEQUALITIES WORSEN

The best-known indicator and the one most widely used to illustrate the seriousness of the crisis in Latin America is the fall in per capita income and output during the 1980s. As noted above, per capita output declined by 8 %.

Although the data on per capita output give an idea of the size of the deterioration, they give only a glimpse of the fall in income in real terms. In fact, and especially in the Latin American case, the transfers of wealth abroad—required to pay the interest on the debt—reduce incomes far more than output. It is estimated that, for the region as a whole, per capita income at the end of the 1980s was 11 % lower than it was at the beginning of the decade.

Neither does this indicator give an accurate notion of the impact on different social groups.

There has been much talk of improvements in social integration in Latin America, yet there seems to be increasing polarization.

Needless to say, unemployment increased in almost all the countries and real wages continued to diminish in most of them. The unfair distribution of income, which unfortunately has characterized Latin American societies, has worsened even more and the crisis took it to intolerable extremes.

Many adjustment programmes came together with an acceleration of social imbalances. At a very high social cost, some governments have responded, by creating safety nets to soften their impact on the social situation. It is also true that the cost of adjustment is still less than the cost of non-adjustment.

The groups who have suffered most are above all those who live in rural areas or on the poor outskirts of cities. The sacrifices made to carry the burden of the debt have been at the expense of the poor—and of investment—while the rich have lost nothing and have even become richer. Absolute poverty has increased, and vast sections of the population are being marginalized in that their social welfare is being reduced.

According to figures recorded by the ongoing UNDP regional project against poverty, in Latin America 61.8 % of the total population live below the poverty line while 5 % enjoy high levels of income.

If the region fails to achieve tangible growth in the future, 312 million poor are forecast for the year 2000. Assuming an annual growth of 1.28 %—the rate before the debt crisis—the number of poor people will amount to “only” 297 million (270 presently).

58 According to studies by UNDP and ECLA, the number of poor was 247 million in 1986. A large part of the 23 million added between 1986 and the present are estimated to be the victims of adjustment and restructuring programmes conducted in the region to stimulate the economy.

Brazil is now the country with the greatest concentration of wealth; in other words, the rich are extremely rich.

There is a similar gulf in Chile, where 6 million out of a total population of 13 million live in great poverty, yet Santiago is a modern capital city complete with skyscrapers, elegant shops, and offices equipped with computers and modern telecommunications systems. One sees the other side of the picture in the country areas and in the shantytowns: the poor live in shacks, the schools are dilapidated and there is a desperate need for dispensaries and hospitals.

In Argentina, 9 million out of 33 million live below the poverty line; the figure is likely to rise to 10 million under the austerity measures.

These are just a few examples of the way that, throughout Latin America, the adoption of the free market and the disappearance of the welfare state have deprived large sections of the population of access to health, education and decent housing, and have made their living conditions intolerable. This is particularly the case for millions of Indians in Guatemala and the Andean countries.

As Octavio Paz said, "because socialism has failed does not mean that capitalism has succeeded".

The public accounts in Latin America

The social imbalances in Latin America present today the major challenge to democratic stability. Economic management should be accompanied by social improvements.

Solutions must be found if the economic recovery that seems to be under way is to have a more equitable impact. Social improvements require a major redistribution of income, with funds raised from taxation to pay for the construction of schools, hospitals, housing and to give a minimum of social protection to those who are suffering in the transition.

Taxation is an extremely delicate matter these days, now anyone who pays his taxes is thought a fool.

If we examine the public accounts of the countries of Latin America, we see that —as in most nations in the world— at

least half the current income derives from direct taxes (on income, profits, capital gains), indirect taxes (sales or value-added tax) on goods and services, and social security contributions.

The proportion of the total derived from each of these sources has tended to change considerably over the last 20 years (Table 8).

In some countries, like Chile or Ecuador, the amount brought in by indirect taxes has risen, while in Chile the sums derived from social security contributions have fallen substantially.

Elsewhere, the share provided by direct taxes has fallen, where as the yield from taxes on consumption has increased (Peru, Colombia, Panama).

In yet others, the share of both direct and indirect taxes has fallen, but social security contributions have increased (e.g. Costa Rica).

In Uruguay, the amount derived from income tax is very small, whereas consumption taxes and social security contributions are very high.

Taxes on consumption are harder on the poor than the rich, and widen further the disparities between social groups.

Whatever the exact position in each of these countries, many

Table 8. Major sources of state income as a % total receipts

	Income tax		s/s contributions		tax on cons.	
	1970	1990	1970	1990	1970	1990
Honduras	19,2		3,0		33,8	
Bolivia		4,9		8,8		31,6
Dom. Rep.	17,9	20,9	3,9	4,1	19,0	19,8
Guatemala	12,7	18,1	0	0	36,1	23,2
Ecuador	19,6	56,9	0	0	19,1	21,5
Salvador	14,7	18,8	0	0	24,9	38,4
Paraguay	8,8	9,3	10,4	0	26,1	19,5
Peru	16,	10,0	0	0	34,0	44,2
Colombia	37,1	27,8	13,7	12,6	15,2	27,7
Panama	23,3	14,7	22,4	27,3	13,3	17,9
Costa Rica	18,0	9,8	13,9	28,8	37,7	27,4
Chile	14,3	23,3	28,6	6,0	28,6	37,1
Argentina	4,3		43,4			22,4
Nicaragua	9,5		14,0		37,3	
Mexico	37,3	36,5	18,6	13,6	32,2	56,0
Venezuela	54,2	57,5	6,0	2,7	6,7	3,8
Uruguay	4,7	6,7	30,0	27,0	24,5	35,9
Brazil	—	—	—	—	—	—

60 of them suffer from the creation of vast grey economies. This process is helped along by a general lack of trust in the state. The state is seen as the opponent in the game of life and must be duped as often as possible. In Peru, for example, the black market is estimated to equal between 30-77 % of the official GDP. Similar situations exist in all other Latin American countries. This in no foundation on which democracy can flourish in the long term.

If we now turn to public expenditures, we see that many countries have cut back their spending on education and health, whereas in many instances defence spending in 1990 was higher than in 1972 (Table 9).

In some cases, defence expenditures were only slightly higher (Ecuador and Mexico), but in others the difference is considerable: two, three, four or even six times higher in 1990 than 20 years previously. This is true of Bolivia, where it should be recalled life expectancy is the lowest in the whole region.

It should also be pointed out that Costa Rica, which has the longest life expectancy, has no defence budget.

The authors of the World Human Development Report state that spending on armaments by developing countries is especially depressing, and they show that military spending each year is equal to the income generated by 160 million man/years of work. They conclude that "clearly, the poverty of the people of the developing world has not prevented the armies of these countries from living in plenty".

Table 9. Expenditures under different headings as a % of the total

	Defence		Education		Health		Social	
	1972	1990	1972	1990	1972	1990	1972	1990
Argentina	?	8,6	?	9,3	?	2,0	?	40,9
Bolivia	?	14,1	?	18	?	2,3	?	17,9
Brazil	8,6	4,2	8,3	5,3	6,7	7,2	35,0	20,1
Chile	6,1	8,4	14,5	10,1	10,0	5,9	39,8	33,9
Colombia	?		?		?		?	
Costa Rica	2,6	0	28,5	19,0	4,0	26,3	26,5	14,9
Dom. Rep.	8,5	4,6	14,2	9,5	11,7	11,3	11,8	24,2
Ecuador	15,7	12,9	27,5	18,2	4,5	11,0	0,8	2,5
Guatemala	11,0	13,3	19,4	19,5	9,5	9,9	10,4	7,8
Honduras	?		?		?		?	
Mexico	4,5	2,4	16,4	13,9	4,5	1,9	25,4	13,0
Nicaragua	?		?		?		?	
Panama	?	7,9	20,7	18,5	15,1	17,9	10,8	24,1
Paraguay	13,8	13,3	12,1	12,7	3,5	4,3	18,3	14,8
Peru	14,5	11,2	23,6	16,2	5,5	5,1	1,8	0,1
Salvador	6,6	24,5	21,4	16,2	10,9	7,8	7,6	5,5
Uruguay	5,6	9,2	9,5	7,4	1,6	4,5	52,3	50,3
Venezuela	10,3	?	18,6	?	11,7	?	9,2	?

If military budgets in developing countries were simply capped, this would yield more than \$10 billion per year for other needs.

If we now compare spending on defence with that on education, we see that the former is higher than the latter in certain countries, such as El Salvador, where the defence budget is larger than expenditure on health and education combined.

Nevertheless, some countries have reduced their defence spending (Ecuador, Peru, Brazil, Mexico).

If we examine the way that the various budgets have evolved in the course of the last 20 years in the countries for which statistics are available, we see that—in addition to the defence spending just discussed—the results are as follows.

As regards education, it appears that almost everywhere in the region the share of the state budget has fallen, to a greater or lesser extent.

Health spending has been more stable, although there has been a reduction in El Salvador, Chile and Mexico, and a massive increase in Costa Rica.

To assess the level of welfare, the expenditures on social provisions should also be considered: public housing, cleansing and sanitation, sickness and unemployment benefits, pensions, allowances for the handicapped and family income supplement, as well as environmental protection, etc.

Such expenditures rose only in the Dominican Republic and Panama; everywhere else they fell, sometimes substantially, as in Mexico and Brazil.

It should be noted, however, before examining the figures, that the various countries collect and present their statistics in different ways so that comparisons such as we have just made are not entirely reliable. Furthermore, in some instances, the private sector has a very important role, for example in health and education, and this is not included in the table.

Nonetheless, even without comparing one country with another, the simple statement of the different percentages, country by country, shows how priorities have changed over time.

In addition to these data, it should be pointed out that there is another expenditure heading, labelled "other", which ac-

- 62 counted for between 20 and 30 % of central government expenditures in 1972 and which has since doubled (at least) in some countries such as Ecuador, Peru, Chile, Mexico and Brazil. This covers among other things the interest charges.

Income distribution

Income disparities are wide in many countries, particularly in the developing world. Brazil has one of the most inequal distributions of income —the top 20 % of the population receives 26 times the income of the bottom 20 %. In other Latin American countries, like Honduras or Panama, there are also huge gulfs between rich and poor. Unfortunately, data of this type are not available for all the countries of Latin America, but only for ten of them.

These data show that Costa Rica, which ranked third in the HDI league table, is now at the top.

Inequalities between the sexes

In both industrialized and developing countries, there are still substantial differences between the situation of men and women. In the industrialized countries, these relate above all to levels of employment and pay, whereas in the developing countries, the disparities relate more to health and education, even if these differences are beginning to disappear, at least in Latin America.

Rural-urban disparities

Sixty percent of the people in developing countries live in rural areas. But since the urban areas have the greatest concentration of economic and political power, the rural areas usually receive a lower quality of social services.

