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REPORT OF THE FOURTH SESSION OF THE COMMITTEE OF  
HIGH-LEVEL GOVERNMENT EXPERTS

Quito, Ecuador, 12-16 March 1979



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Part One

I. ORGANIZATION OF WORK

Date and place of the meeting

1. In pursuance of resolution 310 (XIV) of the Commission, the fourth session of the Committee of High-Level Government Experts to appraise the International Development Strategy from the standpoint of Latin America was held in Quito, Ecuador, from 12 to 16 March 1979.

Attendance

2. Government experts from the following 16 member States of the Economic Commission for Latin America (CEPAL) attended the meeting: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Grenada, Guatemala, Honduras, Jamaica, Mexico, Paraguay, Peru, Uruguay and Venezuela. A representative of the Permanent Secretariat of the Latin American Economic System (SELA) was also present.

Opening meeting

3. At the opening meeting, held in the afternoon of 12 March, statements were made by Francisco X. Swett, President of the National Board for Planning and Economic Co-ordination, who welcomed the participants in the name of his Government, and by the Executive Secretary of CEPAL, Enrique V. Iglesias.

Election of Officers

4. At the first working meeting, the participants elected the following Officers:

<u>Chairman:</u>	Francisco X. Swett Morales (Ecuador)
<u>First Vice-Chairman:</u>	Jorge Urquidi (Bolivia)
<u>Second Vice-Chairman:</u>	Ambrose E. DaCosta (Jamaica)
<u>Rapporteur:</u>	Polo Casanova (Venezuela)

/Agenda

#### Agenda

5. At the same meeting the following agenda was adopted:
  1. Election of Officers
  2. Adoption of the agenda
  3. The economic and social development and external economic relations of Latin America: Appraisal and conclusions with a view to the new International Development Strategy
  4. Consideration and adoption of the report to the Commission.

#### Documentation

6. The secretariat presented a document entitled "The economic and social development and external economic relations of Latin America" (E/CEPAL/1061 and Add.1).

#### Drafting Group

7. At the start of its work, the Committee decided to set up a drafting group open to all the delegations taking part, in order to collaborate with the Rapporteur in preparing the report of the meeting, which would contain the text of the Fourth Regional Appraisal of the International Development Strategy and Establishment of a New International Economic Order.
8. The discussions of the Committee and the work of the drafting group produced the text which appears, in Part Two of this document, in the form in which it was adopted by the Committee.

#### Adoption of the report

9. At its last working meeting, held on Thursday 16 March at 11 a.m., the Committee adopted the present report.

#### Closing meeting

10. At the closing meeting, the Executive Secretary of CEPAL expressed his pleasure at the completion of the present stage of CEGAN's work, pointing out that its task had been wholly fulfilled and had represented a magnificent preparation for the forthcoming meeting in La Paz. He also thanked the Government of Ecuador for its cordial hospitality, and the Chairman and Rapporteur of the meeting for their skillful and competent efforts.

11. The representative of Mexico, speaking on behalf of the delegations present, expressed their gratitude to the Government and people of Ecuador, emphasizing their rich cultural heritage. He stressed that the meeting had represented an extraordinary effort for CEPAL, and that teamwork had enabled the delegations to study Latin American problems thoroughly and together examine ways of solving the regional problems and achieving greater unity. Finally, he expressed the hope that the eighteenth session of CEPAL would witness the understanding of the developed countries concerning the decisions of the region, which reflected an effort to improve the general condition of the world economy and contribute to peace and development.

12. The representative of Bolivia, after congratulating the Officers, the Rapporteur and the secretariat, said that he considered that the work of the session had constituted an appropriate framework for preparations for the forthcoming session to be held in La Paz, to which all the Latin American countries were cordially invited.

13. Finally, the Chairman of the meeting expressed Ecuador's appreciation to the delegations for their joint efforts, which had made it possible to appreciate the solidarity and union among the countries, and added that in his view, the meeting had had the necessary strength to confront the problems which faced the region, and which could be summed up as the disparity between economic development and social development. He concluded by saying that the work carried out had made it possible to develop joint negotiating positions, and that that increased Latin America's opportunities for playing a role in the concert of nations.

