



UNITED NATIONS

ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL

E/CEPAL/1025  
30 March 1977

ENGLISH  
ORIGINAL: SPANISH

CEPAL

Economic Commission for Latin America

Seventeenth session

Guatemala City, Guatemala, 25 April - 5 May 1977

REPORT OF THE THIRD MEETING OF THE COMMITTEE OF HIGH-LEVEL  
GOVERNMENT EXPERTS (CEGAN)

Santo Domingo, Dominican Republic, 9-14 March 1977

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
Part One		
ORGANIZATION OF WORK .....	1- 12	1
Dates of the Meeting .....	1	1
Attendance .....	2	1
Opening and closing meetings .....	3- 4	1
Election of Officers .....	5	2
Agenda and documents .....	6- 7	2
Drafting Group .....	8- 12	2
Part Two		
LATIN AMERICA AND THE NEW INTERNATIONAL ECONOMIC ORDER .....	13-221	4
I. THE ECONOMIC AND SOCIAL DEVELOPMENT OF LATIN AMERICA .....	13- 68	4
A. The appraisals of the IDS and the challenge of integrated development .....	13- 21	4
B. Human development and social change .....	22- 38	8
C. Economic evolution and changes in the balance-of-payments situation .....	39- 60	12
D. The domestic effort .....	61- 68	17
II. THE EXTERNAL ECONOMIC RELATIONS OF LATIN AMERICA .....	69-145	19
A. Latin America's place in the world economy ...	69- 96	19
1. The world setting .....	73- 79	20
2. The new international economic relations of Latin America .....	80- 87	22
3. External financing and indebtedness .....	88- 92	24
4. Transnational corporations .....	93- 96	25
B. Latin America and the international negotiations .....	97-112	27
1. Integrated Programme for Commodities .....	97-100	27
2. Multilateral trade negotiations .....	101-104	27
3. Conference of International Economic Co-operation (the Paris Conference) .....	105-112	28
C. Relations with some developed areas .....	113-131	30
1. Relations with the United States .....	113-120	30
2. Relations with the European Economic Community (EEC) .....	121-125	32
3. Relations with Japan .....	126	35
4. Relations with Eastern European socialist countries .....	127-131	36
	/D. Latin	

	<u>Paragraphs</u>	<u>Page</u>
D. Latin American Integration and co-operation and co-operation with the rest of the developing world .....	132-145	37
III. PLAN OF ACTION .....	146-219	40
Introduction .....	146-153	40
A. Trade and commodities .....	154-167	42
1. The Integrated Programme for Commodities .	155-156	42
2. Producers' associations .....	157	43
3. Multilateral trade negotiations .....	158-159	43
4. Subsidies and compensatory duties .....	160-162	43
5. Other barriers to trade .....	163-164	44
6. The Generalized System of Preferences ....	165-167	44
B. The international monetary system, financing and debt .....	168-177	45
C. Transnational corporations .....	178-182	47
D. Transfer of technology .....	183-184	49
E. Industrialization .....	185-187	51
F. Relations with some developed areas .....	188-206	51
1. Relations with the United States .....	189-199	51
2. Relations with the European Economic Community (EEC) .....	200-203	53
3. Relations with Japan .....	204	54
4. Relations with the socialist countries of Eastern Europe .....	205-206	54
G. Conference on International Economic Co-operation (the Paris Conference) .....	207-208	55
H. Maritime Transport .....	209-211	55
I. Latin American integration and co-operation, and co-operation with the other developing countries .....	212-219	56
IV. OTHER DECISIONS AND RECOMMENDATIONS .....	220-221	58

Part Three

REGIONAL CO-OPERATION IN THE FIELD OF HUMAN SETTLEMENTS .....	222	61
Annex 1 List of Participants .....	-	65
Annex 2 List of Documents .....	-	69

Part One

ORGANIZATION OF WORK

Dates of the Meeting

1. The third meeting of the Committee of High-Level Government Experts to appraise the International Development Strategy was held in Santo Domingo, Dominican Republic, from 9 to 14 March 1977.

Attendance

2. The Meeting was attended by government experts of the member States of the Economic Commission for Latin America (CEPAL). A member of the Latin American Group in Geneva, a member of the Latin American Group in Brussels and a member of the Support Group for the Developing Countries at the Conference on International Economic Co-operation, as well as a representative of the Permanent Secretariat of the Latin American Economic System (SELA) and a representative of UNCTAD, attended the Meeting by special invitation.<sup>1/</sup>

Opening and closing meetings

3. At the opening ceremony, held on 9 March at 11 a.m., statements were made by Mr. Leonel Torres (Colombia), on behalf of the participants and in his capacity as representative of the host country of the second meeting of CEGAN; the Executive Secretary of CEPAL, Mr. Enrique V. Iglesias; and the Vice-President of the Dominican Republic, Mr. Carlos Rafael Coico Morales, who welcomed the participants on behalf of the President of the Republic.

4. At the final meeting, held on the morning of 14 March, the Committee adopted its report. Statements were made by Mr. Víctor Manuel Barceló (Mexico) on behalf of the participants; the Deputy Executive Secretary of CEPAL, Mr. Manuel Balboa; and Dr. Pablo Herrera Roa, representative of the host country and Chairman of the Meeting.

---

<sup>1/</sup> The complete list of participants appears as Annex 1.

Election of Officers

5. At the first working meeting, held on the afternoon of 9 March, the participants elected the following Officers:

Chairman: Dr. Fabio Herrera Roa (Dominican Republic)

First Vice-Chairman: Rolando Sanz Guerrero (Bolivia)

Second Vice-Chairman: Armando Boesche Rizo (Guatemala)

Agenda and documents

6. At the same meeting the following agenda was adopted:
1. Election of Officers
  2. Adoption of the provisional agenda (E/CEPAL/AC.70/1)
  3. Regional appraisal of the International Development Strategy and the establishment of a New International Economic Order
  4. Regional programme of action, institutional issues and international co-operation in the field of human settlements
  5. Consideration of the report of the Committee.
7. The Secretariat presented to the Meeting the documents listed in Annex 2.

Drafting Group

8. At the commencement of its work the Committee decided to set up a Drafting Group to prepare the bases for the third regional appraisal of the fulfilment of the International Development Strategy (IDS) and of the New International Economic Order.
9. At its first meeting the Drafting Group appointed Mrs. Eglée de Blanco (Venezuela) as Co-ordinator. Since she was unable to attend the Meeting after the morning of 13 March, Mr. Barceló (Mexico) thereafter acted as co-ordinator and presented the report to the Committee. The Group was made up of the representatives of Costa Rica, Cuba, Mexico, Uruguay and Venezuela, and was open to representatives of the other delegations.

10. As a result of the discussions of the Committee and its Drafting Group a text was produced which analyses the economic and social development of Latin America and its external economic relations and includes recommendations for action. This text appears in Part Two of the present document in the form approved by the Committee. This fulfilled the task of making a regional appraisal of the International Development Strategy and of the establishment of the New International Economic Order.

11. The Delegation of the Argentine Republic, taking into account the fact that the conclusions and recommendations reached at this meeting of the Committee of High-Level Government Experts were of a technical nature, approved them in a general manner, subject to the final approval of its Government, which would be given at the seventeenth session of CEPAL in Guatemala in April.

12. In relation to the regional programme of action, institutional issues and international co-operation in the field of human settlements, the Committee of Experts had before it a draft recommendation on this subject prepared by a working group, which it approved with some amendments. The text appears in Part Three of this report.

Part Two

LATIN AMERICA AND THE NEW INTERNATIONAL ECONOMIC ORDER

Third Regional Appraisal

I. THE ECONOMIC AND SOCIAL DEVELOPMENT OF LATIN AMERICA

A. THE APPRAISALS OF THE IDS AND THE CHALLENGE  
OF INTEGRATED DEVELOPMENT

13. The Economic Commission for Latin America (CEPAL), considering the efforts made in the Quito and Chaguaramas Appraisals to secure the fulfilment of the objectives established for the Second Decade of the International Development Strategy, believes that the time has come to reaffirm the essence of the basic concepts set forth therein, in the light of the establishment of the New International Economic Order and the Charter of Economic Rights and Duties of States. The Commission therefore reaffirms, in particular, the validity of certain fundamental concepts of the Quito Appraisal:

(a) The phenomenon of economic growth is not equivalent to development itself, although accelerated and independent economic growth is a prerequisite of integrated development. Growth, in itself, has frequently failed to bring with it qualitative changes which have a decisive influence on such fundamental objectives of the IDS, as human well-being and social justice, since the system of production has continued to prove incapable of providing an answer and solution to urgent problems such as those of mass poverty, growing unemployment, the inadequacy of basic social services and the scant participation of broad strata of the population in the economic and social life of their countries.

(b) The traditional structures, inasmuch as they put obstacles in the way of change, hinder social progress and economic development. Accordingly, even more strenuous efforts must be made to effect the qualitative and structural changes mentioned in the IDS, which are

/indispensable to

indispensable to establish the bases that will permit the achievement of the social and economic objectives of the Strategy. Failure to stress the vital importance of this aspect of development and to put these qualitative and structural changes into practice largely explains the unsatisfactory results achieved by many Latin American countries. These structural changes, which are an essential condition for any integrated process of development, especially one set out in the broad human and social terms in which the IDS states this objective, include: the control and sovereign utilization of natural resources and of all economic activities, including the right to nationalization in accordance with national legislations; the reform of land tenure systems as required in order to promote both social justice and agricultural efficiency; the establishment of such forms of public or mixed ownership of property as each country may consider appropriate in those activities which, in its view, require such measures in order to promote self-sustaining independent economic development; and any other type of substantive reform needed to secure that objective. At the same time, accelerated, harmonious and independent growth is essential to the success of these qualitative and structural changes, and consequently, of the objectives of the Strategy, since accelerated growth of the economy as a whole makes it easier to obtain the resources necessary for the investments required for human development.

(c) Integrated development cannot be achieved through partial efforts in particular sectors of the economy or the social system, but only through concerted progress in all aspects. It is exceedingly difficult to make an appraisal of the development process thus defined, since it is not sufficient to refer to one or more indicators, but it is necessary to observe to what extent concerted progress in all sectors is helping to promote a new type of society oriented towards rapid human development.

14. The Commission also reaffirms the importance of enhancing these concepts with the most recent decisions of the United Nations in the context of the establishment of the New International Economic Order, such as the resolutions adopted at the Sixth Special Session of the

/General Assembly,



General Assembly, the Charter of Economic Rights and Duties of States, and the agreements reached at the Seventh Special Session of the General Assembly.

15. The decade of the 1970s, now two-thirds completed, has been for Latin America a period of some achievements but also of major frustrations and dangers. A study such as the present, looking towards the challenges of the immediate future, could justifiably place more emphasis on the latter than on the former. It is evident that Latin America as a whole has not been able to transform its economic growth into the integrated development which was envisaged.

16. The analysis of Latin American economic growth made in the Quito Appraisal remains valid. The conditions prevailing in Latin America during the early years of the 1970s present significant variations in respect of the intensity of the rates of inflation, devaluation and increases of indebtedness, among other things. During the biennium 1975-1976, the growth rate of the product was clearly insufficient. In reality, only a very small number of countries secured the objectives, and the majority failed to attain them. Similarly, only a few countries attained the goal for the sectoral growth of industry set forth in the IDS, while the agricultural situation remained precarious. These facts show that the region has not overcome the difficulty of attaining satisfactory growth rates, and this jeopardizes the integrated development process. Likewise, most cases show the characteristics of uneven development which the unsuitable structures impose on the region.

17. The economic recession in the majority of the developed countries and the spread of inflation in Latin America caused by external factors, which aggravated chronic existing inflationary processes, was one of the most important elements of the many-sided world crisis which reached the region in 1975.