For access to safe drinking water, the figure for El Salvador in 1990 is 39 %, far worse than it was in 1980, when it was 53 %. Although by contrast the situation in Bolivia improved between the two dates, still only one person in two has access there to safe drinking water.

Separate HDIs for rural and urban areas would highlight these disparities, but very few of the necessary data are available. Where the calculation is possible, it shows dramatic differences.

But these differences between country and town do not alter the fact that in both, in all the developing countries and especially in Latin America, there are huge problems to be overcome.

While in some countries, revolutions or populist regimes tried to transform the traditional, stratified social structures in order to reduce the disparities (by measures such as agrarian

reform, unfortunately rarely with much success), in most the economic development strategies reinforced the inequalities and accentuated the differences between regions and social groups.

Until the beginning of the 1980s, it was taken for granted that policies to promote economic growth would help to close the gap between the indigenous peoples and the rest, that the more backward regions and social groups would catch up the more advanced, i.e. those in the cities.

True, things did change, but in fact a new type of polarization occurred.

These policies benefited the new urban classes and the richest people in the country areas, the new middle classes, but badly hurt the millions of poor peasants and the people living in shantytowns and slums.

OVERCROWDED CITIES

In the developing world, urbanization is taking place at a pace unmatched elsewhere. Asia, Africa and Latin America are expected to host 90 % of the world's urban growth over the next three decades. The rate of Third World urbanization is not uniform, though; by the year 2020, 83 % of Latin Americans are expected to live in cities (surpassing the urban proportion in industrial countries), as compared with 54 % of Africans and 56 % of Asians.

Latin America is burdened by several enormous, rapidly growing cities—specially Sao Paulo and Mexico City—whose sheer size and instability create problems on an entirely different scale. As early as 1964, author Ronald E. Wraith used a single word to denote these giant cities racked with pollution and rimmed by shantytowns: "Megalopolis", he wrote, "the city running riot with no one able to control it". Since then megacities have become increasingly characteristic of the developing world. In 1950, only three of the world's 10 largest cities were in Third World countries; by the year 1980, seven of the largest 10 were there.

Mexico City is made up of the federal district plus five other states. In the last 40 years, neighbourhoods with several million inhabitants have grown up, with houses often built illegally (about 700,000 are in this category in Mexico City).

If current trends in population growth continue, Mexico City will have more than 30 million inhabitants by the end of the century. This carries great ecological risks and hinders the replenishment of the water table. Moreover, since Mexico City lies in a volcanic region near the San Andreas fault, it has a high risk of earthquakes, such as the one in 1985 that killed and injured thousands of people.

Although skilled land use planning is badly needed in these megacities, its effectiveness is limited in the absence of other kinds of change. One reason is that most of these cities' physical growth takes place in illegal, unplanned squatter settlements, rendering useless even existing mechanisms for guiding land use. Called "favelas", "bidonvilles", "ishish", slums or "kampungs", these illegal communities hold 30 to 60 % of the population of many Third World cities.

The unhealthy conditions in these settlements can only be addressed fully through extensive economic and social reforms that attack the root causes of poverty. The effectiveness of land use planning is also limited in the absence of family planning programmes (nearly two-thirds of the increase in Latin America results from the fertility of people already in cities).

Solutions can, however, be found. For example, on 1 May 1971 more than 500 poor families living in the overcrowded slums of Lima (Peru) started a small revolution. They packed up

68 their possessions and, in the middle of the night, moved onto an empty private piece of land. Three days later, they numbered 4000. On 5 May, in a clash between the squatters and the police one person was killed and several people were injured. The Peruvian President at the time wanted at all costs to avoid a confrontation. The squatters were quickly taken by lorry to an empty piece of ground belonging to the state, just outside the capital. There they were allocated plots to build houses. In addition, doctors, technical experts, sociologists and teams of civil engineers were provided to help set up the new colony.

This settlement now accommodates 300,000 people on 8000 hectares and has taken the name Villa El Salvador. Many important people have visited it because it proves that one can find solutions to the problems of overcrowding in cities by allowing the poor to build their own houses and to run their own affairs.

Villa El Salvador will never win an architectural prize, but it does have primary and secondary schools, built by local volunteers, and 97 % of the population can read. These results cannot be matched elsewhere in the country.

The example of Villa El Salvador is all the more interesting in that it can be compared with another experiment conducted at the same time in another part of Lima, El Naranjal. There cheap housing was built for the most needy with the backing of UNDP. But as soon as the construction was completed, inflation had caused the prices to rise so much that the dwellings had to be sold to middle-income families and not to the people for which they were intended. The neighbourhood is attractive, but it lacks vitality because there was no effort to help the community to get organized, and at night there are serious problems of crime and violence.

Finally, planners in the Third World's giant cities face colossal environmental problems such as deadly air pollution in Mexico City, providing safe drinking water, waste and sewage disposal.

These problems are not, however, exclusive to the towns and cities; they affect the rural areas just as much, and we shall examine them in the Latin American context a little later.

The developing countries' explosive urban growth is not confined to megalopolises, but is also occurring in medium-sized cities. Throughout Latin America, many such cities are now growing faster than the giants, with city like Guyaquil, Ecuador, gaining population quickly (with an average annual rate of growth of 4.1 %).

Although the megacities' higher absolute numbers of excess population usually attract more attention, the growing pains

of the more numerous intermediate cities are perhaps equally serious. These medium-sized cities not only are unprepared to accommodate such rapid increases, but may eventually become giant cities themselves, and in the absence of more vigilant planning, will surely end up with the same problems as the megacities.

Given these conditions of overcrowding, with inadequate infrastructures, in the cities of the developing world, whether large or small, a mishap or an oversight can cause an appalling catastrophe.

One such disaster occurred on 22 April 1992 in Guadalajara, the second largest city in Mexico with almost 5 million inhabitants. A series of explosions struck one of the working class districts of the city, Analco, and left 190 dead and almost 1500 injured according to official figures. The state prosecutor found that a large quantity of petrol had accumulated in the sewers following a leak from a pipeline. A water main had been put in close to the pipeline belonging to PEMEX (the state oil company) and caused the pipeline to rust, leading to the leaks. In addition, the prosecutor noted the presence on the sewers of a gas, hexane, used by three private oil refineries in the city.

Why do cities have such a strong attraction, especially in the developing countries? The main reason is that they become the last resort of people driven out of the country side by poverty, violence and unemployment. In Brazil, even a favela is better than the situation that people face in the rural areas.

“Without enhancing opportunities for human development in rural areas, the population of the cities will continue to expand, and all the economic resources it can marshal will be insufficient to process the volume of human and industrial waste the cities will produce”.

RURAL POVERTY

In the rural areas even more than in the cities —where trade unions, religious or other groups have helped people to stand up for their rights— a social system survives in many parts of Latin America that is more reminiscent of feudalism in medieval Europe than of a modern democracy.

"It is not the absence of arable land in northeast Brazil that compels the peasants to migrate to urban slums or to destroy the jungle. There is plenty of fertile land capable of sustaining a population that suffers in abject misery. That land is owned by a handful of wealthy families."

To give an idea of the problem, the 18 largest estates in Brazil cover an area equal to Switzerland, the Netherlands and Portugal combined. One of them, the largest of all, is as large as the state of Rio de Janeiro.

As was briefly mentioned at the beginning of this report, the stratified system put in place by the colonizers —and essentially denied full citizenship to the indigenous peoples of the region— has continued up to the present, first through White domination of the Indians and those of mixed parentage, and now through the domination of the Whites and mixed race members of the ruling class over the Indian peasantry.

It is perhaps useful to sketch a brief outline of events since the various nations gained their independence and which helped shape the present situation.

As in other post-colonial societies in Latin America, the State and the intellectual and political élite created the nation, and not the population as a whole. Society was split in two: on one side the ruling class, made up of owners of estates and mines; on the other, the Indian peasants forming an underclass. The Indians were then in the majority but occupied the lowest rungs of the society and were excluded from the political process.

After independence, slavery and serfdom were abolished in law, but in practice the Indians (and also those "imported" from Africa) continued to be exploited and maintained a subordinate position.

The concepts of a national identity and culture developed among the upper classes —the White descendants of the European colonizers— who based their political and legal systems on the models of the Constitution of the United States and the Napoleonic Code.

These élites considered themselves to be part of Western Civilization, on the grounds of their culture, their religion and their language.

74 In fact, in most of these countries until the beginning of the 20th century, the majority of the population still spoke one or several of the hundreds of Indian languages and lived in remote villages, according to ancestral laws, without affecting in any way the Creole population's perception of itself.

As long as the Indians were geographically isolated, the élites could continue to maintain their minority-based national identity.

Like the political and legal systems, the educational systems and the cultural policies were modeled on those of Europe and were intended to meet the needs of the Creoles. The native cultures were recognized as distinct, but the style of government took account of neither their languages nor their social, religious or political institutions. The Indian cultures were at best ignored and at worst exterminated.

The prevailing ideology in the 19th century thought that the indigenous peoples had no contribution to make to the evolving national cultures. The State and the ruling class used all kinds of means to try to ensure that the "tare" of the native did not endanger their chances of becoming modern nations.

The Indians were depicted as passive, dependent, fatalist, docile, stupid, without emotions or sensitivity, indifferent to pain and suffering, incapable of improving their miserable lives; in short, as inferior beings and consequently as the greatest obstacle to progress in Latin America.

Those of mixed race were thought to have inherited the worst aspects of both sides of their ancestry: pig-headed, often violent, unreliable, dishonest, time serving, vicious, lazy...

Now, people of mixed race form the majority in most of the countries of Latin America. They have developed their own culture.

"Por mi raza hablará el espíritu" proclaims the motto of the National University of Mexico ("The spirit will speak for my race").

They became the bearers of the new concept of nationality.

The indigenous cultures were no longer considered to be racially inferior, but were judged to be too hide bound and not sufficiently oriented towards progress and the modern world. They could undermine the efforts to create national unity and to promote development. The solution adopted by 20th century governments was thus assimilation: the Indians should be absorbed into the mainstream (i.e. mixed race) culture. In any case, it was thought that the native cultures were in decline

and that in time they would disappear of their own accord. There was therefore no harm in helping this to happen.

Neo-liberals felt that the Indian problem was simply one of underdevelopment, of technological backwardness, traditionalism and marginality. Given appropriate policies, Indian peasants could become model farmers and would learn the virtues of entrepreneurship.

Another approach was inspired by Marxist thinking and saw the situation of the Indians as the result of exploitation, without acknowledging its distinctive features.

All peasants, whether Indian or not, had the same interests in common, and so the indigenous peasants should throw themselves into the class struggle.