## II. SUMMARY OF PROCEEDINGS

14. At the opening session, the Executive Secretary of CEPAL observed that the meeting was taking place on the eve of certain events of importance to CEPAL which would soon be holding its next session (La Paz, April 1979) at a time which marked the culmination of nearly a whole decade of development. He said that it devolved on the Latin American group making up the Committee to appraise the results of the International Development Strategy in the 1970s, analyse the external relations of the region in detail and lay the bases for what would emerge as the new international development strategy for the 1980s.

15. The Executive Secretary recalled that Latin America had during this period known the frustrations of never-ending negotiations and unsatisfied expectations. However, the machinery for international negotiation must keep on functioning, and the "new decade" should open up new horizons for international co-operation and the objectives of the new international order. Collective reflection was now necessary on what had been achieved and the new internal and external challenges.

16. In the opinion of the Executive Secretary of CEPAL, the most pertinent elements of the internal appraisal of Latin America were the following.

17. In the first place, it had been a decade of ups and downs for the economic development of the region, for although there had been very significant achievements in production and the social aspects of development, social ambivalences still lingered, as could be observed from the distressing contrast between the more than 100 million Latin Americans in a situation of critical poverty and the progress revealed in the material indicators. Secondly, around the middle of the decade, the rate of development of the first few years had undergone a sharp downturn, as a result of the world economic crisis of 1974.

18. Thirdly, the particular crisis of the balance of payments and inflation had resurfaced. The balance-of-payments crisis was reflected in the need of the countries to mitigate the effects of the world economic crisis by resorting to external indebtedness, which in 1978 amounted to US\$ 100,000 million, while imported inflation had rocked the majority of countries, in some cases for the first time in their recent history, with the poorest sectors of the population hardest hit.

/19. Fourthly,



19. Fourthly, the international situation had forced most of the countries to make major internal readjustments and solve agonizing equations in which a choice had to be made between growth, inflation or indebtedness, while in other countries although the abundant resources from exports had led to definite progress, major difficulties had been experienced in making effective use of these resources.

20. Lastly, the decade had revealed the improved economic management capacity of the public and private sectors of the region and their increased ability both to run the economy well and to strengthen the defences of the region's economy in the present international situation.

21. The Executive Secretary went on to refer to the international situation and its evolution in recent years. He pointed out the great changes which had taken place on the international scene, and particularly in the centres, with new political situations, new power centres and new agents in international relations. He emphasized that the acute international crisis, from which the countries had still not emerged, had been characterized by stagnation, inflation, and mistrust of the machinery for readjustment, and by lack of response in the economic cycle of the major centres. In this context, Latin America had been creating a new series of international links which had substantially changed its traditional patterns of interdependence with the exterior. In trade matters, it had come to be a region which exported manufactures in ever-increasing quantities, and in some cases with surprising vigour, while in financial matters it had become an important customer of the private capital markets, with growing participation by transnational corporations in private investment.

22. He considered that these new characteristics of Latin America's interdependence with the rest of the world had created a trilogy of new phenomena which the region must face up to: growing vulnerability to the world economic cycle, which not only affected the prices of raw materials but also the demand for Latin America's new output; the increasing exclusion of Latin America from the traditional machinery of co-operation on the grounds that it was a region with an intermediate economy; and an expanding and damaging protectionism, which was threatening the development strategy adopted by the region and frustrating its expectations of growth. Meanwhile, no significant

/progress was

progress was being made in the international negotiations in matters of key importance for the New International Economic Order, although it could nowadays be said that what was the concern of the South was also the concern of the North, since the progress of the developing countries was now an essential element for the recovery of the industrial world.

23. The Executive Secretary went on to stress three major challenges for the forthcoming decade: internally, the achievement of economic efficiency for growth and social efficiency for a juster distribution of the fruits of progress - a major task engaging the highest political energies of Latin American society; at the regional level, the re-thinking of co-operation in terms of experience, but with the awareness that co-operation was nowadays more than ever required as a common defence against the major instabilities of the world conjuncture; and at the world level, the continued search for a new economic order and, within this, greater support for the development of the region - which needed the international community as much as the community needed Latin America - through bodies such as SELA and CEPAL which should serve as an active and powerful forum to catalyse the political will towards regional and world co-operation.

24. He went on to sum up the three main objectives of the work of the Committee of High-Level Government Experts: to appraise the results of the decade now ending in the economic and social fields, and present them at the forthcoming session of the Commission in La Paz; to identify the major problems of the region in the 1980s at the national, regional and world levels; and to provide guidelines for the Commission and its secretariat so that they could make an efficacious contribution to carrying out the major mandates of the United Nations General Assembly on the preparation of the international strategy which would be in force throughout the forthcoming United Nations Development Decade.

