adjustment in itself is not a solution to the debt problem but simply an adaptation of the economies to deal with its payment, which perpetuates a chronic insolvency problem and not one of lack of short-term liquidity. Moreover, adjustment harmed the private sector by making recovery difficult by restricting credit and domestic demand. Finally, price liberalizations often had a major inflationary impact.[34] The most significant criticisms, however, have to do with the general orientation of this set of measures, which clearly shows that a "biased" and recessive method of adjustment has been chosen whose economic and social cost has been imposed on the countries and their weakest social sectors by excluding other, nonrecessive adjustment methods that would have made restoration of macroeconomic balances, maintenance or improvement of the population's living standards, and the economic development of Latin America and the Caribbean compatible.[35] At the international level, as UNDP has noted, the basic responsibility for adjustment has fallen on the region's most indebted countries more than on the industrialized countries and lending institutions, which are equally responsible for the debt problem.[36] The result of eight years of austerity measures is thus simply an increase in the vulnerability of the debtor countries, while today the position of the creditors is sounder than at the beginning of the decade.[37] At the national level, the cost of adjustment has been borne by the poorest segments of the population, those most dependent on wage income or most vulnerable to increases in the prices of basic products and reduced public spending on health and education. These sectors, in fact, have been the main victims of measures to reduce domestic demand and reallocate resources toward debt payment and the export sector.[38] The social cost of adjustment, as we shall see, has been enormous when we take into account social conditions before the crisis, especially in those countries that have chosen "severe" instead of gradual adjustment methods or have not established supplementary social compensation measures.

The widespread application of these programs shows that it has been generally accepted that restoration of growth means abandonment of the economic model of previous decades and application of a new, neoliberal model and opening up to the outside world. As a result, economic policies have been guided by the objective of noninflationary economic growth based on free operation of the market and on new entry into international trade based on the dynamism, capacity, and competitiveness of export sectors.[39] This position assumes that the "engine" of growth lies in the international market rather than in the domestic and regional markets, as was held in the decades before the crisis. The importance attached to adjustment, and so to short- and medium-term problems and policies, has clearly shown that many countries have lacked long-term development strategies. As ECLAC has noted, the new model rests on strong contraction of fiscal resources and less room for maneuver in economic policy, which represents a significant limit on drawing up such a strategy.[40] Adjustment policies have often contradicted development needs. A clear example is retrenchment in spending on and investment in infrastructure and education, which in the long term has direct adverse effects on the competitiveness of the economy.

In recent years and in regional terms, stabilization and adjustment programs have helped improve some of the chief macroeconomic imbalances. Nonetheless, this is a matter of still fragile improvements, and they have been achieved at the cost of postponing or even worsening the pending "social debt." Looking at individual countries, however, we see that the panorama is quite varied (see Table 1). Indeed, several of the region's countries, including some of the economically most important ones, have not yet found a stable exit from their imbalances, and the effects of the crisis still persist in those that have succeeded in restoring positive growth rates. Using the comparative analyses of José Antonio Ocampo,[41] we will therefore examine in the following section the situation of some of the main macroeconomic variables that determine the more or less dynamic behavior of the economy in each of the countries by relating them to the execution of adjustment programs to reach preliminary conclusions about the possibilities for sustained growth in the region's countries during the 1990s.

Economic prospects in the 1990s

Behavior of the economy and recovery of growth

At the beginning of the 1990s, Latin America's application of stabilization and adjustment policies and those to eliminate the principal macroeconomic imbalances varied. Beyond its diversity, some significant conclusions emerge from this picture as to the conditions needed to restore economic growth