This error of judgment may have been responsible for the failure of Che Guevara's attempted revolution in Bolivia or of the many guerrilla movements in Guatemala from the early 1960s until the Indian question was rethought.

Similarly, in Nicaragua, the Sandinista government discovered to its surprise that the Miskito Indians did not necessarily share the same ideas, and accused them of counter-revolution. When the Sandinistas realized their mistake in the mid-1980s, the harm had been done and had caused many deaths.

Although they were based on different ideologies, the neo-liberals and the Marxists agreed on one thing: the indigenous peoples in their current state constituted a barrier to development and progress.

Underlying this phenomenon was the notion that history is linear, and every society must pass through the same stages of development until all their members achieve the same level of prosperity as the so-called developed countries. What is often forgotten is the intrinsic power of ideas, values, methods, rites and aesthetic attitudes that have grown up over thousands of years and which give a culture its authenticity and its identity.

Modernization, integration and development thus became the political watchwords in the 20th century.

In practical terms, this led to attempts to eradicate the culture of the indigenous peoples, sometimes accompanied by physical extermination. For example, in Guatemala in the early 1980s, the military government deliberately killed 40,000 Maya Indians at the same time as it launched a literacy campaign intended to absorb the Indians into the mainstream culture.

Apart from a few museums, handicrafts and folklore for tourists, the existence of an Indian culture was simply denied.

**THE REAWAKENING OF INDIAN
CONSCIOUSNESS**

From the 16th century onwards, the indigenous peoples were the "extras" but never had the principal roles in their own story, except for short periods such as during the 18th century, when there was a series of revolts: that of Alejo Calatayud in 1731, of Tupac Katari in 1770 and of Gabriel Tupac Amaru II in 1780, the descendant of the last Inca beheaded by the Spanish in 1572.

These revolts always ended with the death of their leaders.

For centuries, Indian opposition was expressed mainly as passive resistance, and all energies were directed to protecting their cultural identity and traditional lifestyles. This was undoubtedly what allowed the Indian communities to survive.

In some countries, Indians are now isolated minorities, whereas in others they make up half or more of the population (Table 10). There are still 400 different ethnic groups, each with its own language, culture and lifestyle.

Among them there are both many small tribes, living in remote areas of the jungle, whose existence is threatened by the encroachment of modern life, and also the more numerous peasants in the Andes.

In all they now number 35 million and that population is growing.

Table 10. Ethnic breakdown of the population of Latin American countries

	% Indians	% Mixed race	% Blacks	% Whites
Argentina	2			98
Bolivia	65	25		10
Brazil	0.2	38.9	5.9	54.2
Chile	5	66		25
Colombia	5	68	4.0	20
Costa Rica	0	8	3	85
Ecuador	25	55	10	10
Guatemala	54	42		4
Honduras				
Mexico	10	80	10	
Nicaragua	3	71	9	17
Panama	0	67	15	18
Paraguay	2	90		8
Peru	46	38		15
El Salvador	5	90		5
Uruguay	0	15		85
Venezuela	2	69	9	20

80 As the indigenous populations suffered constantly renewed attacks on their land, their resources and their cultures in the latter half of the present century, they began to defend themselves more actively.

In the early 1970s, a range of Indian political organizations emerged, standing up for Indian rights in a variety of fields. There was a certain amount of trial and error, there were setbacks and challenges. Today dozens of such movements operate across the continent.

A growing Indian intellectual élite has been extremely influential in this process.

Through these activities and organizations, the indigenous peoples have acquired a new awareness of their past and of their present situation. There is no typical model of organization: it may be an Indian section of a trade union or an association that brings together all the members of the same tribe, like the Mapuche Federation in Chile or the Shuar Federation in Ecuador, one of the oldest organizations in Latin America.

The objectives of the Shuar Federation are to defend the land and establish legal rights, to seek better living conditions for its people, and to fight for the Shuar language and culture. As a result, for example, the Federation successfully urged bilingual Spanish/Shuar teaching in schools, with Shuar civilization specifically covered in the syllabus.

There are also inter-ethnic bodies like the Consejo Regional Indígena des Cauca in Colombia.

The governments have sometimes tried to break up these movements, on occasion even resorting to force, as happened in the 1970s and 1980s in Colombia, Chile and Guatemala.

The Indians' demands are basically for:

- *Legal status*

The issue of defining indigenous peoples is related to matters of human and community rights.

- *Land*

The fact that the indigenous peoples are the original inhabitants and that they have prior rights over the land have largely been ignored. Throughout the American continent, the native peoples who once had freedom of movement in their own lands have been relegated to reserves or pursued until they take refuge in the mountains or the jungle. Even there they are not free of capitalist incursions.

In Brazil, when the Portuguese arrived in 1550 it is estimated that there were between 3 and 6 million Indians; today there are less than 300,000.

Although a law enacted in 1967 recognized their inalienable right to their lands, in 1970 another law made clear that the subsoil belonged to the State, even if it had always to consult FUNAI (the body supposed to protect the Indians) before exploiting resources found underground. Between 1983 and 1985 alone, the authorities gave 537 permits affecting 17 Indian lands.

The Brazilian bishops have denounced the disappearance of the Indians from their country as organized genocide.

The Indians have always had a special relationship with Mother Earth, which is for them not only a source of nourishment but also the physical, historical and mythical context for their social and cultural identity.

Development projects, especially hydro-electric dams, have done inestimable damage to the indigenous peoples. State planners, like the multinational companies or the international development agencies, have had few scruples about including native lands in their economic plans.

In 1989, at a conference in Altamira, 20 Indian nations declared their opposition to deforestation and the plan for a dam at Xingu.

● *Their language and culture*

Many Indian languages survive. The peoples of the tropical jungles have words for thousands of things and types of jungle that no other language can name.

In Bolivia, Spanish is the official language but it is spoken by fewer than 10 % of the Indians, who still speak Quechua and Aymara. In Paraguay, 90 % of the population speak Guaraní. In Peru, Quechua is one of the official languages, alongside Spanish.

Language is not the only thing that is under threat. Indian religions have been forbidden and the people forcibly converted. International missionary organizations have been particularly destructive in this regard.

Indians have also been forbidden to wear their traditional clothes or to call themselves by their traditional names; their shrines have been violated and their cult objects stolen...

Many governments deem separate institutions from those created by the State to be a threat to national unity.

• *Autonomy and self-determination*

This last point has only recently become one of the main political demands of indigenous peoples.

"Traditional forms of organization must be respected", says Rigoberta Menchu, an Indian from Guatemala, winner of the Nobel Peace Prize in 1992.

Today stories circulate in the working class suburbs of Peruvian cities. The legend of the return of the Inca grew up after the death of Atahulpa, the last Inca, and was then reinforced by the execution of his great-nephew Tupac Amaru, beheaded in 1572, and then by the killing of another Tupac Amaru two centuries later. These stories tell of the buried head of the Inca, which grows daily like the shoots of a plant. When the body of the Inca has grown again, they say, oppression will cease and those who are now the underclass will become the rulers of the future.

For the Maya, too, the period since the Conquest is no more than a brief digression in their history.

"The day will come when the tears from Indian eyes will reach up to God, and all of a sudden the justice of God will descend on the world" (the Book of Descendants of Chilam Bayel, priest of Chumayel).

Perhaps this will happen next year, since the United Nations have declared 1993 as the International Year for Indigenous Populations.

THE PROBLEMS OF THE ENVIRONMENT

The Earth Summit in Rio in June 1992 focused the whole world's attention on the problems facing the planet and the urgency of finding solutions. The problems are not new, especially for the Club of Rome, which for years has been issuing warnings about the dangers of unrestrained use of the Earth's resources.

In Latin America, as in every part of the developing world, the most acute problem is how to reconcile the requirements of economic development with those of protecting the environment.

The latest figures from the Food and Agriculture Organization (FAO) make depressing reading. Two billion people suffer some degree of undernourishment. For 500 million children this leads to blindness and other problems. 780 million people suffer from malnutrition, and many of them will die as a result.

These figures alone indicate why the developing countries have different priorities to the industrialized countries, even if in the long run environmental degradation (air and water pollution, deforestation, impoverishment of the soil) is a major obstacle to proper development.

Improvements in water supply, drainage and sanitation have highly beneficial effects on health. Nevertheless, a billion people still do not have adequate access to clean drinking water and 1.7 billion do not have proper sanitation.

The economic aspect is equally important. In the shantytowns, for example, the inhabitants pay a great deal for their water. The World Bank estimates that in Peru, for example, a poor family obliged to buy its water from water sellers pays 18 times as much as a more affluent family with running water.

The countries of Latin America have made great advances in combatting poverty. In the early 1970s, 19 % of the population suffered from problems of nutrition, whereas that figure is now 14 %. Nevertheless it should be pointed out it was only 13 % in the early 1980s, before the crisis; this shows that the poor have been the worst affected by it.

Inevitably, the financial problems will encourage some governments to promote the exploitation of natural resources in a non-sustainable way. As some countries—among them Bolivia, Ecuador and Venezuela—try to attract foreign oil companies to find and exploit their oil reserves, the rainforest issue is spreading from Brazil to much of the Andean region. In May 1991, for example, an estimated reserve of 2-3 billion barrels was found in the Colombian Amazon.

The string of foreign-owned factories which stretches along the Mexican side of the border with the United States has

86 escaped compliance with US environmental, health and safety standards. From Brownsville on the Gulf of Mexico to Tijuana on the Pacific Coast, the result is polluted air, aquifers and beaches. But in August 1991, the United States and Mexican governments announced a broad joint strategy to address the growing environmental pressures along their 1,550 mile border.

Now, environmentalists are worried that the free trade agreement between the United States, Canada and Mexico will accelerate environmental damage in Mexico as industrial growth runs ahead of Mexico's willingness or ability to control pollution and other impacts.

When the worst of the economic turmoil is over (in its annual report issued in October 1991, the IMF predicted 2.2 % growth for Latin America in 1992), the problems of the environment will perhaps gain greater recognition in the region. For the moment, they are mostly not very high on the agenda.

During the Rio Summit, in Brazil itself, opponents of environmental protection made themselves heard. The city government of Manaus, the capital of the Amazon, paid for an advertising campaign in Rio with the message "Ecologist go home", which angered other people. A strange invitation was issued to come to see Amazonia, dear to ecologists the world over. The governor of the State of Manaus, Gilbert Mestrinho was unequivocal: "Deforestation is the only way to combat poverty". The State of Manaus is three times the size of France and Mestrinho maintains that it has lost only 1.24 % of its forests. He also supported the completion of the BR-364, a controversial road to link western Brazil and Peru.