25. The Executive Secretary ended his statement by expressing his very special thanks to the Government of Ecuador for the generosity and efficiency of its contribution, and particularly to Mr. Francisco Swett for his magnificent preparation for the work of the Committee, both in terms of logistics and of the inspiration of his intellectual guidance.

26. On taking the chair, the head of the delegation of Ecuador, Mr. Francisco X. Swett, President of the National Board for Planning and Economic Co-ordination, welcomed the delegations attending the meeting and went on to refer to the present regional and interregional conjuncture. He said that both in Ecuador and in Latin America as a whole the extraordinary dynamism of economic development had nevertheless failed to change the situation of economic and social marginalization of a large part of the population, and that the countries were faced with the challenge of bringing vigorous economic growth into line with equitable development models and the active participation of the majority.

27. He said that the present circumstances of the world economy offered the countries a second challenge - the need to formulate a coherent Latin American position vis-a-vis an adverse international conjuncture and to set up an international economic order. The integration of the Latin American countries, which in these circumstances was imperative from all points of view, in turn brought out a third challenge: that of achieving a regional economic order in the forthcoming decade which would benefit the interests of all the member States alike, both inside and outside the region. He laid emphasis on the deep-seated vocation of his country as a supporter of integration and his firm belief that this should be compatible with specific canons of economic efficiency, so as not to bring the problem of external dependence into the region.

28. Lastly, Mr. Swett highlighted the transcendental importance of the work of the meeting, observing that it constituted a further step in a process aimed at obtaining the necessary consensus for the new International Development Strategy to become a truly effective instrument of change, in keeping with the legitimate aspirations of the countries of Latin America.

THE ECONOMIC AND SOCIAL DEVELOPMENT AND EXTERNAL ECONOMIC RELATIONS OF LATIN AMERICA: APPRAISAL AND CONCLUSIONS WITH A VIEW TO THE NEW INTERNATIONAL DEVELOPMENT STRATEGY (item 3 of the agenda)

29. Discussions on this item of the agenda were centred on the preparation of the text of the Fourth Appraisal of the International Development Strategy and Establishment of a New International Economic Order, which appears in Part Two of this report.

Part Two

I. ECONOMIC AND SOCIAL DEVELOPMENT

A. PREAMBLE

1. Development should be conceived of as an integral process characterized by the achievement of economic targets through the necessary changes in the economic structures concomitant with social changes which will ensure increased participation of the population in development and its benefits. These two aspects are inseparable parts of a whole which mutually condition each other, and it is difficult to imagine any effective strategy which fails to consider them simultaneously and weigh them in their true dimension. For purposes of presentation and clarity, the two areas figure separately, but in the interpretation of the real processes and the formulation of strategies they must be considered together.

2. It has been observed with concern that this integrated approach has not always found its true expression in the region, and that there has been more emphasis on achieving objectives relating directly to economic growth, while objectives of a social nature, when not openly left on one side, have not received adequate priority.

3. In view of this, some basic concepts of the earlier regional appraisals 1/ are even more valid today:

"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 (...) 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."

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1/ Quito Appraisal (1973); Chaguaramas Appraisal (1975), and Guatemala Appraisal (1977).

"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."

"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 (...) which are indispensable to establish the bases that will permit the achievement of the social and economic objectives of the Strategy."

4. The foregoing assertions constitute a major challenge to the countries of the region, especially if it is considered that development is to be achieved in the context of severe external restrictions and in the face of internal obstacles of both a conjunctural and a structural nature. Thus, although some countries have made progress in the export of manufactures, four-fifths of the region's exports are still made up of primary products, with all the harmful sequels implicit in such a brittle nature of the export base. It is superfluous to repeat that as a result the Latin American countries have suffered the effects of chronic problems in their external sectors, in which the adverse effect of the terms of trade has played a leading role.

5. The vulnerability of the external sector, together with its inadequate capacity to generate savings, and the need to maintain a specific rate of economic growth with a view to avoiding unemployment, among other motives, has led to a sharp increase in the external debt, the servicing of which constitutes an increasingly heavy burden that significantly restricts capacity to attend to the urgent social needs of the region.