18. Prospects for the remainder of the 1970s are problematical and excessively dependent on the trends in the industrialized countries. The prevailing situation in Latin America in recent years has confirmed the judgment in the Chaguaramas Appraisal that the

/relatively high

relatively high rate of growth of Latin America in the early 1970s was due to "certain precarious trends in the international economy, particularly in raw material prices, rather than to the fulfilment of commitments under the IDS". This circumstance was worsened by the failure of the developed countries to live up to their commitments, both under the IDS and in connexion with the creation of a New International Economic Order. This confirms that the critical situation faced by Latin America in recent years is the product both of structural problems of the domestic economy which must be solved, and of deeply unjust international economic relations, and the lack of political will on the part of the developed countries to carry into practice the recognized principles which should prevail.

19. The character of the policy instruments available to the State, the economic conceptions governing the use of these instruments, the conditions set by external sources of financing, and the wide differences in the ability of large population groups to defend themselves mean that the brunt of the measures taken to cope with crises continues to fall on ever broader strata of the national population, through stagnating or declining real incomes and prospects of employment.

20. Various international economic indicators have placed the countries of the region at what is described as an intermediate level, and it is supposed that the magnitude of the region's problems and development co-operation needs is midway between those of the poorer countries and the industrialized countries. This has led to unfair treatment of the region, because its effect has been to cause various international forums to take measures which in practice restrict access to sources of multilateral financing on the assumption that the region does not require maximum attention.

21. It must be reaffirmed that economic growth, experience in the incorporation of advanced technology, progress in education and the cumulative experience of the public sector have not alone been able to generate factors which could place the region in a favourable position to achieve integral development, while the short-term problems

/caused by

caused by the unbalanced state of the international economy have nullified the results of regional and national efforts to achieve such development. If this type of approach is to achieve operational meaning and advance beyond the reiteration and addition of purely theoretical objectives, it must meet the realities of internally heterogeneous and conflictive societies confronting external shocks and constraints which, in the absence of more concrete progress towards the new International Economic Order, will be even more formidable than in the recent past. To deal with them will require greater innovations in economic policy and a much stronger commitment to social objectives.

#### B. HUMAN DEVELOPMENT AND SOCIAL CHANGE

22. As has been stated on other occasions, "the ultimate objective of development must be to bring about sustained improvement in the well-being of the individual and bestow benefits on all" and "if undue privileges, extremes of wealth and social injustices persist, then development fails in its essential purpose". It has also been said that "as the ultimate purpose of development is to provide increasing opportunities to all people for a better life, it is essential to bring about a more equitable distribution of income and wealth for promoting both social justice and efficiency of production, to raise substantially the level of employment, to achieve a greater degree of income security, to expand and improve facilities for education, health, nutrition, housing and social welfare, and to safeguard the environment".<sup>2/</sup>

23. In view of the serious problems and shortcomings which exist as regards human development and social change, where different legitimate objectives and aspirations are in conflict and new restrictions arise, the changing conditions call for a continuous review of national and regional policies, since in Latin America there has not been the coincidence of political determination to programme economic and social development activities at the country and regional levels.

---

<sup>2/</sup> Preamble of the International Development Strategy, paras. 7 and 18, and the Quito Appraisal, para. 12.

24. Various public sector social programmes, particularly in education, health, housing and social security, have assembled considerable public resources, acquired complex administrative structures, and exerted a major influence on the levels of living and expectations of broad sectors of the population. These programmes, basically as a consequence of financing crises, now confront the need for major reforms, especially of an administrative nature, which each country will carry out in different ways and with different priorities.

25. The greater part of the rural population has not benefited from the prevailing processes of economic growth and agricultural modernization, and their situation has been aggravated by the partial disintegration of previous sources of livelihood and security. This situation gives rise to mass migration movements to the cities, which intensify the maldistribution of income, underemployment, low productivity of much of the labour force and inability of the masses of the population to participate meaningfully in the integral development process.

26. The faulty distribution of income in Latin America has remained a constant both in crisis and in boom periods. The figures for the decade 1960-1970 show that the poorer half of the population obtained only 14 per cent of total income, the following 20 per cent received a similar percentage and the 30 per cent with the highest income received the remaining 72 per cent.

27. The situation grew worse in the first half of the 1970s. In addition to the negative impact of the inflationary spiral which has affected much of the region, in many countries the effects of some stabilization and anti-inflationary measures have fallen precisely on the lowest income sectors of the population, thus reducing their standard of living.

28. The structure of ownership of wealth has also tended to become more unfavourable for the deprived strata. Concentration has increased, even in branches where it was hitherto low, favouring foreign investment and the so-called middle and upper sectors.

29. In other words, poverty and extreme poverty in Latin America remain at relatively high levels in urban and rural areas. While the most important source of extreme poverty is considered to be the countryside, with the increasing marginalization of the weaker sectors of the rural population, the phenomenon of urban marginality has increased as a result of inflationary pressures and the exodus from rural to urban areas under the unbearable pressure of chronic abject poverty.

30. As the Quito Appraisal pointed out, the region's achievements in the field of agrarian reform cannot be considered satisfactory, since the systems of land tenure, use and exploitation continue to be largely inadequate to meet the growing needs stemming from the economic and social development of the Latin American countries.

31. The effects of inflation, contraction of employment, and declining real wages have had a serious impact on the lower-income groups. Open unemployment has reached very high levels in a good many cities, and the opportunities for obtaining employment continue to be limited.

32. More vigorous and innovative methods, which go much further than assistance or relief policies, must be found to enable the marginalized strata to meet their basic needs, contribute to production and organize themselves to defend their own interests. Such measures will call for suitable distributive policies and a review of the services provided by the State.

33. Although fundamentally the problems which continue to hinder the participation of women in the economic, political, social and cultural life of the region are closely linked with the general conditions of underdevelopment, it is necessary to promote measures to guarantee the full equality of women with men and thus bring about their integration in the present development processes of their own countries. To this end, a series of actions must be taken to overcome, inter alia, the problems of employment, underemployment and working conditions which are particularly unfavourable to women, especially in the rural /sector, while

sector, while also ensuring their fuller access to all levels and types of education and to the public health services, especially in the area of mother and child welfare, which together with other social services and adequate housing, should enable Latin American women to participate in and contribute fully to the economic and social development of their countries.

34. It is also essential to eradicate the distortion of the image of women which is still rife in the region as a result of the prevailing cultural patterns and the influence of the mass communications media. The role of Latin American women in society and in the family must therefore be revalued so as to ensure that they occupy the active place which corresponds to them and work to change the socio-economic structures which have subjected and marginalized them.

35. The problems of human settlements cannot be divorced from the economic and social development of our countries and, therefore, from the prevailing situation of underdevelopment.

36. The state of human settlements largely determines the quality of life, the improvement of which is essential for the full satisfaction of basic needs such as employment, housing, sanitation services, education and recreation.

37. Instead, however, the situation is aggravated by the existing social, economic, ecological and environmental deterioration, exemplified by unequal living conditions, segregation, racial discrimination, acute unemployment, illiteracy, disease and poverty, the breakdown of social relations and of traditional cultural values and the increased degradation of the resources necessary for life in the air, water and land.

38. The human settlements policies followed must therefore take into account not only the proper use and tenure of land, but also the growth and distribution of the population, the disparities - including disparities in income - between rural and urban zones, and the consequent migration, and such policies must be linked with those on industrialization, agriculture, social welfare and environmental and /cultural conservation,

cultural conservation, so that all these elements mutually support each other in the progressive improvement of human well-being and at the same time enable an end to be put to the misuse of resources and the social and cultural deterioration of the countries of the region.

### C. ECONOMIC EVOLUTION AND CHANGES IN THE BALANCE-OF-PAYMENTS SITUATION

39. The economic development of Latin America continues to be conditioned by international economic structures devised by the developed countries in accordance with their characteristics and needs, without taking into account the interests of the developing countries.

40. The lack of flexibility of these structures, as revealed in the situation of the international trade in raw materials and the trend towards a decline in the purchasing power of the developing countries, and also in the functioning of a monetary system which favours the developed countries, gave rise to the current economic crisis of the Latin American countries and the other developing countries.

41. During the 1970s Latin America as a whole has tended to step up the transformation of the production and technological aspects of its economy and to increase its production capacity, while at the same time broadening and diversifying its external economic and financial relations. The rate of development has varied widely between countries and between years, and has undergone strong fluctuations manifested in the marked surge of economic dynamism during the first years of the decade, followed by a significant contraction and weakening in the last two years.

42. Although during the biennium 1972-1973 the gross domestic product of the region registered a relatively high growth rate of approximately 7 per cent a year, in many countries the slow growth of previous years persisted and in some the levels of activity even declined. The increase and diversification of exports and the rise in the index of the terms of trade had a significant influence on this evolution.

Thus, the economy was able to function free of the external bottleneck

/which had

which had affected it in the past. Unfortunately, however, as foreseen in the Chaguaramas Appraisal, the period of boom was to be short-lived, as the course of events soon showed.

43. Most of the countries were confronted with a slackening in the growth rate of external demand, in many cases accompanied by a fall in the prices of primary products and greater costs of fuels and of products imported from developed countries, all of which was reflected in a significant deterioration of the terms of trade. In these circumstances the serious balance-of-payments problem was aggravated, with subsequent adverse effects on the rate of economic growth. As a result of the unfavourable external effects, many countries were obliged, in order to maintain their growth rate, to resort to financing with foreign capital, primarily from private international banks.

44. In 1975, as a result of the international economic recession, the unfavourable trends in the external sector became acute for most of the countries. The volume of exports tended to diminish and the deterioration of the terms of trade was aggravated. Both these factors contributed to the decline in external purchasing power. The countries were obliged to limit or suspend their imports, and in these circumstances the rate of economic growth and of investment fell to such an extent that the per capita product in real terms diminished in absolute figures.

45. Despite the contraction in imports of goods and services, the trade deficits and balance-of-payments deficits remained at high levels, and the current account deficit of the non-oil-exporting countries of the region exceeded 16,000 million dollars.

46. The terms of trade of the oil-exporting countries also began to fall from the levels they had attained with the increase in prices over the two previous years.

47. In 1976 some trends towards recovery emerged, although the growth rates of the product recorded at the beginning of the decade were not attained. These trends were affected by the marked instability

/of the



of the fluctuating commodity prices and the slow rate of economic recovery in the industrial countries.

48. Thus, if the levels of the domestic product attained in 1976 are compared with those of 1970 it can be seen that the growth of the region as a whole during the present decade, despite the period of boom, has maintained a trend similar to that of the past. Among the 19 countries for which complete statistical information is available, only five countries secured an average increase of 6 per cent or more, which was the goal fixed in the International Development Strategy. The 14 other countries, which account for about half the population of Latin America, recorded lower rates, giving rise to situations of relative stagnation and even contraction in absolute levels.

49. The 1976 per capita product shows an average increase of 2.9 per cent, which is less than that secured by Latin America as a whole in the second half of the past decade. In a large number of countries the increase was much lower than this average, while in some cases the absolute level of the gross per capita product declined.

50. It therefore seems clear that in the majority of the Latin American countries the global evolution has been manifestly unsatisfactory, especially taking into account the need to accelerate the rate of economic growth in order to augment the levels of productive employment, promote a better distribution of income and confront in a more direct manner the situations of extreme poverty which prevail in the region.

51. During the last two years the slowness and irregularity characteristic of the evolution of the agricultural production of the region persisted. Despite the encouraging provisional figures for production in 1976, growth so far during the decade amounts to less than 3 per cent. Only four countries appear to have met the goal of 4 per cent fixed by the IDS, and the great majority, which account for 60 per cent of regional production, have not attained it. The sluggishness of growth was influenced by factors which aggravated the traditional structural problems of the sector: the increase in the

/price of

price of agricultural inputs, the limitation in some countries of the incorporation of new land, and the low average yield of the sector.

52. Climatic conditions, prices of inputs and price fluctuations in world markets have contributed to the irregular growth of the domestic prices of various foods, which began to be more closely related to the prices prevailing in the world markets. Thus the short-term flexibility of Latin American agriculture resulted in sharp production swings associated with changes in international market prices.