Externally, greater or lesser growth in the GDP is directly related to the behavior of two combined variables. In order of importance, they are the growth and vigor of the quantum of exports, and the amount of external indebtedness and net transfer of resources abroad.[42] Except for the Dominican Republic, the countries where GDP growth has been greatest have also been those that have had the fastest export growth. It has also been noted that GDP growth has been slower in countries which, though with similar vigor of exports, are more burdened by debt. As Ocampo notes, the latter variable does not in itself explain greater or lesser economic activity compared with other countries. Two countries with high debt levels, Brazil and Mexico, have achieved intermediate growth rates, while highly-indebted Chile has achieved economic growth rates that are among the highest in the region.[43] Similarly, the transfer of resources abroad relates directly not to GDP behavior but to the size of the countries: it is very high in the largest countries and intermediate in medium-sized countries. The smallest countries ended the decade with a positive transfer of resources abroad, which reflects both various moratoria and—especially—the heavy flows of bilateral official development aid they received, particularly in Central America.[44]

Against this background, it should be noted that the dynamic behavior of exports was a result of both their absolute growth and, especially, diversification in export structure. Indeed, in the group of countries with the highest growth rates are both those with a large export component of manufacturing and basic agricultural and mining products and with so-called "non-traditional" products. It must be noted that success in increasing and diversifying exports stems from both adjustment policies and investment efforts and reforms carried out in earlier decades. This is true of the industrialization in Mexico and Brazil, the aggressive liberalization undertaken in Chile and Uruguay, efforts to export copper, coal, and oil in Chile, Colombia, and Ecuador, respectively, adoption of farming technology in Costa Rica, and exports from Paraguay, which made use of opportunities provided by Brazil.

In the domestic sphere, inflation has played a decisive role, as the close inverse relationship between inflation and growth has demonstrated. Inflation is in turn related to the budget imbalances that were aggravated by the large internal transfers required by Governments to deal with the debt problem. Ocampo finds truth in this statement in observing the behavior of the region's countries from 1987 to 1989, a period in which some of the most acute episodes of hyperinflation occurred. The countries in which inflation rates were highest, such as Nicaragua, Peru, and Argentina, also experienced declines in their GDPs during that period. There is a significant exception, for Brazil maintained acceptable growth rates despite high inflation.

This analysis, based on the experience of the 1980s, suggests to Ocampo that the region's countries will have to fulfill a set of necessary conditions to restore sustained growth.[45] A prime condition is undoubtedly reduction or maintenance of macroeconomic imbalances at moderate levels which, according to the relationship between growth and inflation, means inflation of no more than 35% annually. Following adjustment programs, those countries with high inflation rates or even hyperinflation require a

Table 1
LATIN AMERICA: EXTENT OF IMPLEMENTATION
OF STRUCTURAL REFORMS DURING THE 1980s

	Fiscal discipline	Public spending control	Tax reform	Financial liberal-ization	Competi-tive exchange rate	Trade liberal-ization	Direct foreign investment	Privat-ization	Dere-gulation
Argentina	⊕	0	0[1]	0	⊕	0[1]	⊕	⊕	⊕
Bolivia	⊕⊕	⊕⊕	⊕⊕	⊕⊕	⊕	⊕⊕	⊕	0	⊕
Brazil	0	—	⊕	0	⊕	0		⊕	
Chile	⊕	0	⊕	⊕⊕	⊕⊕	⊕⊕	⊕	⊕⊕	⊕
Colombia	⊕⊕	0	⊕	⊕	⊕⊕	⊕	0[1]	⊕	
Ecuador	⊕	0	0	⊕	⊕	0	0	0	
Mexico	⊕⊕	0	⊕⊕	0	⊕	⊕⊕	⊕⊕	⊕⊕	⊕
Peru	—	—	0	—	—	—	—	—	0
Venezuela	0	0	0[1]	⊕	⊕	⊕⊕	⊕	⊕⊕[1]	⊕

Notes: (1) Policy change expected in short term.
⊕⊕ = substantial reform,
⊕ = some reform (or reform not required),
0 = insignificant changes (or mixed changes),
— = regression.

