

*NOTE: Following is the program and document summaries from the 21 May "Alternatives to Structural Adjustment in the Americas Forum" organized by The Development GAP. We hope, within a few weeks, to post audio files of the presentations at the Forum.*

# **FORUM ON DEMOCRATIC ALTERNATIVES TO STRUCTURAL ADJUSTMENT IN THE AMERICAS**

**Hosted by the Inter-American Development Bank**

**Tuesday, 21 May 1996**

**1:45-5:30 PM**

The Auditorium - 9th Floor  
1300 New York Avenue, NW  
Washington, DC

**Organized by The Development GAP  
in conjunction with Equipo PUEBLO of Mexico**

**Funded by the United Nations Development Programme**

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## ***Opening Remarks***

***Steve Quick, Manager, Strategic Planning and Operational Policy Inter- American Development Bank***

***Steve Hellinger, Executive Director, The Development GAP***

## ***Chair***

***Ottón Solís, Chair of the Economic Committee National Assembly of Costa Rica***

## ***Presentations***

***"The Oaxaca Initiative": A Framework for Equitable and Sustainable Development in the Americas***

***Atherton Martin, Chair of the Development and Planning Corporation Government of Dominica***

***Maria Clara Couto Soares, Economist Brazilian Institute for Social and Economic Analysis (IBASE)***

***"The Liberty Referendum": An Alternative Economic Strategy for Mexico***

***Alejandro Nadal, Professor of Economics, Center for Economic Studies, El Colegio de Mexico***

***"The Popular Alternative": A Basis for a New Economic Plan for El Salvador***

***Roberto Rubio, Research Director, National Development Foundation (FUNDE) of El Salvador***

# *Discussion*

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## *PARTICIPANTS*

*Ottón Solís is a Member of the Costa Rican National Assembly and Chair of its Economic Committee, as well as an advisor to President Figueres. Formerly Minister of Economic Planning in the government of President Arias, he subsequently served as President of the Economic and Social Council of the Organization of American States and as United Nations advisor to the Nicaraguan government.*

*Atherton Martin is Chair of Dominica's Development and Planning Corporation, President of the Dominica Conservation Association and Director of The Development Institute, a sustainable-development resource organization. An agronomist, he has also served as General Secretary of the Dominica Farmers Union and as Minister of Agriculture. In 1987-89, he led a broad-based consultative exercise in the Caribbean that yielded an alternative development assistance proposal adopted by the U.S. House of Representatives.*

*Maria Clara Couto Soares is an economist at IBASE (Brazilian Institute for Social and Economic Analyses), a leading Brazilian non-governmental organization, where she is in charge of research on economic globalization issues. She previously worked on trade matters at Brazil's Ministry of Economy and on national development plans at the Ministry of Science and Technology.*

*Alejandro Nadal is a professor of economics at the Center for Economic Studies and Coordinator of the Science and Technology Program at the Colegio de Mexico. In 1994, he was a Distinguished Visitor at the John D. and Catherine T. MacArthur Foundation in Chicago. On behalf of eight Mexican civic organizations and networks, he coordinated a team of economists that has developed an alternative national economic plan.*

*Roberto Rubio Fabián is Research Director of the National Development Foundation (FUNDE), a non-governmental organization in El Salvador led by a Board composed of representatives of 22 popular organizations. FUNDE works actively with these popular groups on a number of initiatives, including the formulation and promotion of alternative development strategies. He recently served as a visiting fellow at the University of Louvain, Belgium.*

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## *INTRODUCTION*

*Over the past decade there has been a rising chorus of voices in the Americas challenging the uniform application of structural adjustment programs (SAPs) and demanding that new sets of policies designed to achieve equitable and sustainable development be considered. These voices were amplified when Mexico, which had been held out as a model for other countries to emulate, fell into economic and political disarray in the aftermath of the massive devaluation of the peso in December 1994, sending ripples of crises through other parts of the region.*

*These calls for change began in the 1980s with a series of popular protests over falling wages, increased unemployment and poverty, and diminishing social services. In country after country, organizations representing workers, small and medium-scale farmers, and women organized demonstrations, road blockages and other mobilizations intended to pressure their governments to cease the implementation of adjustment policies. At the same time, policymakers counseled patience, contending that the benefits of restoring macroeconomic balance and growth would eventually trickle down to the majority of the population, even if there were short-term transitional costs that had to be borne by many sectors.*

*Official and academic institutions have since joined the chorus, however, adding their critiques to those of popular organizations. Most recently, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) released *Strengthening Development: The Interplay of Macro and Microeconomics*. In that report, ECLAC notes that the reform process pursued in the region, geared to achieving macroeconomic stabilization and international competitiveness through fiscal discipline, trade liberalization and financial deregulation, the freer functioning of market mechanisms, greater reliance on private investment and new incentives and regulatory frameworks, has succeeded in reducing inflation and attracting new foreign investment. "On the other hand," ECLAC reports, "most of the region's economies have grown at ... rates which... are lower than in the past and insufficient to redress technological and social lags." The report notes that these policies have "failed to generate enough job opportunities or sufficient progress in reducing social inequalities."*