53. In a number of countries the slow growth of agriculture has had an adverse effect on the export position, and has in some cases caused imports to rise sharply. The share of Latin American exports in world agricultural markets continued to fall, from 17 per cent in 1950 to 13 per cent in 1974-1975, with sharp drops in important products such as coffee, cocoa, wheat and, to a lesser extent, bananas and sugar.

54. The region has continued to be particularly affected by the restrictive conditions and protectionist measures imposed by the major external markets, which further increase the instability of the demand for imports in the markets of the developed countries.

55. The process of industrial transformation grew stronger in the 1970s, although with appreciable differences from country to country. The rate at which change took place was particularly influenced by the international economic situation and the internal structural problems of each country. The strong industrial growth of the period 1972-1973 was followed by a downturn in the following year, while the industrial production of the region virtually stagnated in 1975, with a growth rate of a mere 1.5 per cent. This rising and falling movement affected most of the countries of Latin America to a varying degree. The impact of the slump in 1975 was such that the average growth rate of industrial production in the first five years of the present decade is under 7 per cent annually. Only seven of the 19 countries considered reached the growth target of 8 per cent or more fixed by the International Development Strategy.

56. The preliminary data available for 1976 show a slight recovery in the growth of industrial production. Nevertheless, the average growth rate of industrial production recorded so far in the decade has been somewhat lower than in the second half of the 1960s.

57. The problems of the agricultural and industrial sectors of the region have been substantially increased by the actions of the transnational enterprises, which have in the great majority of cases hindered the effective mobilization and use of the resources of Latin America, thus causing considerable lags in the achievement of integrated development.

58. The high level of indebtedness and the magnitude of the balance-of-payments problems which have afflicted many Latin American countries despite the measures and controls which have been introduced to contain imports and promote exports have given rise to an external bottleneck situation which is likely to have repercussions in the future. The situation varies from one country to another, not only in the magnitude of the problems but also in the prospects of solution. These countries will continue to require a major flow of external financing to ensure given levels of imports and avoid a reduction in the growth rate which would seriously affect employment and income distribution.

59. In these circumstances it is essential to secure a rapid and sustained increase in export income, on remunerative terms, in order to contribute to the solution of the balance-of-payments problems. It is necessary, on the one hand, to adopt policies and measures in the developed countries to broaden and diversify access to their markets for commodities, manufactures and semi-manufactures and, on the other, to expand trade among Latin American countries. Co-operation at the regional level, economic integration and the various policies and measures and specific projects for expanding and diversifying reciprocal trade will tend to play a more important role than in the past.

/60. The

60. The terms of trade with the exterior have varied significantly since 1970. The non-petroleum-exporting countries secured a significant improvement only in the biennium 1972-1973, after which there was a serious deterioration in the following two years. Despite a certain marginal improvement in 1976, the index of the terms of trade of the non-petroleum-exporting countries is still below the 1970 level, and even lower than the levels which prevailed during the early years of the 1950s. The petroleum-exporting countries, for their part, also experienced a deterioration in their terms of trade with the exterior in 1975 and 1976.

#### D. THE DOMESTIC EFFORT

61. The differences between countries and strategies in the mobilization of domestic resources are even more complex than in other areas of the development process. On the whole, and primarily through the financial machinery, significant progress has been made in the process of capital formation in important productive branches, in the definition and implementation of global and sectoral economic policies, in the organization of financial markets and in fiscal activity.

62. Higher levels of staff training are enabling most governments to progress in the planning of their activities. Although it is not always possible to frame government action within a formal plan, broadly speaking it is becoming more coherent and clear in its goals. Progress is being made in the implementation of economic policies which reorganize the instruments of productive development in new conditions, incorporate an increasing anti-inflationary element as an integral part of overall policies, and reorganize the financial markets to promote greater capital formation and a better insertion in the international setting.

/63. Some

63. Some governments and public corporations are mobilizing large proportions of the resources of the economy and gaining great control over the key sectors of the infrastructure and basic resources. The bigger public enterprises of some countries are acquiring the operating capacity and the necessary size to play an important role in world markets.

64. In the agricultural sector, State support policies have been implemented, particularly in connexion with obtaining more credit and alleviating the strong pressures on the food supply systems and above all on the industrial processing of agricultural products.

65. The processes of agrarian reform have encountered many obstacles. Owing to their high costs and slow realization, many of the potential beneficiaries of these processes are excluded from them. Thus the capacity to use the land and the human resources of the rural sector remains low, and a large part of the increases in production are achieved through the modern agribusiness sector.

66. State action in energy, petroleum and mining has been strengthened both through the nationalization of deposits and installations and through significant increases in productive capacity.

67. The growth rates of investment rose steeply, indicating a great potential for capital formation. Gross domestic investment represented 24 per cent of the product in 1974-1975, a very high figure in comparison with the previous decade. Many countries, unable to gain access to suitable technical and financial resources, or for other reasons, had low levels of investment. Thus, side by side with the countries which exceeded 24 per cent, there are others which failed to reach 20 per cent.

68. National saving followed similar lines to investment. The national saving ratios, already over 20 per cent, rose still further, but the difference between countries is once again evident: some countries failed to reach 15 per cent. The ratio of national saving to investment tended to rise in the early years of the decade, reaching levels close to 95 per cent in 1973 and 1974. These figures show a big potential for domestic saving, which could be increased greatly, if suitable income distribution policies are adopted and the high consumption levels of the upper strata reduced.

## II. THE EXTERNAL ECONOMIC RELATIONS OF LATIN AMERICA

### A. LATIN AMERICA'S PLACE IN THE WORLD ECONOMY

69. The study of Latin American external relations must start from a number of basic general considerations. In the first place, international economic relations have been characterized by a worsening of the phenomena of slumps and booms in the main industrialized countries; higher prices of manufactures from the developed countries; food shortages; higher oil prices; changes in the structure of world trade, and widespread inflation.

70. Secondly, Latin America's place in the world economy should be defined in the light of the degree of development and transformation of foreign trade achieved by the countries of the region, bearing in mind the opportunities and problems corresponding to this stage of development.

71. Thirdly, long-term needs and policies must be combined with the handling of the short-term situation, which is presenting difficulties for many of the countries of the region. It is essential to overcome these difficulties, since on the one hand the prospects of growth of exports of manufactures by Latin America are poor, while on the other there is a considerable rise in the balance-of-payments deficit, which has been financed by external loans on increasingly hard terms.

72. Fourthly, it is important to stress that the region has specified its position on the construction of the New International Economic Order in accordance with the guidelines of United Nations General Assembly resolutions 3201 (S-VI), 3202 (S-VI) and 3281 (XXIX). The primary task of the developing countries is to overcome the resistance encountered in the struggle for the new order, since although its principles are gaining increasing importance the progress made so far in its implementation has been insignificant. The disappointment with which the Latin American countries view the scant progress made in the main forums of international negotiation, and the unfavourable attitude of the major developed countries, cannot be ignored. There is

/an imperative

an imperative need to reach concrete results in those negotiations, not only because of the favourable effects they would have on international economic relations but also because the absence of such results could precipitate a collapse in the attitude of dialogue and negotiation which has prevailed since the seventh special session of the United Nations General Assembly, at great cost to international economic co-operation, as pointed out at the Conference on International Economic Co-operation.

1. The world setting

73. During the last three decades there has been intense growth in the developed countries with market economies. There has also been a diversification of the centres. The relative importance of the European Economic Community and Japan increased in comparison with the United States, both in the gross domestic product and in trade and international investment; the relative importance in world trade of the European countries with centrally planned economies also increased. The diversification of the centres, and the greater vigour of the new ones, enhance the advantages of a multilateral approach to international relations to enable the developing countries - particularly those of Latin America - to take advantage of the greater dynamism of some of these centres.

74. Trade, production and financial relations among the developed countries have also grown very greatly. The creation of a vast economic area comprising the developed market economies has been consolidated. Besides the absolute and relative growth of the trade flows within groups of developed countries (EEC, EFTA, and Canada and Japan with the United States), trade among the different groups has greatly increased at the same time as the barriers to trade of industrialized products have been reduced. Thus the developed countries increased their share of world exports from 60.2 to 66.3 per cent between 1950 and 1975.

75. The composition of world trade changed profoundly between 1950 and 1975. The relative importance of manufactures increased from

/43.7 per

43.7 per cent in 1950 to 60.4 in 1975, while food and raw materials dropped from 46.4 to 19.1 per cent. This structural change has hurt the developing countries which produce raw materials. The share in world exports of the non-oil-exporting developing countries fell sharply from 24.4 to 10.5 per cent over the same period, and that of the Latin American members of this group fell still further, from 10.4 to 3.9 per cent. There was at the same time an increase in their share of the purchase of manufactured products from the developed countries.

76. Over the last 25 years the developed countries have been replacing imports from the developing countries of basic products and semi-manufactures derived from renewable natural resources. They have also accelerated the substitution of primary goods produced and exported by the Latin American countries and other developing countries through an increase in the production of substitutes and synthetics.

77. Their own production of food and agricultural raw materials increased, as did trade among them in those products, at the expense of imports from developing countries. They adopted domestic support price policies for their producers, which contrast with their opposition to the attempts to apply similar policies at the world level in favour of the exporters of primary products among the developing countries. In this way they stimulated their own supply and gave their producers the necessary means to increase capitalization and technological innovation. At the same time they imposed tariff and non-tariff barriers on imports from developing countries, while there was a systematic effort to reduce such barriers among groups of developed countries.

78. Furthermore, the developed countries have preferred to import non-renewable resources from the developing countries at more advantageous prices, with the clear aim of preserving their own resources and making substitutive investment profitable. This has not resulted, however, in a sustained improvement in the export prices of those resources.

79. The developing countries as a whole have had a steadily increasing deficit throughout the last 25 years in their trade relations with

/the developed



the developed countries. For the developing countries this has meant using external resources in order to achieve a somewhat higher economic growth rate than their own exports would have permitted. For most of the developed countries, it represented more active promotion of their exports and production, and a better balance-of-payments position. In the case of the Latin American countries, the major disequilibria in the trade balance and the balance-of-payments were the results of their efforts to maintain as far as possible their economic growth rates.

2. The new international economic relations of Latin America

80. Latin America is faced with the need to define the new forms of insertion of its economy in the efforts to achieve the implementation of the emergent New International Economic Order, in order to be able to regain and increase its relative importance in international relations, in accordance with the needs of the present stage of development of the countries of the region.

81. New trends are appearing as a result of the process of reorganization of the world economy, and these are beginning to acquire great importance side-by-side with the old trends which still persist. As a result, Latin America must implement a series of policies and actions capable of dealing with all the forces in play.

82. Major elements in the new international economic relations of Latin America are the struggle for sustained growth of the purchasing power of export earnings of traditional products, a greater share in the world trade of manufactures and semi-manufactures, the reduction of the balance-of-payments disequilibria and access to international financing on suitable terms.

83. In addition to these elements, the transnationalization of capital, the new industrial structures and the reform of the international monetary system are beginning to assume great importance as a result of the growing globalization of the economy.

84. Consequently, Latin America should foster action to ensure more active participation in the world economy, to which end the following lines of action should be adopted, inter alia:

/(a) Better

- (a) Better prices for the raw materials produced and exported by the developing countries, as a means of increasing the resources available for their internal development processes, through the speedy implementation of the Integrated Programme for Commodities and the definition of machinery to protect the purchasing power of those raw materials.
- (b) Adoption of formulas whereby the developed countries will fulfil before 1980 their commitment under the IDS to contribute 0.7 per cent of their GNP as official aid to the developing countries.
- (c) Removal of obstacles and instrumentation of international support mechanisms for the expansion of the exports of manufactures of the region as a means of securing an effective redistribution of world industrialization opportunities. In this field Latin America has the right and opportunity to play a dynamic role.
- (d) Creation of appropriate machinery to facilitate the transfer of technology towards Latin America on terms which interest the countries of the region at their current stage of development.
- (e) In order to secure these objectives it is essential that Latin America should have active and effective participation in the decision-making process in all the monetary, financial and trade negotiation fora.