Source: ILO. *Políticas de empleo en la reestructuración económica en América Latina y el Caribe.* Caracas, ILO, 1991, p. 27

stage of strict macroeconomic policies in order to make reduction of inflation to manageable levels and restoration of confidence in their currencies possible. This process may be accompanied by "heterodox" methods of concerted social action and establishment of basic prices in order to alleviate the social costs that would stem from reducing aggregate demand and restrictive management of macroeconomic variables during the adjustment phase.[46] The social cost of the drastic adjustment programs introduced in recent years in Peru, Argentina, and Venezuela, which in some cases led to political instability and social conflict, clearly illustrate the need for such mechanisms.

In addition, and in the face of simplistic approaches to adjustment, a return to macroeconomic stability, a necessary requirement, does not seem to be a sufficient condition for reestablishing economic growth. That would require other and additional basic conditions. Domestically, it appears essential to achieve higher savings and investment rates that would enable hoped for growth levels to be sustained. The decisive effect of the fall in the rate of investment on production and employment was noted above. It would thus be necessary to restore satisfactory levels of public savings and investment, and that in turn would have beneficial effects on private investment and savings. In most cases, this means providing the public sector with adequate resources by undertaking fiscal reforms of reasonable extent and reducing transfers of resources abroad. Externally, the necessary conditions would be a stable solution to the debt crisis since servicing it affects the generation of savings and the stability of the balance of payments as well as a sound and internationally competitive export sector allowing sustained growth and diversification of exports. Given their importance, we will return to these two variables below

Tables 1 and 2, prepared by Ocampo and the ILO from 1989 and 1990 data, show both the situation in Latin America and the Caribbean in relation to all the variables considered above and the situation in each country with respect to the application of structural adjustment policies. At the start of the 1990s, then, all the countries in the region can be placed in three categories:

a) First, those that seem to have achieved the conditions needed to sustain a growth process which has in fact already begun. These are Chile, Colombia, Costa Rica, and Paraguay. Some of the countries farthest along in applying structural adjustment programs, such as Chile and Costa Rica, fall into this category. Paraguay faces none of the obstacles to growth noted above In the other three, certain problems that slow growth persist. Savings and investment rates in Chile and Colombia are still low, and in the latter country the debt-equity ratio is still high. Finally, Costa Rica has managed significant growth and export diversification, but these successes have been conditioned by high indebtedness indices and deficits in current-account balances, a result of very advanced trade liberalization.

b) Countries in an intermediate situation are Bolivia, the Dominican Republic, and Mexico. Mexico and Bolivia are also among the countries farthest along in conducting adjustment programs. Mexico has thus managed to reduce inflation rates significantly and has recovered economic growth somewhat. Domestic indebtedness problems persist and, as part of the trade opening toward the United States that preceded the signing of the Free Trade Agreement with that country and Canada, deficits in the trade balance have increased. Bolivia is stable internally but has low savings and investment rates, high external indebtedness, and a heavy external deficit Finally, the Dominican Republic has higher growth rates but also significant trade deficits and export instability.

c) The remaining countries in the region still have serious problems, though they are quite varied. Together they are the most laggard countries in adjustment and recovery of economic vigor. They are Argentina, Brazil, Peru, Uruguay, Ecuador, Venezuela, El Salvador, Nicaragua, Honduras, Panama, and Guatemala. The first three have various internal problems, the most serious of which is hyperinflation. Since 1991, however, Peru and Argentina have accelerated their pace of reform. Argentina undertook a drastic stabilization and adjustment program that has enabled it to restore stability and bring about high growth rates. In Venezuela, macroeconomic adjustment measures have been applied at the cost of a severe economic recession, which has resulted in major domestic political and social instability. El Salvador, Panama, and Nicaragua—especially the last country—have the worst situations in the Central American isthmus It must be noted that these three countries have experienced large-scale armed conflicts that have only recently been resolved, and during 1990 the effects of the U S. economic sanctions and December 1989 invasion persisted in Panama.