Similarly, during the World Women's Congress for a Healthy Planet, in 1991, some women declared:

"The problems of the environment also have to do with the distribution of wealth and equity. We cannot compare the living conditions of citizens of the industrial North with those of the impoverished South in their relationship to the land and the environment. In Central America, where some 50 percent of the population lives below the poverty line, 20,000 hectares of forest land are sacrificed each year to support cattle-raising. But the children of Central America consume 52 times less meat than those of the North."

"Technical training on how to farm without causing soil erosion will not prevent Ecuadorian and Peruvian subsistence farmers from growing their crops on the sides of mountains. Thus, despite the efforts of the proponents of sustainable development, these peasants have exposed 50 % of the land to an erosion estimated at more than

1,500 metric tons per square kilometer per year. This they do, not so much out of ignorance but because they have no alternative: this is the only land available, and their children are hungry."

The situation is, however, beginning to change, more or less rapidly depending on the country in question.

The presidents of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua have signed a Charter Agreement for the creation of a Central American Commission on Environment and Development, with a view to developing sustainable development strategies for these countries.

At the close of the Regional Preparatory Conference for UNCED, held in Mexico City in March 1991, government ministers for 34 Latin American and Caribbean countries adopted the Tlatelolco Platform on Environment and Development. This highlighted the regional consensus that the industrialized countries of the North should bear the major financial cost of reversing environmental damage, "on the basis of their responsibility for the global process of environmental degradation".

The industrialized countries will perhaps have to pay more than they do now for "making good" the planet, but the developing countries must also make some effort in this regard. This is not the time for allocating blame, but for shouldering responsibilities.

Debt-for-nature-swaps are increasing in size and number. They are unlikely to make much of a dent on the region's massive debt problem, but they could be a solution for its environmental problem. The first one took place in Bolivia in 1987. The US environmental group Conservation International bought some of Bolivia's debt for 15 cents on the dollar, in exchange for which Bolivia agreed to set aside 3.7 million acres in three areas in the Amazon. One of the latest and largest swap proposals has been suggested by the World Bank to Mexico. It would buy more than \$100 million of Mexico's foreign debt and the Mexican Government would then spend the money saved on environmental projects, for example the planting of trees around Mexico City to combat air pollution.

There is no lack of things to be done in Latin America to improve the environment.

In El Salvador, after a decade of civil war, the Guazapa region

88 presents a battered and disfigured landscape. In many places, aerial bombardment has pitted the earth with craters, severed tree trunks and denuded hillslopes. Other provinces, such as Morazan, Cabanas and Chalatenango, suffered too.

El Salvador is the most densely settled country in Central America. It is probably more environmentally degraded than any other country in the Americas. Four-fifths of the country is suffering from soil erosion. The civil war has rocked the economy and displaced the population. In 1988, community leaders from Morazan placed a joint protest in the daily newspaper *El Mundo*:

"We are very worried by the grave damages caused by the devastating forest fires caused by aerial bombing and indiscriminate mortar fire, as well as by soldiers carrying out patrols and operations... because they have deforested large areas in our zone, the scorched earth and bombing campaigns have notably affected rainfall patterns."

But El Salvador is not the only example. Other countries in Central America, in particular, have also suffered.

All have experienced a long history of forest clearance, largely to make way for cash crops and cattle ranches. The spate of armed conflicts has brought yet more environmental problems.

In Guatemala, the army has built a road into the forest, removed vegetation cover and attacked farmland in its campaign against guerrilla forces that have their strongholds in the rural hinterland. Since 1987, the US Drug Enforcement Agency has operated directly in this country, spraying pesticides, such as glyphosphate (banned in the USA) from crop-duster planes to destroy cannabis fields. Much of the spraying has been concentrated in rebel-held areas, where the chemicals are reported to have had a much broader impact, defoliating trees and food crops and contaminating water supplies.

In Honduras and in Nicaragua, in the conflict between Sandinistas and Contras many hectares of forest were burned, riddling the ground with munitions and destroying the land for years to come.

In Colombia, Ecopetrol, the Colombian State Oil company has had to spend an enormous amount on environmental clean-up as a result of guerrilla damage to oil installations.

Another victim of guerrilla operations is Peru, where the actions of the Shining Path and the government counter-efforts have caused over \$15 million worth of damage.

Argentina has not been an environmental pioneer. Indeed, it is one of the few countries in South America still lacking com-

prehensive environmental legislation. In the absence of government enforcement, some multinationals and their local partners often follow their own environmental guidelines. Where developed and applied, these are generally far more stringent than Argentine requirements, and are often enforced more rigidly by environmental auditors from head office.

Chile is not without environmental problems.

The former government actively promoted exports to benefit the fishery sector. With its consent, Japanese, Russian and Spanish factory ships literally vacuumed the ocean floor inside Chile's territorial waters with their huge driftnets, without regard to immature fish or endangered species.

Both the national and the transnational fish export industry were responsible for the potential extinction of entire species of fish, mussels, crayfish and sea-urchins because of overfishing.

Another example, the salmon industry, has been one of the success stories of Chile's efforts to diversify exports. Following pollution incidents thought to have been caused by the salmon farms, local people set up roadblocks to prevent feed trucks from reaching the salmon cages. It subsequently emerged that much of the pollution was caused by fertilizer run-off from local dairy farms, but the controversy has meant that the Chilean authorities have placed far more stringent environmental standards on salmon farmers than on dairy farmers.

Urban air pollution is another problem. In June 1991, the authorities restricted traffic, cancelled school classes and shut down factories for one day to reduce critical air pollution levels.

Chile has one of the last two extensive temperate rainforests on Earth. The Chilean government's attitude toward forests is unclear. Patricio Aylwin seems sympathetic to environmental concerns, but increased leeway for free enterprise could further strain exploitable resources. All the Valdivian forest land for sale is privately owned—often by families who acquired it as political gifts from Pinochet and who still have no idea of its uniqueness. Many of these owners do not value such isolated wilderness and therefore ask low prices for it. This invites timber-industry investment. Until the Japanese discovered the Chilean forest less than a decade ago, the main threat to the southern temperate forest was subsistence logging and burning. But if multinational corporations are given free rein under the new democracy, Chile may lose all of its old-growth forests in the next 20 years. Mexico City, the world's biggest city, suffers from appalling air pollution. In fact the problem is now so bad that booths in the city are selling oxygen by the minute.

When President Salinas was awarded the "United Earth" prize

90 for his leadership on environmental protection, some Mexican environmentalists wondered aloud whether the judges had ever been to Mexico.

The issues that have tarnished Brazil's international image include the destruction of the Amazon rainforest.

Brazil has been accused of being responsible for an "eco-catastrophe" and of causing upheavals in the world's climate. The country is currently seeking to establish a new ecological equilibrium in the Amazon Basin, endangered if not already upset by immigration into north-west Brazil in the last 20 years. The jungle has been cleared by farmers and cattle-growers and by the timber companies, the mining corporations and to build hydro-electric schemes. Once the forest cover has been removed, the thin and fragile layer of tropical soil is alternately burned by the sun and soaked by torrential rains.

The colonization of the Amazon Basin has been the occasion for violence, for instance when land has been seized illegally; for the forcible ejection of the indigenous inhabitants; and even sometimes for the killing of those who dared to try to protect the forest from its destroyers. In 1980, only 3 % of the State of Rondonia was cleared. Eight years later, this figure had risen to 17 %. Since the 1400 km of the BR-364 have been surfaced, the cleared area has tripled in size.

The most controversial aspect of the destruction of the environment in Rondonia relates to Polonoroeste, the programme of comprehensive development for the north-west with a budget of \$1.5 billion. The scheme was launched in 1981 with a loan of \$440 million from the World Bank. It was supposed to co-ordinate the activities of more than 40 government agencies, but because of the lack of competent administrators this co-ordination turned out to be minimal. Another reason for the difficulties of Polonoroeste was the economic recession, which meant that the local elements in the project could not be funded as planned. In addition, the various elements of the scheme were not carried out according to the priorities that had been set originally.

After years of relative inaction, however, the government appears to be taking the environment more seriously. It established a new environmental agency, the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) to implement its Environmental Protection Strategy, based on sustainable development.

Despite the conservationist efforts made in the region by the Brazilian government with UNDP support, and despite the new Brazilian constitution (1988) which included clauses on environmental protection that are amongst the strictest in the world, the cutting and clearing of the forest continues, as does

illegal encroachment on to Indian lands and even sometimes the extermination of the local people.

Recent data from the satellite monitoring system, Landsat, suggests that the Brazilian government's operation Amazonia, launched to contain deforestation, is having an impact. In absolute terms the deforested area is still growing, but the rate has dropped from 2.1 million hectares per year in 1978-1989 to 1.4 million hectares in 1989/90.

Amazonia unfortunately has other problems besides the destruction of the rain forest. In order to expand its hydroelectric capacity, Brazil has set up a national energy plan costing \$20 billion, which relies heavily on building dams in the Amazon Basin. Little seems to have been learned from the mistakes made when dams were built in the 1970s. The Balbina dam, near Manaus, which began to be filled in 1987, has flooded too large an area for the electricity it can generate. The resettlement of the Indians who lived in the area now flooded has been badly handled, as was the evacuation of the wildlife. The UNDP has made a grant to a regional electric company, which has been commissioned to organize the building of the dozen generating plants intended for the region, to analyse the environmental impact of these schemes. The World Bank, too, has made a loan of \$500 million to carry out an overall ecological plan for the Brazilian electricity companies.

This is all well and good, but it could be argued that it would perhaps be wiser to try to reduce electricity consumption, at present used thoughtlessly, for example by making consumers pay the real cost. Electricity is subsidized in Brazil, costing firms 3 cents per KWh and private consumers 5 cents, compared with more than 12 cents in New York.

As regards the subsidies and loans granted by international agencies to development projects in the Amazon, the environmental committee of the European Parliament protested against the decision of the European Coal and Steel Commission to make a loan of \$257 million for iron mines as part of the Grande Carajas programme. The European Parliament criticized the programme in particular for failing to take into account the direct and indirect environmental consequences of its proposals, not to mention the violations of human rights that it involved. Furthermore, it found it "unpardonable for the European Community to hand over the surveillance of the environmental impact of the schemes that it co-financed to bodies like the World Bank, which do not enjoy the highest reputation with regard to the environment".

In fairness it should be pointed out that this resolution of the European Parliament dates back to 1990 and since then the World Bank has proved to be more active in its concern for the environment, as its 1992 report shows.

POPULATION GROWTH

As is well known, many environmental problems are linked to very high population growth since the extra people generate additional needs.

Between 1965 and 1980 Latin America had an average annual population growth of 2.5 %. The rate fell to 2.1 % during the last decade and should reach 1.8 % by the end of the century.