85. The existing international monetary situation has been characterized by severe disequilibria caused, inter alia, by the lack of a rational, just and universal system, by the wide fluctuations in currencies, by the disordered growth of international liquidity, and by the system's lack of adaptation to the needs of the developing countries and the preponderance of certain developed countries in the adoption of decisions.

86. The current developments regarding international economic co-operation make it increasingly necessary for the region to carry out specific action aimed at modifying the disequilibrium which characterizes Latin America's economic and social relations with

/the industrialized

the industrialized countries. Attempts should be made to concentrate efforts on the co-ordination of measures based on the political will and capacity for action of the Latin American countries, which would thus not depend on decisions from outside the region.

87. The Latin American Economic System (SELA) offers an opportunity to meet this situation through, for example, actions related to trade promotion, such as enterprises in the fields of marketing, transport, insurance, services and management, etc.

### 3. External financing and indebtedness

88. The deficit on current account of the non-oil-exporting countries of Latin America rose from a little over 1,500 million dollars annually in the period 1965-1970 (less than 15 per cent of exports of goods and services) to a little over 4,000 million in 1971-1973 (22 per cent of exports), while it jumped to almost 14,000 million annually in 1974-1976 (45 per cent of exports). This growth of the deficit was influenced by the deterioration of the terms of trade caused, inter alia, by the higher prices of imports of capital goods, intermediate inputs, and raw materials, the drop in the growth rate of exports owing to the world recession, higher oil prices, exchange instability, the rise in the servicing of external financing, the increasing remittances of profits from direct foreign investments, and the hardening of the terms of external financing.

89. It is important to note that in the middle of the 1960s external financing derived mainly from official sources. At the same point in the present decade, however, the greater part of financing stems from private sources. This has had important consequences: external financing has become dearer; the terms and conditions have worsened and are not in step with development needs, and the problems of access to the international capital markets and those of the industrialized countries faced by many Latin American nations have been aggravated.

90. The indebtedness of these countries has also increased enormously. The State-guaranteed debt (excluding the debt to the International

Monetary Fund, credit for less than one year and private loans without official guarantees) rose from 8,700 million dollars in 1965 to 42,000 million in 1975. Non-guaranteed private bank loans rose from 2,500 to 25,000 million dollars in the same period and continued to soar in early 1976. Guaranteed and non-guaranteed loans from private banks thus accounted for two-thirds of the total in 1975: almost double their relative importance ten years earlier.

91. With regard to the criteria of creditworthiness and indebtedness it should be pointed out that the current account deficit of the non-oil-exporting countries of Latin America has climbed steeply in comparison with their exports. The same is true of the ratio of debt service to earnings of exports of goods and services, while the ratio of international reserves to imports has fallen considerably.

92. The criteria used to judge the creditworthiness of a country, however, while useful in the consideration of the individual country, are less so in the appreciation of a wider situation. The reason is that, taking the problem as a whole, it would help the recovery of the world economy in a recession such as the recent one if specific groups of countries with balance-of-payments problems decided to lay greater emphasis on financing than on adjustment. Furthermore, the problem of external debt and its servicing cannot be considered in isolation from trade issues. The dynamic growth and diversification of exports, better access to the markets of the developed countries for those exports, and better prices and quantities of commodities are highly important factors if the developing countries are to be able to reduce the high cost of external financing.

#### 4. Transnational corporations

93. The transnational corporations have gained enormous influence in the economic activity of the developed countries and their links with each other and with the developing countries. According to United States Department of Commerce figures, in 1970 the United States transnationals and their foreign affiliates were responsible for 24 per cent of world exports of goods, and the percentages for the United States, Canada and Latin America were significant. A high proportion

/of the

of the exports of transnational corporations is comprised of transactions between branches of the same corporation. In the case of the United States, such intra-company transactions accounted for 49 per cent of exports of manufactures, and the percentages were even higher in the case of Brazil (73 per cent) and Mexico (82 per cent) in 1972. The activities of the transnational corporations in the region have given rise to much well-known concern in the countries, regarding firstly the way in which prices are fixed in intra-company transactions, the extent to which they correspond to the competitive conditions of the market, and the implications for the country exporting or importing goods in such conditions; secondly, the dependence on the exterior in respect of capital and technology; and thirdly, as a result of the foregoing, the fact that the technology introduced by these transnationals is capital intensive and frequently not adapted to the conditions of the countries which receive it.

94. A further concern is that such enterprises tap some of the limited resources available for financing in the domestic financial markets and compete in the external centres of consumption with the products of the national firms of the Latin American countries.

95. The actions of the transnational corporations confirm a recent trend in the international economy: because of the industrial pollution and congestion in the developed countries and the need for access to raw materials and cheap labour, they encourage the implantation of industrial activities in the developing countries in order to take maximum advantage of the resources available at the world level.

96. The flow of trade and capital between the affiliates of transnational corporations considerably limits the capacity of States to orient their national economies, since it reduces the efficiency of instruments to control the balance of payments and also causes upheavals in the international monetary and financial sphere.

## B. LATIN AMERICA AND THE INTERNATIONAL NEGOTIATIONS

### 1. Integrated Programme for Commodities

97. The Integrated Programme for Commodities is an element of vital importance for the restructuring of the international trade in raw materials which aims to solve commodity problems because of their importance in the generation of foreign exchange for the integrated development of the countries of the region.

98. Resolution 93 (IV) adopted by UNCTAD IV sets out the guidelines to be followed in implementing the Integrated Programme for Commodities. This resolution sets out and specifies the main action elements of the Programme.

99. In September 1976 preparatory negotiations began on some of the products mentioned by way of example in the resolution, as did work on the preparation of the conference on the negotiation of the Common Fund.

100. So far, the meetings on specific products have in some cases made it possible to advance in the specifications and technical aspects required for the subsequent decisions. However the positions adopted by the industrialized countries at the preparatory meetings seem to indicate that the programme of activities envisaged in UNCTAD resolution 93 (IV) will not be fully implemented.

### 2. Multilateral trade negotiations

101. During the course of the current multilateral trade negotiations there has not so far been any sign of a clear desire on the part of the industrialized countries to implement the principles of non-reciprocity through preferential and non-discriminatory treatment for developing countries. A clear example of this can be seen in the scant results obtained so far in the case of tropical products, a sector to which it had been agreed to give special priority treatment.

102. The foregoing is reflected particularly in the way in which the work is being carried out in the various groups and sub-groups of the Trade Negotiation Committee of GATT. The industrialized countries have

/tended to

tended to ignore the various problems and different solutions proposed by the developing countries and confined themselves to resolving their own difficulties.

103. The role played by Latin America in the negotiations is particularly noteworthy, since a number of countries of the region have advocated and proposed various mechanisms for the implementation of the Tokyo Declaration. As a reflection of the foregoing, mention should be made of the establishment and proposal of the Group on the reform of the juridical framework of the General Agreement on Tariffs and Trade, which would deal in particular with aspects relating to differential and more favourable treatment for the developing countries (especially the most-favoured-nation clause); with the safeguard clauses for reasons of the balance of payments and economic development; with the questions of interest to the developing countries in respect of consultation procedure, solution of disputes and supervisory machinery, in accordance with articles XXII and XXIII of the General Agreement; and with the failure to apply the principle of reciprocity.

104. However, if the positions of the industrialized countries continue along the same course, the efforts of the Latin American and other developing countries participating in the negotiations will again be frustrated.

### 3. Conference of International Economic Co-operation (the Paris Conference)

105. Analysis of the international economic negotiations underway reveals the potential importance at the present time of the Paris Conference because of the importance for the developing countries of the topics dealt with and also because of the particular features of the negotiating structure of the Conference.

106. The Conference is the product of an unprecedented international situation in which a group of developing countries has acquired unusual bargaining power, with the support of the other developing countries for the adoption of the measures from which that bargaining power stems, and have in turn placed that power at the service of the other developing countries. The Conference is being held in a context of widespread

economic crisis, characterized by a process of inflation and stagnation of economic growth in the industrialized countries, whose effects have been transmitted intensely to the developing countries.

107. It has been interesting to note the importance attached at the Paris Conference not only to the question of energy but also to a set of issues which tend towards the definition of a new global approach, particularly in seeking decisions on commodities, co-operation for development and financing. In the great majority of cases, those decisions will be implemented within the framework of the competent international bodies.

108. In this connexion, the positions and attitude taken by the Group of the 19 developing countries participating in the Conference are noteworthy, especially with regard to support for the Integrated Programme, including the Common Fund, and defence of the purchasing power of the exports of raw materials of the developing countries; the improvement of the present machinery for food aid and security and the promotion of agriculture in the developing countries; the expansion and consolidation of industrial co-operation with a view to making possible the attainment of the goals of the Lima Declaration on industrialization; the need to provide a suitable framework for the activities of transnational corporations; support for the objectives of the developing countries participating in the Multinational Trade Negotiations, particularly with a view to bringing about a rapid improvement of the conditions of access of the products of the developing countries to the markets of the industrialized countries; and the establishment of new machinery designed to accelerate and reduce the cost of the transfer of technology to the developing countries.

109. Since, in the present international economic situation, the majority of the developing countries continue to depend, often heavily, on the transfer of external financial resources, it was considered particularly important that the Paris Conference should give priority attention to substantially increasing the transfer of official resources for development, to access to capital markets, and to the search for

/solutions to



solutions to the problems of indebtedness of the developing countries and of maintaining the purchasing power of their export earnings.

110. If, after more than a year of dialogue and negotiations, the Conference on International Economic Co-operation has not yet managed to reach results which might be considered satisfactory, the reason lies basically in the lack of political determination of the developed countries and their reluctance to accept the modification of a system of international economic relations created in the light of their own interests. The magnitude of some of the differences which separate those countries, and the fact that important changes have occurred in the governments of some of them, have considerably restricted the powers of their representatives to participate in negotiations of this kind.

111. In the light of this situation, at the thirty-first session of the General Assembly, held at the end of 1976, a resolution on the Conference was adopted which expressed deep concern and disappointment at the failure so far to reach concrete results in the Conference on International Economic Co-operation, and profound concern at the adverse effects which the failure of the Conference would have on international economic co-operation.

112. In order to overcome this situation, the developing countries participating in the Conference have proposed that it should resume its work in April and conclude the Ministerial Meeting not later than the end of May 1977, with the adoption of measures which form a global programme of substantive improvements in international economic co-operation.

### C. RELATIONS WITH SOME DEVELOPED AREAS

#### 1. Relations with the United States

113. Despite the changes which have taken place in the centres of the world economy, the United States continues to occupy a predominant position in it. As far as Latin America is concerned, the United States

/continues to

continues to occupy first place in the export trade in primary products and manufactures, in investment flows and in the transfer of technology. 114. One extremely important feature of the changes which have occurred in the world economy is the presence of transnational enterprises as a new economic power, to the detriment of the economies of the developing countries.

115. In the specific relations of Latin America with the United States the discouraging trends and prospects observed at the beginning of the decade have worsened. The chronic imbalance between imports and exports has increased, leading to the further aggravation of the region's growing and costly trade deficit, while exports to the United States continue to be the most sluggish sector of Latin American trade.

116. A new element has joined the obstacles to the liberalization of trade which have traditionally hindered the access of products of Latin American countries to the United States market: namely, the restrictions stemming from the Trade Act adopted by the United States in 1975.

117. Besides the discriminatory restrictions imposed against three countries of the region (Venezuela, Ecuador and Cuba), this legislation contains provisions which give rise to some of the main limitations to the access of Latin American exports. In this connexion, particular mention should be made of the competitive need formula and the rules of origin. According to the first of these restrictive measures, when the annual exports to the United States by a developing country of an item in which it enjoys preference exceed 25 million dollars or 50 per cent of the total United States imports of that item, those exports cease to enjoy preferential treatment. Many countries of Latin America have been affected by this provision, which is aggravated by the fact that the tariff schedule for Latin American products subject to the competitive need formula is higher than the average United States customs tariff.