The situation in the English-speaking Caribbean countries is also varied. Jamaica, Trinidad and Tobago, Guyana, and Barbados have the largest economies, are the most indebted, and have advanced farthest in carrying out structural adjustment programs (especially Jamaica). Although Jamaica has achieved positive growth rates since 1986, thanks to its export sector's recovery and diversification, it faces serious trade deficit problems The behavior of the GDP in Barbados has reflected variations in the tourism sector, on which the country is extremely dependent. Guyana and Trinidad and Tobago are the countries in which the crisis has been deepest and, at the same time, they are in the worst situation from the viewpoint of growth recovery because of their great indebtedness and heavy dependence on bauxite and oil, respectively [47] The export vigor of the small countries of the OECS, which rely especially on bananas and *maquilas* as well as expanding tourism, creates a favorable but uncertain situation for the 1990s The most dynamic export sectors depend on trade preferences that, in the case of bananas, may disappear.[48] *Maquilas* and tourism are also very volatile In sum, these are fragile economies that are very vulnerable to an uncertain international scene

Changes in the economies in 1990 and 1991 generally confirm Ocampo's hypotheses, though very specific situations have changed substantially. Some countries have begun reforms, while in others they have strongly accelerated. As we have noted, this is true of Argentina, Ecuador, Venezuela, and Peru.

Scenarios for the debt problem and the behavior of the export sector, as determining variables in the region's growth prospects, are still burdened by problems and uncertainties. The overall amount of the debt did not fall significantly up to 1991, though there have been significant changes in the approach to it of creditor countries. The Brady Plan, presented in March 1989, proposed a reduction of the amount of the debt to commercial banks for those debtors who were willing to carry out economic reforms. At that time, the proposal represented a turning point in international treatment of the problem inasmuch as since 1982 it had been maintained that it was possible to repay the debt under market conditions. Costa Rica, Mexico, and Venezuela were the first countries to accept the Plan. Similarly significant have been public debt cancellation or reduction operations of the Governments, though the proportional significance of this kind of debt is very small, except in Central America and certain other countries. The debt reductions obtained were meaningless, however, since they resulted in new credits.

It does not appear likely that clear and definitive solutions will be found in coming years to the high pending debt and the still onerous payment of interest and amortization on it. As the European-Latin American Relations Institute (IRELA) has noted, proposals to "manage" it seem more probable.[49] The already accepted principle of joint responsibility should be given concrete shape in policies going beyond those tested with limited results in the Brady Plan that are satisfactory for debtors and creditors Such policies should include significant reductions in present unpayable debt levels and provide new financing to make economic growth recovery possible

This two-edged policy responds to the perception that the debt problem is essentially one of financing development and an unresolved manifestation of international economic disarray. The debt is currently a brake on access to new funds, which means that the sources of capital needed to restore growth are going to be limited. Industrialized countries' official development aid (ODA), which in other periods played an important role, is not increasing significantly and is preferentially—though not generally—being sent to other regions, such as Eastern Europe and the new states of the old Soviet Union. Similar trends are seen in direct foreign investment. In the end, the region will have to have its own resources and the return and productive investment of the flight capital of earlier years.[50]

As noted above, the favorable behavior of exports reflects the efforts made by the region's countries during the 1980s, and has contributed substantially to gradually overcoming the crisis. A sustained improvement in exports during the 1990s will in turn depend on two factors. First, there must be extensive productive transformation, technological modernization, and improvement of the infrastructure to enhance the international competitiveness of Latin America and the Caribbean, which up to now have in many instances been relying only on the low cost of their labor.[51] Second, the success of such efforts will depend on maintaining the vigor of intraregional and world trade, as the regression in regional exports in 1991, caused by the recession in the industrialized economies, made clear.