*ECLAC's reporting is consistent with what many others in the region have been saying for years: that adjustment measures have especially hurt small and medium-sized firms producing for the domestic market; that economies in the region have become vulnerable as they increase their dependency on volatile capital to finance chronic balance-of-payments deficits; and that there are latent problems of "deprivations and marginalization" that "may make it difficult to sustain the development process."*

*In their overwhelming emphasis on production for export and international competitiveness based on low wages and weak labor standards, SAPs have dramatically weakened local productive capacity and local markets. In Bolivia, trade-liberalization measures abruptly opened the economy to competition from cheap imports, resulting in the bankruptcy of more than 120 factories since 1985. Many Mexican small and medium-sized firms, which employ over 80 percent of the workforce have been forced to become retailers of U.S. imports or to close their doors due to a flood of imports and skyrocketing interest rates. Drastic reductions in the availability of credit and technical assistance to small farmers in Costa Rica have*

*resulted in the nation moving from near self-sufficiency in food production in the early 1980s to importing more than a half of the basic food grains consumed domestically today.*

*Countries that have implemented adjustment programs have also been marked by falling wages and deteriorating working conditions. Real wages in Bolivia, Mexico and Nicaragua, for example, have declined substantially in the last decade. In Chile, a country with high economic growth and low unemployment rates and hailed as a model for the rest of the Americas, more than 45 percent of workers have incomes that are lower than the minimum required to maintain a family.*

*Women have been especially hard hit by adjustment programs. In Costa Rica and Nicaragua, they have often been the first fired in public-sector cutbacks, including those associated with privatization programs. The lack of job opportunities in Mexico, El Salvador and throughout the rest of Central America, coupled with the need to increase declining family incomes, has forced many young women into employment in the maquiladoras and informal sector, where labor-rights abuses and precarious working conditions are common.*

*These factors have contributed to a growing sense of hopelessness and social disintegration in many countries in the region. At the same time, however, civil society throughout the Americas has risen to the challenge posed by these economic and social problems. After years of providing crisis assistance and popular education on the nature of the economic-reform programs implemented in the region and supporting broad-based challenges to these programs, many NGOs and other organizations representing civil society have moved "from protest to proposal." They have initiated a bold search for new sets of policies designed to achieve equitable and sustainable development through processes of consensus building among affected sectors. The alternative proposals included in this paper have emerged from a series of such consultations among NGOs, academics, businesspeople, unions and other popular organizations in Latin America and the Caribbean.*

*Although there is not, nor should there be, a single recipe for development, there are common elements that emerge in these alternative proposals. Each recognizes the importance of macroeconomic growth and stability, but emphasizes that improvements in macroeconomic indicators do not necessarily guarantee improvement in the welfare of the majority population. El Salvador, for example, has, over the past few years, enjoyed strong growth rates fueled by large inflows of remittances and foreign assistance. FUNDE stresses, however, in the proposal it has shaped in consultation with other Salvadoran groups as a basis for a new national economic plan that, unless those inflows are channeled into productive rather than speculative uses, their benefits could vanish as those sources dry up.*

*Similarly, the Mexican "Liberty Referendum" -- an alternative economic strategy developed by a wide array of Mexican organizations and endorsed by hundreds of thousands of citizens - recommends measures to expand local production and the domestic market in contrast to the recent overwhelming focus on generating export earnings and attracting foreign investment. The "Oaxaca Initiative", which brings together proposals from a dozen NGOs located throughout the Americas, emphasizes the development of integrated production systems and the balancing of agricultural production for home consumption, the domestic market and*

*export. In contrast, again, to prevailing policies geared to driving wages and working conditions down in order to attract foreign investment, these proposals advocate increasing real wages in order to reduce poverty and increase the ability of local citizens to purchase the goods they produce.*

*Each proposal emphasizes the importance of balance: among the particular needs and contributions of small, medium- and large-scale producers; between the interests of local and foreign investors; and between the short-term need to generate foreign exchange and the longer-term imperative to protect local ecosystems. This kind of balance simply cannot be achieved through programs shaped by finance ministers and representatives of international financial institutions alone. Program formulation must also involve representatives of all affected sectors.*

*Alternative proposals are emerging every day in many countries. What has been lacking is the space necessary to implement strategies that can generate equitable and sustainable development. The time has come for policymakers in the North and South to take a new, more democratic approach to development that puts equity and environmental sustainability at its center.*

*We hope that this public dialogue on alternatives to structural adjustment programs will help open this space and engender critically important change. In this regard, we are grateful for, and encouraged by, the involvement of the Inter-American Development Bank and the United Nations Development Programme in this endeavor and by the growing willingness of official institutions to begin to re-examine current policies and explore new economic options.*

*The development of the "Oaxaca Initiative " and of this forum would not have been possible without the support provided by the Presbyterian Church (USA), NOVIB (Holland), Oxfam UKI, Oxfam America and the Jenifer Altman Foundation. The Development GAP would also like to thank the General Service Foundation, Max and Anna Levinson Foundation, Moriah Fund, Charles Stewart Mott Foundation, Threshold Foundation and Tortuga Foundation for their contributions to its ongoing work on economic policy in the hemisphere.*

*The full text of the papers summarized in this document will be available from The Development GAP.*

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