118. With regard to the rules of origin, the United States Trade Act provides that a product shall receive preferential treatment only if

/at least

at least 35 per cent of its value added originated in the exporting country. Besides being restrictive, this measure will hinder access to United States markets for many products originating in the schemes for industrial co-operation or complementarity among Latin American countries and between them and other developing countries, which are undergoing a process of considerable growth.

119. Besides these restrictions, there are other measures with a negative impact on exports to the United States market of products which are important for Latin America, such as the compulsory exclusion from the Generalized System of Preferences of products considered "sensitive"; the discretionary power of the President of the United States, under the Trade Act, to exclude from the lists other products which are felt to have an unfavourable effect on industry or employment in the United States; and the products temporarily subject to non-tariff barriers.

120. It should be pointed out that the exports which fall into these categories are generally manufactures and semi-manufactures of Latin American countries. This is not only contrary to the long-standing demand of the region that access for this kind of goods to the markets of the developed countries should be improved, but also curbs industrial growth and diversification in the countries of Latin America.

## 2. Relations with the European Economic Community (EEC)

121. The EEC has continued to organize progressively a system of commercial and economic co-operation on a preferential basis with the countries of Africa, the Caribbean and the Pacific (Lomé Convention) and with the countries of the Mediterranean basin. As a result of the entry of the United Kingdom, special responsibilities have also been undertaken with respect to the Asian countries which belonged to the British Commonwealth. For the non-associated countries, i.e., those of Latin America and Asia, the EEC has begun to implement a so-called "global policy of co-operation for development".

122. As a result of the extension of preferential régimes for access to the EEC market, the traditional most-favoured-nation clause has become the exception and the preferential régime the rule - a régime from which much of Latin America is excluded.

123. The fact that Latin America, with the exception of the countries of the Caribbean sub-region which belong to the Eritish Commonwealth, is not one of the EEC's top priorities, and hence that the Community has no explicit political commitment in this respect, has led to a weakening of the dialogue between the two regions initiated in 1971, and the search for a collective instrument of co-operation with the EEC has been checked.

124. Latin America should reaffirm its collective political determination to press on with the organization of a system of economic co-operation with the EEC.

125. An analysis of the results achieved so far for most of Latin America through the Community's global policy of co-operation for development reveals the following:

(a) In the trade sector:

- the regulations of the common agricultural policy have continued to restrict access to the EEC market for important agricultural products exported by most Latin American countries;
- the tropical products exported by those countries continue to receive discriminatory treatment in their access to the Community market in comparison with similar exports from the countries associated with the EEC, which receive preferential treatment;
- the use of the Generalized System of Preferences has been increasing, but the unilateral and temporary nature of the system, i.e., the lack of security in its use, limits its benefits. Furthermore, it is the practice to exclude from it the products in items 1 to 24 of the Common External Tariff, which include the main agricultural products exported by Latin America;

/- the bilateral

- the bilateral trade agreements entered into by three Latin American countries (Argentina, Brazil and Uruguay) with the aim of facilitating reciprocal trade taking into account some aspects of the agricultural regulations, were inoperative in the latest crisis affecting EEC imports of beef from those countries. The general agreement signed by Mexico in 1975 however, which deals with complementary questions of mutual interest, is a positive step towards broader economic co-operation linked with trade;
  - co-operation to promote trade financed by the EEC has been advancing and various Latin American countries have already benefited from it;
  - the trade balance between the EEC and Latin America, which was substantially in the latter's favour until the beginning of 1970, dwindled to a surplus of only a few tens of millions of dollars. This surplus rose slightly in 1973 due to the slightly higher prices of the main raw materials, but in 1974, for the first time, Latin America recorded a trade deficit of 390 million dollars, which grew rapidly to 1,142 million dollars at the end of 1975. This deterioration has certainly been influenced by the closing of the EEC market for two years to certain products exported by Latin America. The EEC policy of subsidies to domestic production of some agricultural products is a depressive factor affecting the market in the commodities of the developing countries.
- (b) In the case of the commodities of the developing countries excluded from the preferential régimes, no regulatory machinery has yet been established to ensure free access to the EEC and regular growth in earnings. Consequently, from this standpoint, the competitiveness of the main exports of Latin America in the EEC market has been weakening.
- (c) EEC support has begun to be extended to some regional integration bodies, and LAFTA, SIECA, the Cartagena Agreement and CARICOM have begun to receive some technical assistance.

/(d) Financial

- (d) Financial and technical co-operation in favour of the non-associated countries of Latin America and Asia has begun to be implemented, with the allocation by the EEC Council of Ministers of 20 million units of account (about 25 million dollars) in the budget for 1976, intended for agricultural projects, one in a Latin American country (Bolivia). However, bearing in mind specific criteria on levels of development and the lack of a clear policy with regard to Latin America, the practical possibilities of deriving full benefit from that co-operation are limited. In addition, financial contributions have recently been made by most of the EEC countries and by other developed countries to the Inter-American Development Bank and the Caribbean Development Bank.
- (e) No progress has been made in the institutional structure of economic co-operation between Latin America and the EEC, in contrast with the progress made with other geographic areas (The Lomé Convention signatories and the Mediterranean countries).

### 3. Relations with Japan

126. Despite marked declines in 1975 and 1976 caused by the recession which hit the Japanese economy and the fall in prices of Latin America's export products recorded during this period, Latin American's trade relations with Japan have broadened considerably in recent years. Nevertheless, Latin American purchases from Japan have grown faster than the flows in the opposite direction, and so far it is not possible to discern any significant impact of the Generalized System of Preferences on the composition of Latin American exports to Japan, which still consist mainly of primary products. This is due both to coverage by products and to the quotas which limit the access on preferential terms. Furthermore, products of great interest to the Latin American countries, mainly in the manufacturing and semi-manufacturing sectors, still remain subject to non-tariff restrictions. These aspects greatly hinder the operation of the Generalized System of Preferences.

### /4. Relations

4. Relations with Eastern European socialist countries

127. The European countries with centrally planned economies offer an interesting possibility for the diversification of markets because of the stage of development of their economies, their high degree of industrial, technological and financial progress, and their need for basic products from Latin America.

128. The increase in trade relations between these countries and the Latin American countries was affected in the past by factors of a political and economic nature, in the latter case especially on account of the system of payments used. These difficulties have now diminished; trade is tending to become free of ideological limitations and the European countries with centrally planned economies are showing a strong trend towards multilateralism among themselves and favouring a system of payments in convertible currency in the agreements signed with the Latin American countries.

129. An important feature in the agreements which contain a commitment to make purchases in the Latin American countries for the same value as the purchases of those countries in the European countries with centrally planned economies is the high percentage of manufactured products included in them.

130. Furthermore, these agreements have transcended the purely commercial field and have become effective instruments of technological and economic co-operation in general. As a result of this process a constant expansion of trade between the two areas has been recorded in recent years, although for the time being it is concentrated in a few Latin American countries.

131. This expansion has not, however, reached the levels it could attain. Furthermore, there have been gaps and difficulties in the application of the agreements both as regard decisions to purchase Latin American products and in the co-ordination of possible purchases in the European countries with centrally planned economies and the utilization of other complementary instruments of financial co-operation. The contacts and agreements with the Council for Mutual Economic Assistance (CMEA), of which some Latin American countries have experience, have proved extremely useful in this connexion.

D. LATIN AMERICAN INTEGRATION AND CO-OPERATION,  
AND CO-OPERATION WITH THE REST OF THE  
DEVELOPING WORLD

132. In order to evaluate the economic integration of Latin America correctly it is necessary to take into account simultaneously two main points: on the one hand, the course of the integration processes as institutional mechanisms, and on the other, the advances which have been made in trade and co-operation among countries of the region, whether or not they result directly from the operation of those processes. Efforts are currently being made to find a solution to the problems which the advance of the integration processes has been creating, and attempts are being made, inter alia, to introduce into the operation of the agreements a greater degree of flexibility and preciseness regarding the mechanisms which can make possible greater allowances for the varying needs and degrees of development of the countries which are party to them.

133. Some of the problems of various kinds which have retarded the integration process arise from imperfections in the original integration mechanisms; from the uncontrolled activity of the transnationals, and from the lack of joint political decisions to advance more forcefully in autonomous integration processes.

134. In respect of trade it should be noted that intra-regional exports grew at higher rates than those to countries outside Latin America, especially during the first stages of integration. Although in subsequent stages exports outside the region were more dynamic in global quantitative terms, exports to the region generally continued to have a greater relative content of added value. From this point of view the regional market provides a supporting base for industries during the period of consolidation of their entry into the international market.

135. In recent years, when the world recession hit Latin American external trade, the dynamism of exports within the region has shown a greater degree of stability, playing a major compensating role during this period of difficulties.

136. In relation to the preceding point note should be taken of the new forms of co-operation which have arisen parallel to the integration /processes, both



processes, both in the form of industrial and infrastructure projects and in that of trade agreements which intensify the relations between pairs or groups of countries.

137. Despite the deterioration which has occurred in Latin America's external relations and the difficulties which have arisen in some integration processes, the region's capacity for utilizing its resources has broadened and it has increasingly asserted its own personality and its desire to act in common both in the domestic and in the external spheres. The creation of the Latin American Economic System (SELA), of which the basic pillars are the principles of individual effort and intra-regional co-operation, is a clear manifestation of this evolution.

138. The creation of SELA as a new form of co-operation in Latin America is an important step for promoting specific action aimed at designing and implementing programmes and projects which would intensify co-operation among Latin American countries in such matters as industrial and infrastructure projects and trade agreements which secure closer relations between countries or groups of countries. These new forms of co-operation should operate in a complementary way to the integration processes and parallel to them. The convergence of the integration processes among each other and with the new types of co-operation mentioned should make it possible to advance towards broader and more far-reaching Latin American co-operation which could play an important role in the development of the region.

139. The function of co-ordinating the positions of the countries of the region in international negotiations on specific themes and with third countries and groups of countries which the Latin American countries has entrusted to SELA should be made more dynamic so as to help make the System an increasingly effective instrument for tracing the main lines of the external economic policy of the region as a whole and facilitating the use of its broad negotiating power to improve its external economic relations. There are also other co-operation bodies which are of great importance for Latin America.

140. The Group of Latin American and Caribbean Sugar-Exporting Countries (GEPLACEA) is a body of fundamental importance for the region, as it not only constitutes its broadest association of raw material producer-exporter

/countries and

countries and sets the tone for the usefulness of such entities for Latin American development, but also occupies a leading place in the protection of a basic product of interest to the region as a whole, while at the same time favouring the development of technological co-operation and the joint adoption of positions in international negotiations.

141. The Caribbean Development and Co-operation Committee, created by CEPAL, constitutes a means of accelerating co-operation in an area united by common interests and removing the artificial barriers which in the past have obstructed the links between the countries which are members of it. This makes it an important body for accelerating the implementation of projects and programmes to benefit the peoples of the sub-region as a whole and the rest of the Latin American countries.

142. The struggle which the region has waged against the predominance of the transnational shipping companies and for the reduction of its export costs has led to the creation of the Caribbean Multinational Shipping Company as a first step towards securing more effective development of co-operation in this sphere at the regional level.

143. The strengthening and development of the Latin American Energy Organization (OLADE) will bring significant benefits for Latin American energy development by, inter alia, providing effective support for the struggle of the Latin American countries to exercise permanent sovereignty over their natural resources, implementing energy projects in countries of the region, facilitating the exchange of information and contributing to the solution of their energy problems.

144. The establishment of the Union of Banana-Exporting Countries has modified the marketing process of this product in the face of the control exercised over it by the transnational corporations, by initiating an effective process designed to guarantee better prices to the producer countries.