Technological modernization is the central element in ECLAC's strategic development proposal for Latin America and the Caribbean in the 1990s, which is called "equitable productive transformation." That proposal, aimed at increasing competitiveness and improving the region's entry into international markets, creates the need for deliberate and systematic incorporation of technical advances and modernization of the productive infrastructure and production support services in order to achieve growing productivity levels and greater generation of productive employment.[52] This strategy, about whose need there is a certain amount of consensus, assigns an important role to the state, although it redefined the nature and scope of its activities compared with preceding periods. Investment in human resources, by achieving the goals of "human development" (literacy training and primary health) and especially investment in

Table 2
PRINCIPAL OBSTACLES TO SUSTAINED GROWTH IN LATIN AMERICAN ECONOMIES AT THE START OF THE 1990s

			Savings and investment rates		Recent trend in external variables		
Country	Inflation	Recent economic trend	Savings	Investment	Export quantum	Current account deficit (1989)	Debt coefficient (1989)
Argentina	very high	severe crisis	low	low	unstable	high	very high
Bolivia			very low	very low		very high	very high
Brazil	very high	unstable					very high
Chile			low	low			
Colombia		deceleration		low			high
Costa Rica						very high	high
Dominican Republic	high				unstable	high	
Ecuador	high	recession	very low	low	unstable	high	very high
El Salvador		recession	very low	low	severe crisis	very high	high
Guatemala			very low	low		very high	high
Honduras		deceleration	very low	low	unstable	high	very high
Mexico					deceleration	high; major deterioration	very high
Nicaragua	very high	severe crisis	very low		unstable	very high	very high
Panama		severe crisis			unstable		
Peru	very high	severe crisis			partial recovery		very high
Uruguay	high	recession	very low	low			very high
Venezuela		severe crisis			unstable		high

Definitions: **Inflation.** High: between 30% and 100% at end of 1989. Very high: higher than 100%.
Savings and investment rates. Low: between 10% and 15% in 1987-88. Very low: lower than 10%.
External debt coefficient. High: between 200% and 300% of exports of goods and services. Very high: higher than 300%.
Current account deficit. High: between 15% and 30% of exports of goods and services. Very high: higher than 30%.
Other indicators: qualitative evaluation based on 1986-1989 trends.

Source: Ocampo 1991, p. 73.

education and knowledge, in this proposal represents an effective means of achieving technical progress and, at the same time, illustrates the synergy between the objectives of economic growth and equity The proposal faces two kinds of obstacles or limitations, however. First, there are obvious institutional and political obstacles to the extent that the proposal includes national income redistribution policies. And second, resources for investment and productive reconversion are still limited. ECLAC itself noted in this regard that the strategy would require raising investment rates by at least six percentage points in the Latin American GDP, from the 16.4% attained in 1991 to 22% or 23%.[53]

The behavior of foreign markets is, at present, the most uncertain variable and that most difficult to predict because the often contradictory trends toward a multilateral opening of world trade, such as negotiated in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), or toward its regionalization into three large trading megablocs (the North American common market, which is being extended to Mexico through NAFTA, or the North American Free Trade Agreement; the European Community, which has already organized its internal market and is getting ready to incorporate the countries of the old EFTA, or European Free Trade Association, and Eastern Europe, and the countries of Southeast Asia, revolving around Japan, which are members of APEC, or Asia-Pacific Economic Cooperation), have not been resolved Against this background, Latin America and the Caribbean confront the challenge of adapting themselves to an environment characterized by accelerated change in both the political and economic spheres and growing competition from the large trade areas for greater participation in and control of world markets. For Latin America and the Caribbean, all this means unquestionable opportunities, but also risks. The trend toward formation of trade blocs, in a pessimistic scenario that includes failure of the GATT negotiations, continuation in the EC and the United States of trade barriers and agricultural subsidies harmful to many Latin American products, and a renewal of protectionism, could have very adverse effects on the region's exports. It must not be forgotten that one of the results of the crisis of the 1980s has been the region's growing estrangement from international trade flows Despite their export efforts, Latin America and the Caribbean accounted for 6% of world trade in 1980. At the end of the decade their share had fallen to 4%.[54]