For most countries in the region, therefore, the trend is decreasing, but in five it continues to rise: in Honduras from 3.3 % to 3.4 % per year; in Guatemala from 2.8 % to 2.9 %; in Paraguay from 2.8 % to 3.2 %; in Nicaragua from 3.1 % to 3.4 %; and lastly in Uruguay from 0.4 % to 0.6 %. These countries all have small populations; in the larger countries, like Brazil, Argentina, Mexico or Peru, the rate is falling.

Overall, this means that the population of the region as a whole should be about 516 million by the end of the century and should in theory level out at about 700 million by 2,025, except for Paraguay, where the population is not expected to stabilize until a few years later.

It is not easy to control the number of births in countries where many women are still illiterate. Sometimes, too, inadequate information may lead women to choose sterilization rather than less drastic measures, as has happened in Brazil. It is estimated that 25 million Brazilian women chose to be sterilized because they were unaware of alternative birth control methods. Poorly informed about their options, they chose the surest one and the most popular method. Birth control can be confusing and unreliable to rural peasants or urban slum dwellers.

Emigration

"Latin America is bleeding to death, and it is not only bleeding capital, but also bleeding people. Migration north has proved a popular solution not only with rich intellectuals but also with poor farmers."

Just as poor living conditions in rural areas cause people to leave for the towns and cities, unemployment and other economic difficulties encourage migration to neighbouring countries. In addition, civil wars and guerrilla attacks have driven whole villages to flee into exile.

The main receiving countries in the region are Venezuela (migrants mainly from Colombia), Argentina (mainly from Brazil, Peru and Chile), and to a lesser extent Chile (mainly Indians from the high plateaux of Bolivia, attracted to poorly paid jobs in the border region; they spend much of what little they earn

96 in Chile on manufactured goods that are unobtainable in their villages).

The main migratory flows are, however, towards the United States: roughly a quarter of a million people cross from Mexico every year.

The migrants are mainly hoping to find a job and higher wages. In the receiving countries, the migrant workers tend to be relegated to dangerous and ill-paid jobs that local workers do not want.

If living conditions in Latin America are not improved, even more migrants are likely to leave for the North. "The shortest route to development for Latin Americans remains emigration to a developed country. Even in the worst conditions in Miami, they gain 200 years of development".

Remittances from migrant workers abroad are a major element in the balance of payments of certain countries. Mexico, for example, receives more than \$2 billion per year from those working abroad.

The recent trade agreement between Mexico, the United States and Canada is likely to increase the migratory pressures, given especially the differences in agricultural productivity between Mexico and the United States.

"The average yield of corn in Mexico is 1.5 or 1.8 tons per hectare per year. In Iowa or Nebraska the yield is 9 or 10 tons per hectare, so there is no way we can compete. We will be importing corn, and perhaps we should. But what will happen to the 10 million Mexicans who grow corn? Undoubtedly we shall find them on the other side of the border in less than a year."

"We used to blame the Yankees. We used to yell Yankee go home! Now we yell 'Yankee go home and take me with you!'."

**A BOOM SECTOR OF THE
ECONOMY: DRUGS**

With a market of over \$150 billion, the drug trade is one of the most thriving sectors of the world economy. The interests of the producers and the consumers are obviously not the same, so everyone applauded when the summit meeting bringing both sides together in Cartagena, Colombia, in February 1990 declared war on the drug trade.

The participants at the meeting were the United States—with between 5 and 10 million regular cocaine users and 10 million casual users—Colombia (its main supplier of cocaine), Peru and Bolivia (both large producers).

It is difficult to get a clear impression of the situation because there are so many different interests involved at all levels, and this has consequences for the campaign against the drug dealers. This was clear at the second summit on the drug trade, held in San Antonio, Texas, two years after the first one. The results were disappointing.

In addition to the participants at the Cartagena meeting, the summit was attended by the heads of state of Mexico and Ecuador, as well as the Minister of Foreign Affairs of Venezuela.

Despite the funds made available for implementing control measures and military intervention, the drug trade is more flourishing than ever. It is estimated to be worth \$80 billion for Latin America alone, though the peasants who grow the crop are not the main beneficiaries. Between 1982 and 1987, the average price of coca has been cut to a tenth whereas the price to the consumer has doubled.

This fact has probably influenced some of the Colombian growers, who had pulled up their coffee plants to grow coca instead but who are now turning to more traditional crops. They have been encouraged by the United Nations Fund for the Control of Drug Abuse.

But even if there are only 3000 hectares of coca in Colombia, there are 70,000 in Bolivia, which accounts for more than half the world supply and where the whole economy depends on the crop.

Drugs generate \$3-4 billion per year in Bolivia, of which less than \$1 billion remains in the country, laundered by central bank through Bolsin, the small dollar market. Since 1985, the central bank is legally permitted not to enquire into the origin of the dollars.

In Ecuador, coca is less important to the economy.

The Andean countries, which used to be content merely to grow coca, are now also starting to process it into cocaine.

100 Peru produces as much coca as Bolivia and is beginning to be a major processor. Both the cultivation and the processing of the crop are now in the hands of the Shining Path in those areas it controls, and this provides it with funds to buy arms. It is also probably responsible for the bomb which exploded in front of the studios of one of the Peruvian television stations, killing the presenter Alejandro Perez just as he was introducing a programme on the links between the Shining Path and the drug trade.

Venezuela neither grows nor processes coca, but it is becoming a favored point of transit for drug dealers on their way to Europe or the United States.

Brazil took no part in the summit but is beginning to be involved in the trade. In Acre province, on the frontiers with Peru and Bolivia, some are starting to process coca imported from these countries.

The Medellin Cartel was dismantled by the Colombian government, but it is rising again from its ashes like a phoenix. It may emerge in a different form and in a different place, but we can be sure that its place will not be left vacant. The escape of Pablo Escobar along with nine other major dealers in July 1992, probably thanks to the complicity of some soldiers, shows that the organisation has not been dealt with very thoroughly. There is not disguising the fact that the Cartel is still a powerful force in Colombia, since in spite of the millions of dollars in rewards for any information leading to the re-arrest of Escobar offered by the Colombian and United States governments, and the considerable efforts to track him down, he is still at liberty.

In any case, Colombia still has the Cali Cartel, and the various Colombian cartels have branches across the Caribbean.

The drug trade is highly adaptable. Despite the profits to be made from cocaine, the cost price is apparently considered too great. It takes roughly 100,000 tons of coca leaves to produce 1,000 tons of cocaine. Since poppies have a much higher yield, Peru is switching a part of its "industry" accordingly!

The fight against the drug trade has nonetheless been stepped up at the international level and is becoming more efficient. In May 1992, for example, Hugo Rivero Villavicencio, described by Interpol as one of the leading drug dealers in Latin America, was arrested in Bolivia. The same month, seven Colombian dealers, all members of the Cali Cartel, were arrested in Paris. At the end of September 1992, after ten months of enquiries and close collaboration between Canadian, United States, Italian, Spanish and British police, the links between the Colombian drug cartels and the Italian mafia were brought to light.

The international police seized hundreds of kilos of cocaine and made 200 arrests; they found millions of "frozen" dollars, i.e. waiting to be "recycled". But this was just a drop in the ocean of drug dollars.

Given the financial stakes involved in the drug trade, any solution to the problem will inevitably be extremely costly. As long as peasants cannot earn more from producing traditional crops, the alternatives to growing coca will remain unrealistic. Today the gross earnings from a hectare of coca are between \$3200 and \$6400, which is infinitely more than can be made from growing coffee, tea, cacao or corn. It is no longer a simple matter of arithmetic; for the peasants it is a matter of survival.

**FROM DEMOCRATIC CONCEPTS
TO DEMOCRACY**

"There are many concepts of democracy in America: there are references to supervised or limited democracy, and this reflects a deep crisis where the true sense of the word is lost. From our point of view in Central America, democracy is no more than a farce".

These strong words were uttered by Rigoberta Menchu just before she received the Nobel Peace Prize, and it is clear that the situation in Guatemala, her home country, gives pause for thought. Its current government and the guerrillas have been talking for 18 months in search of a negotiated settlement. But a report of July 1992 from the Roman Catholic human-rights office charges that the Government "continues to demonstrate the political tradition of terror". Activists in civil rights and grassroots organizations are still receiving death threats. Similarly, the attorney Ramiro de Leon Carpio, in a report on human rights, denounced "the armed groups responsible for repression, both inside and outside government agencies". According to this report, 253 people were killed and there have been 3671 human rights violations since the beginning of this year.

Growing literacy in the Mayan languages has enabled the Council of Ethnic Communities (CERJ) to translate the constitution into these languages and make the people of the highlands aware of their right not to participate in the hated civil patrols. This organization faces severe repression in what is supposedly now a democratic society.

Virtually throughout Latin America, the newly emerging democracies are still extremely fragile. While some people are sure that "the democratic process is less stable than democratic conviction, but democracy in Latin America is here to stay because the political culture is impregnated with democratic values", in some countries democracy resembles the towns in films of the Wild West, where the streets have façades but there is nothing behind them.

But it must be acknowledged that Latin America has come a long way. For years, the only things that reached the outside world from the region were the sounds of war and guerrilla attacks, the stifled shots of summary executions, the screams of tortured prisoners and the sobbing of women, as they searched for husbands and children who had "disappeared".

As well as being the victim of its own demons, Latin America has also been caught up in the tensions between East and West. Central America, in particular, suffered throughout the 1980s from the repercussions of the conflict between the United States and the Sandinista regime.

But the sound of army boots has still not been silenced.

The new governments are seeking an elusive accord with the powerful opposition groups which still exist.

106 In El Salvador, not all the cards are yet on the table. After the cease-fire signed with the Farabundo Marti in February 1992, neither side has properly disarmed, each making the other's hesitation the reason for its own. In June 1992, a U.N. observer mission denounced the continuing summary executions and the reliance of both the police and the army on torture to extract confessions.

In Nicaragua, in April 1992, demobilized Sandinista soldiers and former Contras came together to demand the jobs and land that had been promised at the end of the civil war, and faced the police of the new government as allies. Some Contra groups still exist, having refused to give up their weapons when Mrs Chamorro came to power in 1990.

In Colombia, the guerrilleros of the Colombian Revolutionary Armed Forces continue to attack the police and army. Between May and August 1992, almost 200 soldiers and more than 200 guerrilleros were killed.

By far the worst situation, however, is in Peru. The Shining Path is in the news all the time. It is responsible for hundreds of attacks and thousands of deaths. Its partisans kill prominent figures and journalists, but also peasants caught in the cross-fire between guerrillas and government forces.

According to a Peruvian sociologist, the Shining Path has about 25,000 fighters but 75,000 sympathizers. It is therefore a force to be reckoned with.