145. Co-operation with the developing countries of other areas is a subject which commands increasing attention, as could be seen at the Conference on Economic Co-operation among Developing Countries held in Mexico in September 1976. There are very important possibilities in the spheres of trade, industry and technology which can help accelerate the development of Latin America and contribute to overcoming its high dependence on the developed countries.

### III. PLAN OF ACTION

#### Introduction

146. The Quito and Chaguaramas Appraisals and the analyses made by the Committee of High-Level Government Experts in Santo Domingo clearly indicate that the objectives and targets of the Programme of Action for the Establishment of a New International Economic Order, of the Charter of Economic Rights and Duties of States, of the IDS and of other resolutions, recommendations and programmes adopted by the United Nations General Assembly and Economic and Social Council are far from having been attained, despite the fundamental importance of their full and speedy implementation to achieve a better and more effective system of international co-operation through which to eliminate the existing disparities in the world, ensure the prosperity of all and thus strengthen international peace and security.

147. The developments and new problems which have occurred both inside and outside the region in the last decade have greatly affected its economic and social evolution, and it is therefore all the more clear that international co-operation for development should be truly in step with the magnitude of the challenge posed by the increasing interdependence among all countries and peoples of the world.

148. It is increasingly clear that partial, sporadic and indifferent efforts, however well-intentioned, will not be enough. Economic and social progress is the joint, shared responsibility of the whole international community and calls for united and effective action.

149. In this connexion, the Quito and Chaguaramas Appraisals and the analyses made in Santo Domingo make it clear that, in general terms, while the developing countries have adopted domestic policies and made national, sub-regional and regional efforts to attain the established goals and targets, they have not received from the developed countries the necessary concrete co-operation to complement those efforts, particularly in international trade and monetary and financial co-operation, industrial co-operation, the transfer of technology and other important spheres.

/150. Without

150. Without in any way evading the responsibility for development which primarily falls to them, or forfeiting their sovereign right to control and develop their own natural resources and economic activities in the form they consider appropriate, the developing countries of the region are aware that they need international co-operation, in addition to their own efforts, to attain the desired goals of integral development with the necessary rapidity. To this end it will be necessary to effect a real transfer of resources and to obtain just and equitable treatment in their economic and trade relations with the developed countries within the spirit of the New International Economic Order and in a manner which respects and strengthens the principles and orientations imparted by each country to its development.

151. Policy measures must be placed in their dynamic context and be subject to constant review so as to ensure their effective application and adaptation in the light of new developments, including the broad repercussions of the rapid advance of technology, and so as to try and find new areas of agreement and broaden the existing areas. The organizations of the United Nations system, including the regional economic commissions such as CEPAL, should provide adequate assistance in the application of these measures and in the search for new forms of international co-operation for development.

152. At the national level it is for each country to establish its own appraisal machinery, or to strengthen that already in existence, as appropriate; when necessary, it should request international assistance for this purpose.

153. With regard to the process of periodic appraisal at the regional level, the United Nations General Assembly and the Economic and Social Council have entrusted the main responsibility to the regional economic commissions, taking into account not only what is already laid down in this respect in the IDS but also the resolutions on the implementation of the Programme of Action for the establishment of

the New International Economic Order, the Charter of Economic Rights and Duties of States and other resolutions, and programmes approved by the General Assembly and the Economic and Social Council. Consequently, the Committee of High-Level Government Experts approved the following decisions and recommendations.

#### A. TRADE AND COMMODITIES

154. It is essential to support the restructuring of the current system on which world trade is based, through an improvement of the terms of trade to secure just and remunerative prices for Latin American exports and through measures to ensure full access to the markets of the developed countries with a view to promoting an adequate participation of the region in world trade, transport, and the marketing and distribution of its export products.

##### 1. The Integrated Programme for Commodities

155. The implementation of the UNCTAD Integrated Programme should constitute one of the main objectives of the developing countries. The Integrated Programme should be firmly supported by the countries of the region because of its importance for solving the problems which affect the international commodity trade of the Latin American countries.

156. In the face of the decline in the prices of various commodities there is an urgent need to secure the establishment and operation of the Common Fund of the Integrated Programme. In order to protect the purchasing power of the developing countries, indexation machinery should be created to set the reference prices of the raw materials they export in relation to the prices of the manufactured goods imported from developed countries.

/2. Producers'

## 2. Producers' associations

157. Action should be taken to promote the creation of associations or groups of producers of commodities and raw materials so as to facilitate the presentation of a common front regarding export products with a view to securing greater negotiating power in respect of prices, access to markets and co-ordination of policies, among other aspects. Support for and participation in existing groups should also be encouraged. Support should be given to the creation of a Council of Producers' Associations in which the bodies established on the initiative of the developing countries would participate.

## 3. Multilateral trade negotiations

158. In view of the lack of progress in the multilateral trade negotiations taking place in the framework of GATT, Latin America should concentrate on the preparation of a common strategy through which to demand the effective implementation of the Tokyo Declaration and the rapid instrumentation of the proposals put forward by the developing countries in the various fields of negotiation.

159. With respect to the juridical reform of GATT, every effort should be made to secure differential and more favourable treatment for the developing countries in a binding basis, taking account of their new trade circumstances, interests and problems; those principles should be extended to both existing and future codes. Both the developing countries which belong to GATT and those which do not should participate in the reform.

## 4. Subsidies and compensatory duties

160. The Latin American countries consider it legitimate to apply subsidies to promote their exports. They likewise consider that international action in this field should concentrate particularly on the review of the rules currently in force. This review should also cover the application of compensatory duties.

/161. This

161. This action should be implemented on the basis of the proposals made by the developing countries in this respect in the course of the current GATT multilateral trade negotiations.

162. Similarly, subsidies intended to offset the effect of tariffs and other forms of protection which affect inputs needed for the production of export goods, or of temporarily overvalued exchange rates, should be accepted immediately. The application of subsidies or other traditional incentives in limited amounts and within reasonable margins and limited periods by the developing countries should also be accepted.

#### 5. Other barriers to trade

163. With regard to other types of barriers to trade, special and differential treatment should be given to the developing countries, both in the review of the juridical framework of GATT and during the present multilateral trade negotiations.

164. Furthermore, the agreements on "voluntary restraint" in exports should not be prolonged or multiplied. Instead, there should be a transfer of industrial technology from the industrialized to the developing countries, subject to the prior agreement of the latter and on the terms laid down by them.

#### 6. The Generalized System of Preferences

165. The Latin American countries should urge that the Generalized System of Preferences be given a solid statutory base so as to convert it into a permanent element of the trade policies of the developed countries.

166. The measures taken by some of the main developed countries in adopting their generalized systems of preferences contradict the main provisions of UNCTAD resolution 21 (II) and are clearly detrimental to the developing countries.

167. Latin America should carry forward the proposals it has made on the System through action which, by means of more practical mechanisms, would make it possible to limit the current provisions in various systems of preferences which affect the developing countries. This action should be implemented within the framework of SELA, with the collaboration of the secretariat of CEPAL.

B. THE INTERNATIONAL MONETARY SYSTEM, FINANCING AND DEBT

168. Encouragement must be given to the creation of a new international monetary system based on: Special Drawing Rights (SDRs); stable but adjustable exchange rates, the creation of liquidity through new issues of Special Drawing Rights which should be linked with financing for development; and greater effective participation by the developing countries in the negotiations and decisions on the reform of the International Monetary System and its operation. It is unjust that a small group of developed countries should decide on the terms of the reform without consulting the other countries.

169. As regards financing and debt, international co-operation activities should be carried out in two areas: that of resources deriving from public sources, and that of private sources.

170. With regard to official co-operation for development, the developed countries must honour the commitment made in the IDS of attaining the goal of 0.7 per cent of their GDP as soon as possible and at the latest by 1980, and they must make the necessary changes including those needed to increase the concessionary component of co-operation.

171. In this respect there are some aspects which are of particular importance for Latin America. In the first place, the Latin American countries need and will continue to need access to financing from official sources on concessionary terms. In these circumstances the efforts made by governments, especially those of the industrialized countries, to support the increases in capital of the multilateral financing institutions are of importance. In the particular case of the financial institutions of the region, they should enjoy the participation and fullest contribution of the developed countries and of the developing countries outside the region which are in a position to provide such assistance, in order to ensure appropriate strengthening of their concessionary and conventional loan services. Similarly, the resources of UNDP should be broadened rapidly and

/significantly in



significantly in order to secure a stable and firm financial base and obtain the aid so necessary for all the Latin American countries without prejudice to that provided to the less developed countries.

172. It is necessary to support the initiatives aimed at utilizing part of the resources freed by disarmament and the end of the arms race for the advancement of the developing countries. Studies must be prepared in order to determine the way in which the Latin American countries could benefit from such a transfer of resources, and an analysis should be made of the way in which the measures aimed at such a transfer could contribute to reducing the inequality between the developed and the developing countries and, in particular, Latin America.

173. Bearing in mind that the financial resources for development are very limited in relation to the serious current and foreseeable balance-of-payments disequilibria, it is essential that the financial bodies of the region should receive a strong extra-regional financial contribution and the firm support of the region.

174. In view of the heightened difficulties in international economic relations and the unfavourable outlook for Latin American international trade, the already scant international reserves of the region should not be fragmented further. Future efforts by Latin America should be directed towards reaffirming its support for measures designed to obtain additional resources for development within the shortest possible time.

175. The Latin American countries need greater access to capital markets, especially the international capital markets and those of the developed countries. A special effort must be made on behalf of the countries which have not yet managed to gain access to those markets. In this connexion, technical co-operation among Latin American countries with different degrees of experience in gaining access to the international bond markets of the developed countries is of particular importance. The necessary measures should be taken in the appropriate international forums to achieve greater stability

/in the

in the national and international financial markets and facilitate the participation of the Latin American countries on terms better suited to their needs.

176. Without prejudice to the current international negotiations aimed at lightening the burden of accumulated debt of the developing countries, the Central Banks and economic authorities of the region should continue to explore more active and technically viable forms of collective financial co-operation at the world and regional level, with a view to expanding financial support facilities through contributions from developed countries or those developing countries in a position to help, so as to mitigate the problems of external indebtedness by whatever means each country considers appropriate.

177. In this connexion, the Executive Secretary of CEPAL, together with the secretariat of the Centre for Latin American Monetary Studies (CEMLA) and other competent bodies, should continue to prepare initiatives for consideration by the Central Banks in their respective forums.

### C. TRANSNATIONAL CORPORATIONS

178. Strong encouragement should be given to the work aimed at preparing an International Code of Conduct governing the activities of transnational corporations.

179. The Latin American countries should maintain the position which the developing countries have defended in many forums that the Code of Conduct should be binding and should be governed by the following principles, inter alia:

- (a) Transnational corporations must comply with the laws and regulations of the host country and, in the case of litigation, they must submit to the exclusive jurisdiction of the courts of the country in which they operate;
- (b) They must refrain from any interference in the internal affairs of the States in which they operate;

/ (c) They

- (c) They must refrain from interference in or disruption of the relations between the Government of the host country and other States;
- (d) They must not serve as instruments of the foreign policy of another State or as a means to extend to the host country legal provisions of their country of origin;
- (e) They shall be subject to the permanent sovereignty exercised by the host country over all its wealth, natural resources and economic activities;
- (f) They must comply with national development policies, goals and priorities and make a positive contribution to attaining them;
- (g) They must supply the Government of the host country with the relevant information on their activities in order to ensure that these are in keeping with the national development policies, goals and priorities of the host country;
- (h) They must carry on their operations in such a way that these result in a net inflow of financial resources for the host country;
- (i) They must contribute to the development of the domestic scientific and technological capacity of the host country;
- (j) They must abstain from restrictive commercial practices.