In this context, special importance attaches to reactivating regional integration movements, such as MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay), CARICOM, the Andean Group, the "Group of Three" (Mexico, Colombia, and Venezuela), the Central American Integration System (SICA), the bilateral agreements promoted by Chile, and NAFTA. During the crisis of the 1980s, integration stagnated regionally and subregionally, both in its institutional dimension and in trade flows within the various integration schemes. The process has revived since the end of the 1980s, however, and this has included a redefinition of its concepts, scope, and goals In earlier decades, integration was thought of as an instrument of the strategy of import substitution industrialization. Today, in contrast, it is understood as a vehicle for improving the entry of the countries into the world's economy and preventing marginalization. In this sense, expanded regional markets are a means for improving competitiveness and attracting foreign investment.[55] Some regionwide studies also stress the importance of regional markets for restoring and developing capacity for exports to tertiary markets [56] A significant indicator of the acceleration of integration is the timetables established for abolishing tariffs and forming "common markets" or customs unions, most of which have deadlines between 1993 and 1996.

Many doubts and questions also surround these processes, however. In some instances the integration timetable progresses in step with domestic reforms, since the new processes presuppose major advances in the adjustment of the economies and liberalization of the external sector. There are still sizable differences in inflation rates between member countries, for example. Furthermore, there has been a resurgence of protectionist measures since, in the context of tariff abolition, some productive sectors are experiencing difficulties. By diverting trade, some integration schemes may turn out to be disadvantageous for other countries in the region that do not belong to them. Such is the case, for example, with the countries of the Central American isthmus which, confronted by the risk that NAFTA will mean the loss of the trade preferences granted by the United States as part of the Caribbean Basin Initiative, are increasingly intent on joining that bloc through trade agreements with Mexico. For this reason, and in contrast with the past, one cannot speak of a Latin American integration agenda but instead must talk of varied agendas which are interdependent among themselves and run the risk of having conflicting objectives. In some cases, finally, integrationist processes contain marked asymmetries as to the economic potential and competitiveness of the economies. The best known cases are Mexico, with respect to the United States and Canada in NAFTA, and Uruguay and Paraguay, with respect to Brazil and Argentina in MERCOSUR. In these cases, the weakest economies are exposed to the risk of ever-faster destruction of their employment and production, as usually happens in eliminating the most inefficient production as part of trade integration and liberalization. This could eventually aggravate the social cost of the crisis from which such countries are still far from recovering. Accordingly, it is significant that in general such integration processes lack compensatory mechanisms to offset or reduce existing imbalances in countries with greater costs, or which promote production relocation, reconversion, modernization, and improvement of competitiveness in the sectors that could be most affected by the process, such as workers in declining industries, small and medium-sized companies, and peasants producing staple grains.

Projections of economic growth in the 1990s

Different international agencies have prepared a set of prospective scenarios and models to determine the scope and prospects of economic recovery, most of which are based on 1990 and run to 2000. These scenarios, which in general are quite consistent, are somewhat different in construction and results, depending on the greater or lesser weight and vigor they attach to the behavior of different variables. It is not the purpose of this study to consider the way in which such scenarios have been constructed, but instead to gauge their overall effects to the extent that they are going to be determinant in generating employment and making possible social policies aimed at satisfying the enormous "social debt" existing in Latin America and the Caribbean.

Together the different projections indicate the end of the recessive trends of earlier years and the recovery of moderate economic growth rates. Compared with the average annual growth of 1.1% during the 1980s, the various projections foresee significantly higher growth indices in the 1990s. The World Bank's projections establish moderate rates of GDP growth for 1989-1995 and higher rates for 1995-2000. The Bank's forecast for the entire decade is an average of about 4.2% annually.[57] UNDP has made its projections on changes in poverty on the basis of two scenarios, one favorable and the other not; growth rates would be 3.2% and 1.9% a year, respectively.[58] PREALC, using the World Bank's calculations, has established two other economic scenarios whose rates are 4.2% and 5.3%, respectively, with corresponding effects on employment and income.[59] Finally, Ocampo has drawn up two alternative scenarios based on World Bank data.[60]

To achieve the most optimistic economic growth rates, the different scenarios and projections assume that the economic conditions needed to restore growth will become a reality. As we noted above, those would be achievement of macroeconomic stability, substantial debt reduction, access to financial flows, and an increase in investment, as well as favorable behavior of the external sector. Thus, per-capita GDP growth would return to levels similar to those that existed before the crisis only in the second half of the 1990s It has been pointed out, however, that this seems to be a too optimistic result if account is taken of the sluggishness and fragility still existing in many of the region's countries. Some of them, such as Brazil, affect the results of the entire region because of the size of their populations and economies. Moreover, economic results may be appreciably altered by the development of regional integration and liberalization of international markets, all of which is still uncertain.