6. As far as internal restrictions are concerned, the balance between needs and available resources reveals alarming shortfalls which go to make up a picture of extreme poverty for nearly half the population of Latin America. The magnitude of both the open and disguised unemployment from which the region suffers shows the inadequacy of the structure of production to generate employment, and it is becoming clear that if this problem is not tackled in a decisive manner, it will mount up to such an extent that this, together with the high social cost it involves, will demand efforts which will eventually prove to be beyond the region's capability.

7. The member States of CEGAN, without wishing to evade 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, are aware that international co-operation is needed, 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 massive transfer of resources in real terms 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.

#### B. THE ECONOMIC AND SOCIAL DEVELOPMENT OF LATIN AMERICA

8. This is the fourth time that CEPAL has made an appraisal of the economic and social trends manifested in the region and the policies applied with a view to orienting these trends to bring them into line with the objectives, goals and priorities laid down in the International Development Strategy (IDS) and the resolutions of the United Nations on the establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States. The decade about to end has been a period of major fluctuations and contrasts, with rapid economic growth at the start and a distinct falling-off towards the end. In the long term, despite the significant average economic growth of the last three decades, there has been a persistent lack of adjustment between the growth of the economy and the development of society. These characteristics have helped to create unsatisfied expectations in broad sectors of society which have exacerbated the tensions inherent in development. "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."<sup>2/</sup>

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<sup>2/</sup> See International Development Strategy and Establishment of a New International Economic Order, Third Regional Appraisal (Guatemala, 1977), CEPAL Cuadernos, Series N° 17, Santiago, Chile, 1977, p. 4, para. 3.

9. In an appraisal like this, which is being made on the eve of the 1980s, a balance sheet must be drawn up of the major problems facing the present development of the region, especially because of the ulterior effects which these problems will have in the immediate future. It therefore seems justified to place the emphasis on a problem-oriented approach highlighting the challenges which must be faced in the coming years. The preparation of the strategy for the United Nations Third Development Decade, already in progress, demands this.

10. This new appraisal of development, despite the big differences to be observed in Latin America, confirms the conclusions reached on substantial aspects in earlier CEPAL appraisals. The stubborn persistence of grave problems in basic aspects of economic and social organization increases and multiplies their seriousness, and this, in addition to making the matter more complex, makes it more difficult to reach an appropriate and lasting solution. This may be seen particularly in such aspects as the concentration of income, the polarization of consumption, the under-utilization of the labour force, and situations of poverty.

11. The operational resources and possibilities now available place many Latin American governments in a more favourable position than in the past for achieving integrated development in keeping with the proposals of the IDS. In order to implement these possibilities effectively, however, it will be necessary to go beyond the reiteration and accumulation of desirable objectives and the mere diagnosis and identification of the most telling problems in order to progress towards the formulation of policy strategies and the specific planning of how to implement them. All of this will require a considerable dose of innovation in terms of policy measures, and in particular a much stronger political commitment to the social and human objectives of development.

12. The persistent recessive economic trends, or the slow rate of growth of the developed countries in recent years, associated with their processes of inflation, have had adverse repercussions on the rates and forms of economic activity in the majority of the countries of the region. The prospect that these trends may continue and that protectionist measures may increase, aggravating the harmful consequences for the international

economic relations of the countries of Latin America oriented towards an increasing share in the international economy, means that the immediate future appears yet more uncertain, and that the adverse effects on the internal economic and social situation of the countries affected may be further accentuated.

13. The slowing-down of the growth of production is taking place in circumstances in which the levels of production and consumption, the degree of modernization of the economies of the countries and their degree of insertion in the world economy are greater than they were in the past. State capacity and opportunities for reorienting strategies and correcting adverse social and political trends and consequences of the present crisis in the international economy have also increased. Nevertheless, certain features of the overall situation show structural stresses and distortions which make it hard to achieve integrated development. Mention may be made of the following:

(a) In many countries, the maintenance of specific rates of economic growth has been achieved at the cost of growing external indebtedness, on less favourable terms than in the past since current financing is mainly made up of short-term loans from private sources. Some countries are in the extremely difficult position where growing external indebtedness is accompanied by declining output, rapid inflation and falling employment. The burden of the external financial services and the internal and external requirements incumbent on the administration of such high levels of indebtedness contribute to reducing the margin of freedom of action to orient the economic strategies towards simultaneously maintaining a high growth rate, the autonomy of the country's economy, and the achievement of the social objectives of development.