180. The countries of Latin America have agreed that efforts of co-ordination should be made in the framework of SELA to organize discussions on the Code of Conduct in the course of which they will prepare the joint Latin American positions on the definitions, principles, sphere of action and the other elements entering into the Code of Conduct. The CEPAL secretariat should contribute to these activities. The Latin American countries will participate actively in the activities of the United Nations Committee on Transnational Corporations and in its working groups on the Code of Conduct and on the corrupt practices of transnational corporations.

181. At the same time it is important to prepare action guidelines for the future negotiations on direct investment between the governments and the transnational corporations, on the basis of the recent experience gained in this field both in Latin America and in other regions of the world. High priority is attached to the fuller use of the potential bargaining power of the Latin American countries, which has so far been used to only a limited extent.

182. The Latin American countries must make efforts to exchange among themselves and with other developing countries the information they possess on negotiations with transnational corporations, in order to increase their individual and collective bargaining power. In this connexion, support should be given to the activities in developing countries and in international bodies of centres for information and research on transnational corporations.

#### D. TRANSFER OF TECHNOLOGY

183. On this subject Latin America considers it of fundamental importance to stress the urgency of the following, in view of the forthcoming United Nations Conference on Science and Technology for Development:

- (a) The adoption of an international Code of Conduct of a binding nature on the transfer of technology. The draft of this Code was completed in UNCTAD, and the region reiterates its interest in participating intensively in the work to be carried out by SELA on the same subject;
- (b) The revision of the Paris Convention for the Protection of Industrial Property.

184. It is worth reiterating the agreement reached by the developing countries in New York and Geneva that the Conference should be held in a developing country and that at the Conference, on the basis of the national reports prepared for it, efforts should be made to accelerate action on such matters as:

/(a) The

- (a) The establishment in the countries of the region of appropriate institutional machinery: especially national centres for development and the transfer of technology;
- (b) The strengthening of the region's own capacity for technological adaptation and creation, an objective which, together with that of the transfer of technology from outside, should be brought about in the conditions required by the development of each country and in accordance with the guidelines laid down at the national level;
- (c) The establishment and improvement of mechanisms in the public sector which will contribute to the location and dissemination of technologies suited to these conditions and will enable the State to fulfil its responsibility to secure suitable technologies for development on the world market;
- (d) The preparation of preferential agreements for the development and transfer of technology between Latin America and other developing regions;
- (e) The establishment in Latin America or strengthening of sub-regional and regional centres for the development and transfer of technology which can serve as a link with the national centres of the other developing countries;
- (f) The establishment or strengthening of sub-regional, regional and interregional centres in Latin America for the development and transfer of technology in specific and critical sectors.

## E. INDUSTRIALIZATION

185. The Committee of High-Level Government Experts reiterates its support for the decisions on regional industrial co-operation adopted by the Latin American Conference on Industrialization at its meeting held in Mexico City in November 1974 - especially the recommendation to develop industrial complementation schemes - and recommends that the co-operation between the Economic Commission for Latin America and the Latin American Economic System should be strengthened.

186. It is necessary to adopt measures to promote the restructuring of the industrial production of the world by securing greater access for the manufactured products of the developing countries, the transfer of technology on favourable terms, the harmonization of the production of synthetic and substitute articles in the developed countries with the supply of natural products by the developing countries, the elimination of restrictive trade practices, and effective control over transnational corporations.

187. There is also a need to establish international norms and conditions for industrial redeployment, in keeping with the interests of the developing countries.

## F. RELATIONS WITH SOME DEVELOPED AREAS

188. In addition to the aspects considered in the negotiations of a general nature mentioned above in respect of trade, financing and debt, transnational corporations and technology and industrialization, there are other matters on which action could be taken in relation with each of these areas.

### 1. Relations with the United States

189. A long, medium- and short-term strategy must be designed and implemented regarding Latin America's relations with the United States.

190. This strategy must be founded on a new political determination: without this the technical formulas to find solutions to existing problems will be of no avail. Such determination on the part of the

/United States

United States is essential not only in its direct relations with Latin America but also because of its influence on the attitude of other developed countries with market economies.

191. The change of administration in the United States offers an opportunity to discover whether or not this political determination exists. Meanwhile, Latin America, while seeking a positive and fruitful dialogue with the United States, should deepen intra-regional co-operation in all areas and strengthen its solidarity with the rest of the Third World.

192. The medium- and long-term strategy should find an answer to the problems affecting bilateral relations between the United States and each country of the region. Bilateral and regional relations are not exclusive, but rather mutually complement and support each other.

193. The new negotiation machinery should take this situation into account and tackle the great problems of trade and financial and technological co-operation in the future.

194. Latin America, for its part, should reformulate its negotiating position in the framework of SELA in the light of the positions already taken, prior to negotiations in any forum. CEPAL can and should play an important role in reflexion and proposals in this context.

195. As far as immediate action is concerned, Latin America should lay emphasis on the United States Trade Act and the other obstacles to its export trade.

196. The most harmful aspects of the Trade Act are those regarding competitive need, rules of origin, safeguard clauses, compensatory duties or tariffs and the exclusion of Latin American countries.

197. At the same time, a systematic case-by-case analysis should be made of products of interest to Latin America which are affected by the United States Generalized System of Preferences, the Trade Act or any pre-existing obstacles.

/198. Meanwhile,

198. Meanwhile, the United States should refrain from applying further tariff or other types of barriers to Latin American products. A recent example of the policy followed in this field by the United States is the tripling of the duty levied on sugar imports (mainly from Latin America) and the possible application of other restrictive measures.

199. The success of these efforts would provide pragmatic proof of the existence of the above-mentioned political determination. Their failure would nullify any longer-term strategy, with consequent danger to relations with the United States with Latin America.

## 2. Relations with the European Economic Community (EEC)

200. The unsatisfactory progress of economic co-operation between Latin America and the EEC is due, on the one hand, to the manifest lack of political will on the part of the Community, which can be clearly seen in the broad range of working arrangements which the EEC is developing with large groups of countries such as those of the Lomé Convention and of the Mediterranean area. This lack of political will is all the more surprising in view of the fact that Latin America is the developing area which absorbs the highest proportion of direct investment from EEC countries and purchases the biggest share of the most dynamic exports of the European countries.

201. At the same time, there is a similar shortcoming on the part of Latin America which, since the meeting of the Special Committee on Latin American Co-ordination (CECLA) in Buenos Aires in 1970, has not again affirmed in an unequivocal way its collective political will to intensify economic co-operation between the two regions, thus depriving itself of the possibility of effectively using the negotiating power it would potentially gain from the size of its purchases from the EEC. The region must therefore forge an instrument - which could be SELA - to enable it to negotiate and act in a unified way and show readiness, when necessary, to carry out specific action to balance the amount of purchases from the EEC with that of the sales which the region can make to the Community.

/202. If



202. If this political will materializes, there are many ways in which it could be put into practice, as has been and is being shown by the EEC every day in its relations with the main areas and countries of the world. These possibilities progressively increase as the Member States of the Community broaden its sphere of action of the organization by ceding part of the competence they still have in the sphere of economic co-operation.

203. The Committee of High-Level Government Experts wishes to draw the attention of the third regular session of the Latin American Council of SELA to the need to establish high-level political machinery with which to co-ordinate in a practical manner the economic relations between Latin America and the EEC.

### 3. Relations with Japan

204. Bearing in mind that in its trade with Japan Latin America's exports have increased at a lower rate than its imports, it is necessary to broaden the coverage of products and remove the obstacles that limit access. Japan's generalized system of preferences should be fully implemented and improved, and specific agreements should be secured to increase exports of commodities. Agreements should also be concluded in the sphere of technology.

### 4. Relations with the socialist countries of Eastern Europe

205. With regard to the socialist countries of Eastern Europe, analysis of the prospects offered by the international markets gives rise to the firm conviction that it is essential to intensify to the utmost the efforts to diversify markets, seeking the possibility of securing broader economic co-operation.

206. For these reasons, this is an extremely opportune moment to make a combined analysis of this experience and to explore the role which can be played both by CMEA itself and by the financial system of the European countries with centrally planned economies. The project for which CEPAL is responsible in this sphere is of high priority from this

/point of

point of view. As this subject of the trade relations of the Latin American countries with the European countries with centrally planned economies also appears in the work programme of SELA, suitable co-ordination is called for. This is another sphere in which CEPAL can provide strong support to the Latin American Economic System.

G. CONFERENCE ON INTERNATIONAL ECONOMIC CO-OPERATION  
(THE PARIS CONFERENCE)

207. As proposed by the Group of 19 developing countries participating in it, the Conference should resume its work in April and conclude the negotiations with a Ministerial Meeting to be held no later than the end of May 1977, in order to comply fully with the decisions in General Assembly resolution 3515 (XXX), especially the decision that the General Assembly should receive the final report of the Conference for its consideration.

208. On this occasion measures should be adopted which would constitute a global programme for a substantive improvement in international economic co-operation on the basis of the proposals made by the developing countries.

H. MARITIME TRANSPORT

209. The Group of Experts considers it necessary to support the efforts to create transport enterprises which, like NAMUCAR, constitute a positive regional achievement of economic importance because they not only contribute to the control by countries of the region over spheres which have traditionally been in the hands of the transnational corporations but also reduce freight costs and increase the negotiating power of the developing countries which export perishable commodities. The countries of the region should support the strengthening and development of the Caribbean Multinational Shipping Enterprise through special measures.

/210. Furthermore,

210. Furthermore, it is necessary to stress the importance that all the countries should ratify the Code of Conduct for Shipping Conferences.

211. With regard to multimodal transport, the efforts being made in UNCTAD to secure an international agreement should be redoubled.

#### I. LATIN AMERICAN INTEGRATION AND CO-OPERATION, AND CO-OPERATION WITH THE OTHER DEVELOPING COUNTRIES

212. It is necessary to promote specific forms of co-operation between two or more countries in such spheres as industrial and agricultural programmes and projects, trade agreements and joint infrastructure projects. The Latin American Economic System (SELA) is an extremely important instrument for this purpose, and therefore the countries of the region should strengthen and support it, by participating actively in the measures it proposes in different areas of co-operation, in the creation and strengthening of action committees and the establishment of multinational enterprises. They should likewise support its work of consultation and co-ordination between the countries of Latin America and third countries or groups of countries and international bodies and forums.

213. This action should be complementary to parallel progress in the integration processes already in existence (Andean Pact, Central American Common Market, CARICOM and LAFTA), which should continue to be given support in the entire region, with a view to strengthening them.

214. These programmes and projects can also help to remedy the imbalances between countries due to their different degrees of development, which are reflected both in the trade deficits or surpluses of the different countries of the region, and also in the varying structures of the export and import trade between them.

215. It is desirable to promote the adoption of a regional policy of economic co-operation, with special emphasis on the agricultural, industrial and trade sectors, in order to promote or strengthen

/national agricultural

national agricultural policies so as to increase the social productivity of that sector and raise the nutritional levels of the population; to foster the development of such industries as those of chemicals, non-electrical and electrical machinery and transport equipment, on the basis of the Latin American common market; and to conclude regional and joint marketing agreements in order to strengthen the capacity to participate in external markets, taking into account the commitments entered into within the existing integration schemes in the region, as well as the new machinery which may be implemented within the framework of SELA.

216. As regards reciprocal credit agreements, progress can be sought along various complementary lines, so that it is advisable to encourage studies on possible formulas for the broadening and deepening of the current agreements.

217. Co-operation with the developing countries of the rest of the world offers big prospects, especially in the spheres of agriculture industry, trade, technology and transport.

218. In this respect, Latin America should support the measures and actions agreed on at the Conference on Economic Co-operation among Developing Countries held in Mexico in 1976, and promote and participate actively in the Conference on Technical Co-operation among Developing Countries to be held in Buenos Aires in 1978. The activities which SELA carries out in this sphere are of great value to the region and should consequently be developed.