Based on the country typology in Ocampo's analyses, which we noted above, and recent changes in the region's economies, the following situations might occur, according to these projections and depending on the progress of reforms:

a) The first group of countries (Colombia, Costa Rica, Chile, and Paraguay) would establish growth rates of about 4.5% annually, according to these projections. This means that the highest growth rates in the region in the 1990s would barely exceed those attained in the decades before the crisis, which on average were between 6% and 7% a year in some countries between 1945 and 1980.[61]

b) The second group of countries (Bolivia, Mexico, and the Dominican Republic), considered intermediate, would behave differently Projections for Mexico show that the country would grow at a rate of 3 5% during the first half-decade and 4.5% during the second half-decade. These projections could change substantially because of the culmination of NAFTA and the reforms that treaty entails, however The other countries would have rates of between 2.5% and 4% annually Although Ocampo's analysis does not take the English-speaking Caribbean countries into account, there are notable similarities between the situation of that group of countries and economies such as those of Jamaica and Barbados.

c) The situation in countries in worse condition varies. According to the projections, Peru would grow very slowly—between 1% and 2% annually. Brazil would have a growth rate of about 2% because of its domestic adjustment needs. Venezuela and some of the countries in Central America would have somewhat higher rates (3% annually), and Venezuela would have a 4% rate at the end of the 1990s. Trinidad and Tobago, Suriname, and Guyana seem to be in a similar situation.

Although still fragile, the region's positive economic results in 1991 appear to confirm these predictions. In 1991, as ECLAC observed, the regional GDP grew by 3% and, if the three countries most affected by inflation (Brazil, Peru, and the Dominican Republic) are excluded, the growth rate was 4.5% As a result, the per-capita GDP rose instead of fell for the first time in four years, though by less than 1%. The economy grew in many countries, inflation decreased, capital returned, and investment reappeared. For the first time in 10 years there was a positive transfer of financial resources.[62] Because of the favorable behavior of the external sector and the vigor of their exports, some countries significantly exceeded the forecasts, as happened in Ecuador, Mexico, and Venezuela; in some cases the rates of growth in the GDP were from 6% to 9%. After carrying out drastic reform programs and eliminating inflation, Argentina and Peru managed to overcome stagnation and position themselves among the countries that had positive growth rates, which in Argentina were significantly high. Others, in contrast, grew very slowly; examples are Costa Rica and Colombia. In the former this was because of the adjustment measures implemented to rein in the trade deficit, and in the latter because of the fall in investment, which was related to political instability.[63]

The moderate growth rates predicted by international agencies for the 1990s raise serious doubts about the possibility of rectifying the major privations in "human development" that much of the population in Latin America and the Caribbean is experiencing. As we shall note in sections below, much higher growth rates would be needed, assuming that the effect of the "trickle down" of the benefits of growth were automatic, for the lower classes to see significant improvements in their living standards.

This effect is far from being automatic, however. Latin America's experience during the years of growth shows that economic growth is a necessary but not sufficient condition for equitable social development. Thus, with exceptions, Latin America and the Caribbean experienced what has been called "an era of growth with poverty," which is among the causes of the severe crisis the region experienced in the 1980s.

Modest advances in economic growth which, as we have seen, are the trend in coming years may be accompanied by much more rapid social progress, however. This assumes a willingness to carry out a strong and bold, high-priority and immediate social policy that is part of the economic growth model adopted and in which the state plays a significant role but in which other social actors, including NGOs, also have a role. The following sections of this Study will be devoted to those aspects.