(b) The continuing growth of consumer aspirations - generally exceeding the capacity of the economies to meet them - and the growing pressures for redistribution in one direction or another fan the resistance of important sectors of society to accepting sacrifices for the sake of future development. In such circumstances, transitory stagnation and high rates of inflation aggravate the struggle for redistribution and social tensions increase, calling in question the continuity of the prevailing development style or the possibility of improving the situation of the masses.



(c) Most of the burden of the measures and strategies for economic recovery frequently falls on the poorest and most helpless strata of the population, either in the form of a decline in real wages, relative reductions in income and in the quality and quantity of consumption, increasing unemployment and underemployment, and a marked reduction in public spending on education, health and other social services for the people. If this state of affairs continues, the contradictions between the restrictions on participation and distribution which typify the development process and the priorities and objectives of the IDS will continue to be just as effective and real - or even more so - than those which were pointed out in earlier appraisals.

14. Significant progress has no doubt been achieved in some sectors of society. In view of the aims of the present appraisal, an endeavour will be made to highlight the most crucial problems which require urgent solution in keeping with the goals and objectives of the IDS and the earlier regional appraisals.

(i) Various public programmes in such social sectors as education, health, housing and social security require a considerable quantity of fiscal resources if they are to be implemented adequately. Only in this way will it be possible to satisfy the desirable life expectations of broad sectors of the population. These programmes are at present undergoing a process of reform which endeavours to absorb such higher aspirations, although it will be difficult to satisfy them in the current situation of scanty financing and restrictions to which social programmes in the majority of countries are subject. More precisely, the root of the problem lies in the fact that the redistribution aims of these programmes contradict the trends actually manifested, especially with regard to the forces tending to concentrate personal income and other aspects already mentioned, so that the professed objectives of correcting growing social inequalities prove to be ineffective or inadequately implemented. The resulting challenge is to find a way to increase public understanding and the political and practical feasibility of programmes aimed at mitigating and obviating the hardships of the social sectors which are practically excluded or marginalized from active participation in the development effort and from profiting from its results.

/(ii) The

(ii) The combined action of population growth, urban concentration, deterioration in the quality of the human environment, waste of natural resources and high prices of certain imports calls for deep-seated, long-range changes in present patterns of consumption and in the control of the use of certain resources. The growing pressure of broader social groups towards achieving specific life styles with possible environmental threats and the exhaustion of sources of natural wealth, make energetic action by the State more essential than ever for protecting relations with the natural environment through more suitable patterns of consumption, appropriate use of natural resources and better types of human settlements. The heart of the challenge is how to use these often critical processes to generate a consensus with regard to action possibilities involving feasible objectives and reasonable goals which will locate and order the group of isolated problems into a common frame of reference and give them a sense compatible with the human objectives arising out of the recommendations of the IDS.

(iii) In the perspective of integral development, as defined in earlier regional appraisals (Quito, points 1-7 and 12), the most important challenge is constituted by a related group of social problems which affect considerable sectors of each country: large minorities in some countries, and the majority in others. These include the inequitable distribution of income, critical poverty, underemployment and poor working conditions, the low productivity of a considerable section of the labour force, the backwardness and marginalization of huge urban and rural sectors, generalized illiteracy and semi-illiteracy which have an adverse effect on the capacity of the labour force, and the restricted participation of the masses in economic, social and human development.

15. The present situation of education in Latin America may be described as one of expansion in quantitative terms, while at the same time it shows contradictory tendencies and serious disequilibria in its patterns of growth and the social impact it produces. It may be noted that the vigorous growth of the education system as a whole has tended to be concentrated at the secondary and higher levels, while the growth rate of primary education, which was 3.9% between 1970 and 1975, is scarcely

/higher than

higher than population growth. The average schooling of the labour force in the countries of the region was around four years in 1970, thus revealing a situation of generalized semi-illiteracy and illiteracy. The illiteracy rates amount to between 5 and 40% of the labour force.

16. Available statistical evidence shows that the level of concentration of income has not diminished, and the slowing-down of economic growth in recent years, with its subsequent effects and repercussions, has frequently brought with it a further deterioration in income inequality. Sample surveys carried out in a group of countries accounting for 90% of the population of Latin America show that around 1970 the share of the top decile fluctuated between more than one-third and nearly 60% of total income, while the share of the income recipients in the bottom 40% of the distribution varied from 6 to 14%.