219. As regards the negotiation of a new International Sugar Convention it is recommended - bearing in mind that for 22 countries of the region sugar is one of their main export products - that a common Latin American position should be adopted in the discussion and establishment of this Convention, taking as a basis the results obtained at the Sixth Meeting of the Group of Latin American and Caribbean Sugar-Exporting Countries (GEPLACEA) held recently in Havana, so that this instrument will be in keeping with norms of true equity and will at the same time be effective in stabilizing the world sugar market at adequate price levels on terms which provide a stimulus for the economic and social development of the countries of the region.

#### IV. OTHER DECISIONS AND RECOMMENDATIONS

220. The Meeting also adopted the following decisions:

##### Industrial Co-operation Committee

The Committee of High-Level Government Experts,

Taking into account the decision of the Latin American Conference on Industrialization, held in November 1974, to establish an Industrial Co-operation Committee in the region, as an auxiliary body of CEPAL, concerned with implementing the Plan of Action of that Conference and basically with intensifying industrial co-operation among the countries of Latin America and especially co-operation with the countries of lesser relative economic development of the region,

Considering the technical advances made in the secretariat of CEPAL towards the instrumentation of that decision,

Recommends to the Economic Commission for Latin America that at its seventeenth session it should convene the Industrial Co-operation Committee for the end of this year, subject to the approval of the relevant bodies.

##### Multilateral Trade Negotiations

The Committee of High-Level Government Experts,

Recommends to the Economic Commission for Latin America that at its seventeenth session it should continue and strengthen the Regional Project on multilateral trade negotiations (RLA/72/098/UNCTAD/CEPAL/UNDP) in order to furnish more effective support to the countries of the region in respect of their participation on those negotiations.

221. The Meeting also approved the following recommendations to the CEPAL secretariat:

##### Trade Policy: manufactures, semi-manufactures and commodities

The Committee of High-Level Government Experts,

Considering that the analysis of the proposals of the secretariat of CEPAL concerning trade policy contained in the document "The economic and social development and external relations of Latin America"<sup>3/</sup> shows the need to make special preparations to implement them as soon as possible.

<sup>3/</sup> E/CEPAL/1024, Chapter IV, "Conclusions and recommendations".

/Recommends

Recommends to the Economic Commission for Latin America that at its seventeenth session it should instruct the secretariat to prepare a study examining and outlining the action which the region should take on the following matters:

- The establishment of various definitions and categories of subsidies which could be used in a differentiated manner;
- The possibilities of creating special preferences for Latin American products as regards the application of non-tariff barriers, voluntary restrictions on exports, tariff barriers, safeguard clauses and other similar protection measures;
- Mechanisms for a gradual reduction of protection in categories which are highly protected in industrialized countries;
- Ways of securing the tariff reductions not negotiated by Latin America.

These subjects should in due course be complemented by a special analysis of specific cases on which common action strategies could be established.

In the particular case of the United States, the document to be prepared by the secretariat of CEPAL should concentrate on a dynamic study of Section V of the United States Trade Act, and it would be advisable to make the study on the basis of specific cases (still to be examined) among the Latin American sectors and those of the United States, at meetings which would be decided on later.

The main points on which to concentrate would be:

- (i) the competitive need formula;
- (ii) restrictions and changes in the rules of origin;
- (iii) safeguards, subsidies or countervailing duties;
- (iv) relief measures;
- (v) the exclusion of OPEC countries.

The above analysis, together with the study of the various binding and mandatory exclusions in the above-mentioned Act, might in turn make it possible to implement more practical institutional machinery for the solution of specific cases.

Multimodal Transport

The Committee of High-Level Government Experts,

Requests the CEPAL secretariat to continue to furnish its valuable assistance in connexion with UNCTAD's work to secure an international Convention on Multimodal Transport.

Preparations for the United Nations Conference on  
Science and Technology

The Committee of High-Level Government Experts,

Recommends that the CEPAL secretariat should use the experience of its science and technology unit, based in Mexico City and of other centres and institutes established in the region which could lend their assistance, in the preparation of the work which the region will have to carry out prior to the United Nations Conference on the Application of Science and Technology to Development (1979), and in particular in the organization of the Regional Preparatory Meeting, in accordance with the timetable and guidelines adopted by the Preparatory Committee of the United Nations Conference on Science and Technology.

Part Three

REGIONAL CO-OPERATION IN THE FIELD OF HUMAN SETTLEMENTS

222. The Meeting adopted the following recommendation on human settlements:

The Committee of High-Level Government Experts,

Bearing in mind that the Caracas and Vancouver declarations on human settlements lay down the guidelines and criteria at the international and regional levels in this sphere; and that the Regional Preparatory Conference for Latin America on Human Settlements, held in Mexico, set guidelines for the implementation of the recommendations made in those declarations,

Recognizing that man and the improvement of the quality of life should be the central objectives of integral economic and social development, and that it is the responsibility of the governments to prepare national plans and programmes to these ends.

Also recognizing that these policies must be linked and harmonized with the policies on, inter alia, industrialization, agriculture, employment, housing, population, education, health, recreation, social security and environmental and cultural preservation, since all these are indispensable elements of a broad development strategy,

Aware that the Latin American Economic System (SELA) constitutes the forum for regional consultation on the implementation of efforts in the sphere of international co-operation and that CEPAL represents a valuable contribution towards securing these efforts,

Taking into account the pressing need to put into practice a programme of work on research, information and training of human resources during 1977-1978, in accordance with the guidelines set forth by the Latin American Regional Meeting on Human Settlements,

Bearing in mind the need to convene periodic regional meetings with the participation of the member countries of the region in order to evaluate the results of the programme of work so far implemented and to lay the bases for the creation of a regional intergovernmental committee on human settlements,

/Recommends:



Recommends:

1. That the activities aimed at the creation of a world intergovernmental body on human settlements, in accordance with the provisions of the resolution on international co-operation programmes adopted by consensus at the United Nations Conference on Human Settlements, should be intensified.

2. That the Secretariat of CEPAL should carry out the following programme of work in the biennium 1977-1978:

(a) Research

- Economic and social aspects of the human habitat in Latin America, especially in the rural and marginal urban environments.
- Popular participation in the organization and development of rural and urban communities as part of the institutional structure.
- Methodology of territorial planning applicable to strategies of spatial organization and decentralization of economic activity.
- Methodology for evaluating the environmental impact of economic and infrastructural projects on human settlements.
- Methodology for the organization and integrated development of rural and urban communities.

(b) Training of human resources

- Identification of the professional and technical human resources existing in the region level and of the installed capacity of the professional training centres in this sphere.
- Identification and facilitation of the access to and organization of seminars and courses oriented towards the requirements of socio-economic development for professionals and technicians connected with institutions which carry out programmes and/or activities in the sphere of human settlements.

/(c) Information

(c) Information

- Systematization of the information available and preparation of a glossary for general information.
- Encouragement of the exchange of general and specialized information by the existing national services with a view to integration into a global system of information on human settlements which may be established in the future.

3. That a regional conference, with the participation of the member countries of the region, should be convened at the beginning of 1979 in order to evaluate the above programme of work and prepare criteria on the creation of a regional intergovernmental committee on human settlements.

4. That in the sphere of technical co-operation CEPAL should collaborate with SELA in the preparation of policies and plans on human settlements, when States so request; in providing support to the action committees created in that field; in assisting national bodies in the preparation of requests for international co-operation; and in co-ordinating that co-operation among the countries of the region.

5. That the secretariat should explore with the international co-operation bodies of the United Nations and with appropriate countries the possibility of obtaining funds for the implementation of the biennial programme of work, including the programmes on human settlements and integrated community development. Support should be requested from the United Nations Habitat Foundation and the United Nations Environment Fund in this connexion.

6. That the secretariat should submit a report to the seventeenth session of CEPAL, to be held in Guatemala, on the progress made in carrying out the programme of work and on the timetable for its implementation, including details of the financial resources which it would be necessary to request from the General Assembly for this purpose.

Annex 1

LIST OF PARTICIPANTS

1. Participating experts

ARGENTINA

Representative: Rubén Mendizábal

Member of Delegation: Gustavo Adolfo Moreno

BOLIVIA

Representative: Rolando Sans Guerrero

Member of Delegation: Teodoro Solís

BRAZIL

Representative: Henrique Rodrigues Valle Junior

COLOMBIA

Representative: Leonel Torres

COSTA RICA

Representative: Justo Jacobo Aguilar

Member of Delegation: Ramón Chavarría

CUBA

Representative: Eugenio Latour Mancilla

Members of Delegation: Ramiro León Torras, Abelardo Moreno Fernández,  
Miriam Fernández Baquero

CHILE

Representative: Jorge Valdovinos

Member of Delegation: Luis Lillo

ECUADOR

Representative: Manuel Cornejo

Members of Delegation: Renán Oquendo, Lino Peña

EL SALVADOR

Representative: Carlos Valencia

Members of Delegation: Raúl Ramos, José Roberto Jovel

GUATEMALA

Representative: Armando Boesche Rizo

Members of Delegation: Julio E. Dougherty-Lieckens,  
Carlos Humberto Alpírez

GUYANA

Representative: Denis Benn

Member of Delegation: Patrick Harris

HONDURAS

Representative: Víctor David Galeano

JAMAICA

Representative: Raynond O. Wolfe

MEXICO

Representative: Víctor Manuel Barceló

Members of Delegation: Sergio Reyes, Eduardo Morales, Salvador Arriola

NICARAGUA

Representative: Alberto Baltodano Travers

Members of Delegation: Noé R. Beltrand Salgado, Francisco Mena

PERU

Representative: Hilda Palermo

DOMINICAN REPUBLIC

Representative: Fabio Herrera Roa

Members of Delegation: Licelott Marte de Barrios, Milton Messina,  
Fabio Herrera Cabral, Fernando Mangual,  
Pedro Julio Bona Prandy, Rolando Pérez Uribe,  
Frank Marino Hernández, Luis Gorzález Fabra,  
Frank Rodríguez, Ivelisse Russo

URUGUAY

Representative: Rubén Chelle

Member of Delegation: Pablo Tarigo

VENEZUELA

Representative: Eglée de Blanco

Members of Delegation: Fernando Fernández, Pedro Sorensen, Enie Nery

2. United Nations

Enrique Ezcurra: Resident Representative in the Dominican Republic  
of the United Nations Development Programme (UNDP)

3. Persons attending by special invitation

Federico Grunwaldt: Ambassador of Uruguay to the European Communities

Felipe Jaramillo: Alternate Ambassador of Colombia to the International  
Organizations in Geneva

Juan Sánchez Arnau: Expert of the Group of Support to the Developing  
Countries (CIEC)

Angel Serrano: Deputy Director of the Permanent Secretariat of the  
Latin American Economic System (SELA)

Leopoldo H. Tettamanti: Regional Consultant on Economic Co-operation  
(UNCTAD)

4. Secretariat of CEPAL

Enrique V. Iglesias Executive Secretary

Manuel Balboa Deputy Executive Secretary

Jorge Viteri Director, Office of the Executive Secretary

Norberto González Director, International Trade and Development  
Division

Marshall Wolfe Director, Social Development Division

Silbourne Clarke Director, Office for the Caribbean

Gert Rosenthal Director, Mexico Office

Nicasio Perdomo	Deputy Director, International Trade and Development Division
Pedro Sainz	Economic Projections Centre
Marta Boeninger	Chief, Editorial and Translation Service
Juana Eyzaguirre	Chief, Conference Services

Annex 2

LIST OF DOCUMENTS

E/CEPAL/AC.70/1	Provisional Agenda
E/CEPAL/AC.70/2	The economic and social development and external relations of Latin America
E/CEPAL/AC.70/3	Resolutions of the General Assembly, the Economic and Social Council and CEPAL
E/CEPAL/AC.70/4	Report of the Executive Secretary on human settlements
E/CEPAL/L.146	Draft regional plan of action for the integration of women in development
E/CEPAL/L.147	Women in the human and social development of Latin America
Cuadernos de la CEPAL, Nº 2	Regional Appraisals of the International Development Strategy