Despite the arrest of its head, Abimael Guzman, in September 1992, the Shining Path continues on its destructive way. Guzman's successor is reputed to be Julio Cesar Mezzoch, said to be "bloodthirsty". All the killings in Peru in recent years have tended to be attributed to the movement. Guzman reckoned that a million lives could be sacrificed for his "popular war".

Another equally terrifying guerrilla movement is the Tupac Amaru, which began fighting shortly after the Shining Path. Its main leader, Victor Polay, known as Commandant Rolando, was also arrested in June 1992. Immediately, in July, 400 guerrilleros attacked a town north of Lima to demonstrate that they were just as capable of action without their leader.

In twelve years, civil disturbances have caused the deaths of 26,000 people, many of them killed by members of the police and the armed forces, and were responsible for \$22 billion worth of damage, the equivalent of the foreign debt of Peru.

Faced with the general state of crisis, drug trafficking and terrorism that is characteristic of the present situation in Peru, in April 1992 President Alberto Fujimori—with the backing of the army and the police—put an end to democracy in the

country, suspended the Constitution and the judiciary and introduced a state of emergency.

Peruvian politicians and trade unions said that the *autogolpe*, the *auto-coup d'état*, was no surprise. From the outset, President Fujimori had relied on the army to combat the terrorists and the drug dealers; he granted special powers to the army and allowed the military to take control of the Ministry of the Interior. The areas under emergency military supervision were extended, but the policy led merely to greater human rights violations.

The international response was almost entirely hostile, leading to some countries breaking off diplomatic relations with Peru and suspending aid.

By contrast, opinion polls showed that 75 % of the population supported the President's initiatives.

The arrest of Guzman allowed Mr Fujimori to justify his *coup d'état* retrospectively, but the international community reckons that he had better find democratic solutions for the crisis if he wants to regain their acceptance.

The situation is admittedly less serious in the rest of the region, but the failed coup in Venezuela, which led to several dozen deaths, rings loud alarm bells.

Three years after the "hunger riots" which were put down at the cost of several hundred lives, President Carlos Andres Perez was almost overthrown by the military plus some extreme left-wing groups.

Tensions continue. Striking policemen and members of the National Guard clashed in the city of Merida, where the demonstrators put up barricades, looted shops and burned cars.

Most of the countries of Latin America have been or still are rife with the main enemies of democracy: corruption, bureaucracy, terrorism, the drug trade, not to mention poverty.

We have already seen how the drug trade undermines the economy, overturns systems of value and imposes its will on the authorities.

We have also seen how terrorism, under the guise of fighting dictatorship, in fact strengthens its hold.

Bureaucracy—inherited from the centralized administrations of the European powers, which has turned citizens into mere "users", "subjects", "taxpayers", "nationals"—is certainly found the world over.

"Bureaucracy, which stifles the lives of individuals and communities, is one of the greatest enemies of democracy. It is the expression of ultra-conservatism, arbitrariness and the most efficient machine for forbidding things that has ever been invented".

Bureaucracy is not the opposite of disorder, although this is the impression it likes to give. It benefits only its perpetrators, fossilized in the system and confident that they are right. It is a machine that operates for its own ends, forgetful of the needs it was meant to serve.

It exacerbates irresponsible behavior at every level and often lends itself to corruption.

Brazil has just provided the world with an example of corruption at the highest level, involving the head of state himself. Though it is reassuring for democracy that, first, the facts became publicly known (in earlier regimes, nobody would have known what was going on), and secondly that the public response helped to bring about the impeachment of President Collor.

But corruption also occurs at less exalted levels: the "ordinary" corruption that poisons the lives of the very poor and puts them at the mercy of local dictators.

In this regard, it is worth recalling the interview with a young villager in Cameroon quoted in the Club of Rome Report "The Barefoot Revolution":

«—After the BEPC what are you going to do?

—Sit the Civil Service exam.

—Which branch?

—Either the army, the police or customs. I don't yet know which.

—Why those?

—Because you can pressurize people.»

Corruption also turns up in the shape of rigged elections. Recently in Mexico, for example, the left-wing opposition protested strongly about the election of the PRI candidate to the post of Governor of the State of Michoacan. There had been all kinds of irregularities, including people voting without electoral registration cards and others being turned away although they were duly registered.

There is in the Latin American countries, a huge gap between democracy as a norm and democracy as a process. As a norm, democracy commands universal acceptance. As a process, it exhibits very serious limitations. On the one hand, there are very considerable contradictions which are tending to grow

between the manifestations of popular will and the minimum demands for public rationality. On the other, and as a consequence of such contradictions, the very process of exercising democracy, in the popular vote and in the decisions of the people's representatives, is affected by a high level of corruption.

But in any case, what does it mean to vote when the standard of living in Latin America is constantly falling and inequality is increasing everywhere?

In Latin America, the right to vote has often been achieved before truly representative political movements have had a chance to take shape, before there were real citizens able to exercise their rights, and before the community had been able to formulate real common goals.

"The political and sociological analysis of the process of political representation in contemporary democracies shows one important correlation which appears between the level of economico-cultural development of a society and the quality of the political class that it produces. The higher the development, the better the level of integrity and capacity of the political representatives. The more primitive the economic-cultural level of a society, the lower the level of integrity and capacity of the political classes that it produces. This is the basic reason why European democracy produces a political class significantly superior to the United States and even more so in relation to the large majority of underdeveloped countries."

What meaning do elections have for those who stand as candidates? For some, the motive is above all to give an impression of democracy to foreigners, in order to obtain loans, for example.

"Latin America is indeed being politically led, but in the wrong direction. The decision-makers are not managing for price stability, growth and prosperity, they are trying to maintain the influence and power of the Elite".

"We have muddled up elections and democracy. The Latin American governments seem to be cut off from their people. In Latin America, there are no mechanisms for keeping a check on politicians. They are simply a pale imitation of the Western model that they think they are copying."

"It is clear that no Latin American political scientist will talk about this matter, because our politics are not professional. The real problem is a legal one: the concept of the State and the way it operates."

"Free and fair elections are crucial but they alone do not make a democracy."

"A democratic system calls for the strict observation and upholding of human rights; an independent effective judiciary and the subordination of military force to civil order are required".

"Political stability and economic stability are inseparable. Only a state which manages to ensure that all sections of the population participate in growth and prosperity will be successful in the long term."

"I get the impression that if a Latin American country could manage, by democratic means, to create a different model, this would smash the traditional reliance on 'patronage', which maintains the same social class in power and prevents the people from governing."

"The Economists should not have a monopoly in running the country. They know how to implement a good macroeconomic policy, but for it to work, the political system has to give consumers the possibility of expressing what they want. Entrepreneurs in Latin America, unlike those in industrialized countries, never talk about the people. They don't even want to hear the subject mentioned, since they don't think of the public as being part of the country."

Fortunately, the "typical scenario" of the 1970s, at least in the Southern Cone, of dictatorships which usurped power through brute force and demolished all vestiges of legality, has been surmounted.

Nevertheless, new populist forces which are emerging in Peru, Venezuela and Argentina, as well as the rumours of coups d'état in Brazil, are a warning. Stable democracy cannot survive against a background of increasing marginalization of the majority, such as is happening in Latin America, where human rights are not universally applied.

In Chile, a month after he took office, the President set up a commission on "Truth and Reconciliation" to shed light on the serious human rights violations that had occurred during 17 years of military rule. This important step by the Chilean government did not lead to any very satisfactory sequel.

The military are clearly reluctant to co-operate. Not all those who were in prison for political reasons in April 1990 have been freed; those who have been freed have received only a presidential pardon.

Chile is perhaps a special case which will take longer than some others to get back to normal.

But in other countries, serious human rights violations are still occurring, as we have seen, for example, in Guatemala. The terrorists, the guerrilleros, who want to impose their way of thinking certainly are little bothered about human rights, even if they perhaps set out originally to defend them. But it would be naive to think that the security forces (police and military) are not responsible for their share of prisoners, dead, wounded and other victims.

Violations of human rights cannot in any case be measured solely in terms of freedom of expression, of the press and of political opinions.

There are flagrant wrongs in Latin America with regard to basic rights—to food, shelter, health—affecting more than half the total population.

“We have started down a road that will be painful and difficult. We have to find how to develop our own systems, deal with the delicate and important interest of the poor. For us, development and democracy will have to go together.”

Protection of human rights

“In Latin America, the subject of human rights is not one of the concerns of the political parties”.

In this area, two types of institution have played and still play an important role in Latin America: the churches (especially the Roman Catholic church, because as we shall see, some of the Protestant groups have had an extremely negative influence in many ways), and the non-governmental organizations (NGOs).

The NGOs

In Latin America, NGOs aiming to protect civil and political rights were created in the 1970s and worked closely with other institutions and organizations which were not explicitly concerned with “human rights” but which had development programmes with a similar orientation.

Organizations were also set up to protect specific rights, for instance of women, indigenous peoples or the environment.

It was a propitious time for such organizations to be launched, given the rise of totalitarian and authoritarian regimes, sometimes outright dictatorships, throughout the region.

Human rights cover a wide range of topics. They do not mere-

112 ly incorporate civil and political rights, but economic, social and cultural rights as well. They also include the right to a healthy environment, development and other similar concerns. The range is so broad that practically everything done to benefit humankind could be considered a "human right". For obvious reasons, however, the majority of human rights organizations have come to focus their efforts on the defence of civil and political rights.

The NGOs' work ranges from promoting to defending human rights.

Promotion might include actions aimed at achieving the adoption of laws and regulations dealing with the protection of human rights. By the same token, it could mean working so that international human rights treaties are approved or ratified. Promoting human rights means making sure that the appropriate legal mechanisms exist for their protection, as well as preventing abuses.

Promotion also covers efforts to educate people: the work is based on the belief that it is not enough to simply denounce human rights violations, but that the population's consciousness must be raised as well. This is done so that the people know what their rights are.

"The NGOs have characteristically worked with perseverance and tenacity in the protection of human rights. They run up against brick walls time and time again. However, sometimes they are able to save someone's life, save somebody from being tortured". In Latin America this movement is of enormous importance. Numerically of course it is impressive: over 250 of these organizations are in existence today. The seeds they planted have been fruitful, but there remain a number of challenges for the future.

The churches In Latin America, all the religions of the world are represented, but the Christian faith is nevertheless predominant (between 90 and 99 %, depending on the country).

The Roman Catholics are the most numerous, but the Protestants have made considerable gains in the last two decades, especially those linked to the American pentecostalist churches.

The churches are all evolving and suffering from the same internal tensions as the Catholics, as we shall see below. It can be argued that the real gulfs in Latin America today are not between the churches but within each of them.

The many sects with very tenuous links with Christianity have a very different mood and manner of operating.

Some of the most muscular (there are said to be more than 600 in Bolivia alone) effectively "buy" their followers, who are given money for attending services. The material benefits are mixed with prohibitions on traditional customs, beliefs and sacred objects. This has a double impact: on the one hand, work is devalued (one has simply to become a convert to receive money); on the other, the traditional culture is further undermined. These sects target the poorest and least educated, and their main aim is to combat Marxism, which they allege is being spread by the mainstream churches.

The Catholic Church and liberation theology

Inspired by the decisions of Vatican II, liberation theology can be very crudely summarized as follows: it is the Church's duty to stand up for the poor of the world, it should protest against injustice and oppression, and work to eliminate such situations.

The phrase was used for the first time at a meeting of bishops in Peru in 1971.

On the ground, first in Brazil, then in Mexico, Chile and Ecuador, this was given expression in communities where gods and faith were shared along the lines of the Early Church.

An example from Ecuador:

"We started in 1970, after the Vatican Council, through the Christian revolution. After the changes that occurred in the Church and the stress given to the poor, we began to struggle, to mobilize ourselves, to make commitments to help one another" ("The Barefoot Revolution").

This mission to serve the neediest can be traced back directly to some of the views expressed by the earliest priests and monks to arrive at the start of the Conquest.

Antonio de Montesinos: "What justice permits you to maintain the Indians in such terrible servitude?"; or Las Casas: "The Indians are by nature free men"; and in general, the Franciscans, Jesuits and Dominicans, despite the attitude of the hierarchy, made it clear that they were opposed to the subjection of the indigenous peoples.

"The masters of Santo Domingo, far from being troubled that their negros have no religion, on the contrary are delighted, because they see nothing in the Catholic faith but notions of equality which it is dangerous to encourage in slaves" (Vaissière, quoted by Alfred Metraux in *Le voodoo haitien*).

114 The grassroots communities rapidly organized to deal with the problems of the very poor. Their efforts were often not to the liking of governments and led to repressive countermeasures which still continue. In 1990, several hundred peasants were killed for having resisted when their land was expropriated either to be absorbed into large estates or for the exploitation of the natural resources found there. The start of the Carajas project in Brazil, for example, which was mentioned above as having been criticized by the European Parliament, led to the death or disappearance of many in the Tocantin valley in the State of Para.

Its challenging of economic injustices later led the Church to stand up to political regimes and to be very critical of them.

The Church did not hesitate to constantly criticize abuse of power by the dictatorial regimes which were then in place, usually backed by the military (in Argentina, Brazil, Chile, Bolivia, Peru, Panama, Guatemala, Uruguay...), openly attacking the foreign powers who offered them support.

The example of Dom Helder Camara, one of the best known representatives of the Church, was followed by many others. They made public all the arrests, disappearances, executions and cases of torture. An impressive number of priests, nuns and monks and even several bishops have died in the cause of this resistance.

Liberation theology has naturally not been adopted by the Latin American hierarchy as a whole. In Argentina and Colombia, the bishops have remained conservative. Elsewhere, the governments have found the bishops to be ardent supporters, especially if the authorities declared themselves guarantors of the Christian faith under threat from Marxism.

The positions remain clear-cut and each side is convinced that it is right. They are both waiting for the Vatican to make a decision, but for the moment it is still wavering.

Is there a place for the military in the new democracies?

The military who imposed their will in many Latin American countries for several decades, and who still play a dubious role in some places, do not enjoy a very favorable reputation.

Nevertheless, in many countries, they are one of the few well-organized structures, so that it would be a pity not to make good use of it.

The army could very easily be put to work in areas like en-

vironmental protection or helping the poor in the towns or villages to organize themselves, construct the infrastructure they need, carry out the work, etc.

For this to be done, however, the army must accept the authority of the civilian government and should not remain a state within a state.

If soldiers are demobilized without having a real possibility of finding a respectable place in civilian life—as is currently happening in Central America, where the promises made to them have not been carried out—or if the army is maintained without having any clearly defined role, there is much to fear. Given the climate of uncertainty and the fragility of the new democracies in most Latin American countries at present, it could be extremely tempting for the military to seize power again. In doing so, they might even have, if not the outright backing, at least the sympathy of the general public, as happened in Venezuela. Democracy and the free market have so far brought little economic improvement to the lives of ordinary people, so that the military could continue to be considered a potential alternative.

LATIN AMERICA'S ASSETS

Despite the problems that have been discussed here, Latin America—viewed as a whole, but also country by country—has extremely positive aspects which earn it an honorable place in the world.

For example, the region is very rich in natural resources, especially in the field of energy: both fossil fuels (it produces 350 million tons per year of oil and natural gas, plus 1 million t.o.e. of coal) and renewable energy sources (solar, biomass, etc.), plus the world's largest potential capacity in hydro-electricity. It also has reserves of minerals, precious stones and metals, non-ferrous metals, etc.

The continent has every type of climate and soil so that almost every crop under the sun can be grown: cereals, citrus fruit and vegetables of all kinds; it is also propitious for stock breeding. It can not only feed its own population, but also export a considerable surplus.

The forest reserves are amongst the largest in the world and it is seen as the "lung" of the world.

It covers an enormous area, with thousands of miles of coastline along the two largest oceans on Earth. Outside Central America, the population densities are relatively low; the rate of population growth is stabilizing (reaching replacement level by 2025), so that the region could accommodate many more people.

Moreover, Latin America has a unique multiracial society, which Vasconcelos has called "the cosmic race", yet (with the exception of Brazil) has the enormous advantage of having a common language in Spanish.

Such homogeneity is found virtually nowhere else in the world, and this together with all its other assets means that Latin America should not miss the opportunities offered by regional economic co-operation to make the most of specializing where its resources and skills are most productive, in the same way as Asia and Europe have done.

For years, the countries of the region did the opposite, and followed inward-looking policies. With many different exchange rates, protectionist tariffs, quotas, taxes on exports, etc., the strategy was to protect local markets for local producers rather than encourage wider trade. Given this situation, local industries could not hope to become competitive internationally.

Things are beginning to change, at different rates and with varying success depending on the country, because it is now realized that in the long term countries are more likely to benefit than not from opening up their economies.

120 Starting in the late 1950s, bilateral and multilateral agreements began to be negotiated, but there were considerable difficulties because the balance between the partners was not always taken properly into account.

Groups formed, were joined by others or else lost members. Between 1958, when the first Central American free trade area was created, and 1991, when the treaty inaugurating MERCOSUR was signed, many initiatives were launched, operated for a while and then were often abandoned.

The vast regional market envisaged in the Latin American Free Trade Association (LAFTA) in 1960 was doubtless before its time and did not satisfy the hopes of the 11 signatory countries.

Today, economic co-operation is being organized in several different areas: some cover Central America, others cover South America, others bring together the Andean countries, yet others the "Southern Cone", while there are agreements or potential agreements with North America as well.

Central America

The Central American Common Market (1960) created a free trade area covering Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Certain items, particularly agricultural products, were excluded. A common system of tariffs was put in place for exports from outside the zone in order to stimulate the production of manufactured goods within it. The Market operated smoothly for several years, but then there were tensions, especially between El Salvador and Honduras, and the latter withdrew from the CACM; it now seems to have got into its rhythm. The CACM has allowed trade within the region to expand rapidly. In 1990, the five countries agreed a fresh Plan for Economic Action in Latin America. The free trade area is to be extended to include Mexico by 1996, and it is hoped to make a similar agreement with Venezuela.

The Andean countries

The Andean Pact was set up in 1969 by Chile, Bolivia, Colombia, Ecuador and Peru, exasperated by the slowness with which LAFTA was being brought into being. Until recently it had no great success. Venezuela joined in 1973, but disagreements soon afterwards caused Chile to leave. Since January 1992, the remaining members have again become active, establishing a free trade area amongst themselves. In addition, Colombia, Peru and Venezuela are to set up a common ex-

ternal tariff system and to remove all customs duties on goods and services imported from other Andean countries.

Perhaps as a result of the Andean Pact, Peru and Ecuador are trying to resolve a dispute about their frontier that has lasted half a century. The conflict relates to access to the headwaters of the Amazon which led to armed confrontations in 1941. The Peruvian President has made proposals to strengthen co-operation between the two countries.

The Southern Cone

After the Iguazu Declaration in 1985 which laid the foundations in principle for a common market between Brazil and Argentina, a treaty was signed in March 1991 between those two countries plus Uruguay and Paraguay, which will put in place a common market for the Southern Cone (Mercosur), due to become operational on 1 January 1995.

Mercosur is meant to institute free trade among these countries in goods, services and factors of production; customs duties and other barriers to the free movement of goods are to be abolished. It also means adopting a common trade policy vis-à-vis third parties (states or trading areas), co-ordinating macro-economic and sectoral policies among member states as regards foreign trade, agriculture, industry, taxation, currency, services, customs, transport and communications, etc.

During a transition period, customs duties will be gradually lowered and a common external tariff system put in place.

Mercosur marks the final stage in the rapprochement between the two former rivals, Brazil and Argentina, that has developed since 1985. It should be recalled here that Brazil and Paraguay signed an agreement in 1973 to build a power station at Itaipu, but under it Paraguay would not be allowed to sell electricity to third parties without the permission of Brazil—this meant, above all, Argentina.

The new treaty includes a clause stating that it aims "to promote the scientific and technological development of member states, as well as to modernize their economies in order to increase the supply and the quality of goods and services, with a view to improving the living standards of their inhabitants."

It will not be easy to maintain a proper balance between the two large and the two small countries. If all four manage to avoid the pitfalls, Mercosur will institute a huge common market of almost 200 million people with a total GDP of \$420 billion.

Chile belonged to the Andean Pact for a while but is now the

122 only country trying to "go it alone". At present it seems to favor bilateral agreements with individual partners, such as the free trade agreement signed with Mexico in September 1991.

Agreements on culture, science and technology

There are other agreements and plans within Latin America besides the ones relating to trade. An example is the plan to establish a regional centre for food processing technology which would encourage technology transfer among the Latin American countries and in the Caribbean.

At a conference in Costa Rica, the representatives of 20 countries in the region acknowledged "that it is easier and more useful for us, within Latin America and the Caribbean, to share our technical knowledge and know-how, given our similar climates and lifestyles. But the developing countries within the same region are sometimes unaware of what their neighbours are doing, and the same research may be done twice over."

Another initiative is UNAMAZ, the Union of Amazonian Universities which brings together 25 teaching and research institutions from the eight countries in the Amazon Basin (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Surinam and Venezuela). They have signed an agreement with the aim of encouraging scientific, technological and cultural co-operation between the members.

An interesting project to promote greater co-operation between Latin America and Europe is the creation of a new university degree, an international transdisciplinary doctorate, a PhD in ecological economics. Its purpose is to fill the gap in the economists' knowledge of the physical world, where economic processes take place, and that each side must learn the others' language. Five universities in Chile, Brazil, Great Britain, Spain and Sweden are taking part in the project; they are setting up a common syllabus with similar courses. The programme is targeted at economists, scientists and all professionals dealing with sustainable development.

Agreements with industrialized countries

Negotiations started in February 1991 between Canada, the United States and Mexico, leading to the signing of NAFTA (North American Free Trade Agreement) in August 1992.

The agreement is the first concrete sign that the United States

is interested in creating a free trade area covering the American continent —the “initiative for the Americas” announced by George Bush in 1990.

The moves towards region co-operation could mark a step to more multilateralism.

If a free trade area is established across the whole continent, its population would be double that of the European Community, and its economic potential would allow it to withstand the threat represented by the EC which is worrying the United States.

At present, and probably for some years to come, the United States is the most powerful nation in the world. Its agreement with Canada and Mexico would not be enough to maintain its supremacy vis-à-vis an expanded European Community, when full integration is achieved, nor an Asian grouping which might evolve under Japan’s leadership.

The moves towards economic integration started by the United States are designed to expand and maintain in its orbit the economic potential of Latin America so as to accumulate the economic power factors which it needs to compete with the European Community. In order to be able to compete effectively in the long term with the EC, not only in the economic field but also in the politico-military field, the United States should, in one or both of its initiatives, also make moves towards political integration.

As well as the efforts towards regional integration, Latin America is likely to increase the number of links with its North American neighbours and to make the continent a real single entity, as its geography makes only natural.

The Latin Americans have been somewhat disappointed by the Europeans, from whom they expected far more after the difficult return to democracy.

The region would have appreciated greater understanding of its problems, but so far has had no special treatment. On the contrary, ECLA reckons that the EC’s protectionist policies are harder on Latin America than on any other developing regions. And yet the Latin Americans feel closer to the Europeans than to the North Americans. They have begun to forge closer links with Europe through the good offices of Spain and Portugal in the framework of the CIN (the Confederation of Ibero-American Nations). This is made up of the Spanish-speaking countries in Latin America, Brazil and Portugal. The second meeting was held in Madrid in July 1992.

At the first meeting, in 1991 in Guadalajara, the 21 heads of states issued a statement saying:

“It is with special satisfaction that we have met together

for the first time in history to examine the great challenges confronting our countries in a changing world. We therefore propose that our governments work together to devise ways of meeting these challenges and of turning the historical and cultural affinities that bind us into an instrument for greater unity and development based on dialogue, co-operation and solidarity."

It would be desirable if Europe were to understand that Latin America offers "a breath of fresh air" to revitalize Europe, and if in addition to the limited bilateral agreements currently in place, Europe were to develop institutional and collaborative links that are at present wanting.

CONCLUSIONS

After a period of satisfactory economic growth up until the end of the 1970s, the countries of Latin America suffered in varying degrees from the effects of the oil crisis, which forced them to borrow in order to try to maintain their previous pace of growth.

The lenders were not much concerned by the debtors' ability to repay, and constantly encouraged them to go more deeply into debt, until they found themselves unable to pay the interest on the loans.

The rise in interest rates in the United States and other industrialized countries added to the debt burden, and the flight of capital abroad did nothing to help. Even now, Argentinians, Brazilians, Mexicans and Venezuelans, among others, maintain large dollar holdings abroad which, together with other property, is worth almost as much as their countries' debts.

The necessary arrangements, which should have been made at the time of the first oil crisis, have now been undertaken as panic measures under the supervision of the World Bank and the IMF, in particular.

Today, most Latin American countries are starting to restructure their economies, which will reassure investors and encourage them to bring back funds from abroad, slowly at first, to reinvest locally. At the same time, the protectionism which was standard throughout the region has given way to a rapid opening up of local markets. Regional co-operation is beginning to take shape and could give the region as a whole the weight in negotiations that it lacks as individual nations.

Latin America is much less vulnerable to a new debt crisis. Nevertheless, double-figure inflation persists almost everywhere.

To attain a healthy economic development depends on the capacity of Latin America to focus on policies capable of fulfilling three objectives: stabilize the economy and restore macroeconomic balance; overcome stagnation and initiate growth; and get the economy moving, mainly relying on export growth - plus the structural transformation that these objectives imply.

For such policies to be carried out successfully governments have to be able to make decisions and follow through a very complex task. The long apprenticeship that the crisis has represented has increased the governments' initiative and their determination to ask society to make sacrifices. But there is inevitably some wear and tear: the faults and repeated failures have undermined their credibility in the countries with the most stubborn imbalances, and if the crisis continues the problem of ungovernability could very soon impede all effective action. There is a time limit within which to obtain results

128 and in many countries this limit is very near. For the same reason, it is urgent to break through stagnation and obtain a prompt and obvious improvement in the welfare of the poor. In social terms, Latin America remains one of the most polarized regions of the world. The great inequalities which began at the time of the Conquest have not altered since. The poor and those who live just above the poverty line (the majority) have not yet benefited from the improvements in the economic situation.

To bring the hyperinflation under control and cope with the interest on the debt, the countries of the region have adopted austerity measures. Efforts to bring the budget into balance have meant vast cuts in public spending on basic services (water supply, sewerage, schools and hospitals). The gap between rich and poor has widened and the percentage of poor people has increased.

On a long term basis, the Region's destiny will depend more on how much is done to remedy these differences, than on the economic action which the governments are concentrating on today.

In political terms, the countries have managed to rid themselves of the authoritarian regimes and military dictatorships which had taken over in many of them. The seeds of democracy have been planted but it has not yet truly taken root. Human rights are still found more on paper than in everyday life. Elections ensure that governments have public support, but the weakness of the judiciary undermines confidence in the very legitimacy of these governments.

"In the long run, economic growth depends on adopting equitable regulatory systems, clearly stated property rights and sufficiently great redistributive justice to prevent revolution."

FORGING AHEAD

The book is an attempt to better understand Latin America in its present state. So many different countries belonging to the same continent are sharing inequally a number of contradictions and hopes.

The Club of Rome has developed with these countries and their peoples many ties, through its National Associations, through its prestigious Latin-American members, and through a number of meetings, in Mexico, Bogota, Caracas, Santiago, Buenos Aires, Montevideo...

Being in a permanent learning process, we do believe that this attempt to establish with Latin-American experts the state of this continent has to be shared with a large public: it is a part of our responsibility, while remaining faithful to the global approach of the Club. For Latin America is still too often ignored or insufficiently known in the other regions of the world.

The publication of this book is furthermore the first step of an initiative to share ideas and opinions with Latin American leaders in governmental and non governmental, political, economic, social, religious and academic areas. It is a basis for discussions which are meant to lead to other meetings at the highest level, to decisions, actions and results.

In this limited planet, the world cannot live without Latin America, Latin America cannot live without the world.

This book would like to contribute usefully to this indispensable dialogue.

Bertrand Schneider

**STATEMENT BY THE CLUB OF
ROME ON HUMAN
RESPONSIBILITY**

One of the hopeful trends of recent decades has been the spreading concern for the recognition of fundamental human rights and the need to ensure that they are respected universally.

However, the enjoyment of rights cannot be ensured without the acceptance of obligations—rights have to be balanced by duties, privileges by responsibilities. Both are essential to the governance of nations and societies.

Duties are implicitly accepted by individuals within a society. People pay taxes in return for the security and services which society provides; they submit to the constraints of common interest for freedoms thereby gained. Many obligations are accepted in the operation of society and the enjoyment of a harmonious daily life within it.

Yet we see around us innumerable examples of deliberate individual and collective acts which violate the basic concept of responsibility. We observe examples of gross irresponsibility in financial scandals, corruption and extortion, vandalism and terrorism, and in the operations of the drug trade. At the level of nations, we see exploitation, suppression of minorities and even military intervention. In less dramatic ways, we are all guilty, to a greater or lesser extent, of lack of responsibility or caring in our relations with other individuals and the environment.

While obligations to society, although often ignored or circumvented, are accepted with few questions, responsibilities across a broad spectrum of human activities are seen or acted upon in very different ways by different people, depending on their particular code of values. The erosion of values or the paying of mere lip-service to them is a major feature of the contemporary scene. The Club of Rome, in its recent report "The First Global Revolution", argues that the infusion of an ethical element into the transactions of individuals and their societies is necessary if we are to solve these global problems and move toward a just, creative and sustainable world. It is imperative to revitalize the value system in terms of the contemporary world, and to manifest this renewal through greater exercise of responsibility on the part of all people and institutions.

We therefore call upon all people and institutions to work for the deepening and spreading of responsible thinking and actions as a fundamental contribution to building a better world.

Amongst the areas of human interactions where there is a clear need for the exercise of greater responsibility, we cite the following:

in the relationship between men and women;

within the family;
in the education of children for life in a new world;
in attitudes towards the aged, the infirm and the disabled;
in attitudes towards other ethnic or religious groups;
as citizens within the life of the community and the nation;
between the nations;
with regard to economic disparities within and between nations;
in financial transactions;
in on the part of the media;
with regard to Nature and other species;
in the preservation of the natural environment;
in the search for peace.

In conclusion, The Club of Rome states its conviction that, at this historic moment of change, transition towards a just, harmonious and sustainable world society cannot be achieved without a radical shift in human values and a full acceptance of human responsibility.

We therefore consider it important that a process of reflection be undertaken, amongst other things, towards extending the Universal Declaration of Human Rights so that it becomes "The Universal Declaration of Human Rights and Responsibilities". This reflection must take place in the minds of individuals throughout the cultural diversity of the world and by discussions within their civic, professional, religious and other organizations. To that end, The Club of Rome offers the attached essay as a basis for wide-ranging debate.

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SUMMARY

<i>Acknowledgement</i>	7
<i>Prologue</i>	9
<i>Introduction</i>	15
<i>A difficult transition</i>	23
<i>What is the situation of Latin American countries, now?</i>	29
<i>Human Development</i>	43
<i>The Inequalities worsen</i>	55
<i>Overcrowded cities</i>	65
<i>Rural poverty</i>	71
<i>The Reawakening of Indian Consciousness</i>	77
<i>The problems of the Environment</i>	83
<i>Population growth</i>	93
<i>A boom sector of the economy: Drugs</i>	97
<i>From Democratic concepts to democracy</i>	103
<i>Latin America's assets</i>	117
<i>Conclusions</i>	125
<i>Forging ahead</i>	129
<i>Statement by the Club of Rome on Human Responsibility</i>	133
<i>Bibliography</i>	137
<i>Summary</i>	141



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