17. The existence of poverty is a permanent fact, widely recognized in the region. The notable economic growth achieved in recent decades has not had proportional repercussions on the income of the poor, who account for a considerable percentage of the region's population. The contrasts in the living conditions of the different sectors and strata of the population have been accentuated, and the existence of poverty has become more visible and also more deplorable.

18. This experience has given rise to some scepticism with regard to the traditional beliefs that economic growth would of itself bring with it the solution to the serious and widespread problems of poverty, uneven income distribution, and unemployment and underemployment, which have existed and continue to do so despite the considerable development of the forces of production. According to the latest estimates available, around 40% of the population of Latin America was still living in conditions of poverty around 1970, while the proportion rose to 62% in the case of the rural population. In other words, the fruits of economic growth have not been fairly distributed among the different population groups. Indeed, if present conditions continue, it can be foreseen with a high degree of certainty that the share of the poorer strata in the fruits of future growth will tend to remain at completely inadequate levels.

19. The combination of some measures to alleviate poverty, such as the free distribution of food, employment in public works on a subsistence wage, promotion and facilitation of housing construction in segregated areas and with self-help systems, public services which tend to be differentiated in terms of quality and accessibility, are necessary in short term, but run the risk of converting the present situation of the poor into a systematic and permanent segregation, with different levels of services, qualities of housing and educational possibilities.

20. More energetic and novel measures require to be introduced so that the great marginalized sectors can contribute to the production effort, satisfy their basic needs and organize themselves in defence of their own interests. These measures should ensure a different orientation of investment and production and of the services provided by the State in such a way as will effectively benefit the poor and the needy. This policy, of course, should be promoted in a context of economic and social dynamism which will guarantee poor people sources of work and higher real incomes, while ensuring adequate growth of the economy.

21. The growth of the rates of open unemployment and the continued existence of high levels of generalized underemployment, which together result in a high degree of underutilization of the labour force in the region, constitute one of the most serious problems, owing to the low capacity of absorption of personnel in the modern and dynamic sector of the economy, and the loss of production potential which this implies. Open unemployment and underemployment around 1970 are estimated to have accounted for around 28% of the labour force, i.e., no use was made of the productive potential of one out of every four persons of working age. Although the so-called informal sector has shown unexpected flexibility in offering subsistence opportunities to the urban poor, this has been achieved at the inadmissible cost of very low incomes and great insecurity in the sources of activity which generate them.

22. There are serious doubts as to whether the informal sector can continue to carry out the functions which it has relatively successfully engaged in to date. The growing demand for employment among sectors of increasingly educated young urban dwellers who are facing ever greater

/difficulties in

difficulties in finding suitable jobs can hardly be palliated by the substitute constituted by the informal sector, where the lowest-qualified, transitory and poorest paid jobs predominate. Something similar is to be expected as a result of the increased flow of educated women seeking to enter the job market. This is a source of tensions which will tend to get worse with the rapid growth of these sectors of the population, particularly the new generations of men and women graduating from secondary and higher education, for whom the informal sector has no solutions to offer.

23. The progress achieved in rural production has not given the expected results because the needs of large sectors of the rural population who remain outside the processes of agricultural modernization or have been harmed by them remain unsatisfied. The compelling forces of migration towards the cities have not been countered either (nor the process of disintegration of the archaic but still prevalent forms of production for actual subsistence and social security in the rural milieu). Urban and rural differences continue to increase, frequently to the disadvantage of those groups living in rural areas who do not benefit from the modernization of agriculture.

24. The situation of women in the region varies according to the socio-economic stratum to which they belong. This also means variations in their share in economic, political, social and cultural life, and in the sources and manifestations of the discrimination of which they are the object. These differences should be taken into account in adopting measures to guarantee the equality of men and women and foster the economic and social development of the respective countries. Since the most alarming situations are to be found among women belonging to the poorest groups, and particularly poor rural women, they must be given priority in planning development strategies, and especially in action aimed at alleviating the burden of household chores and improving housing conditions, the infrastructure, health, employment, education and other social aspects. Special attention must also be given to reappraising the contribution of women to society and an effort must be made to improve their social image, which is at present distorted by the mass media and current cultural patterns.

/25. Since

25. Since nearly all adult women in the region are responsible for and actually carry out household tasks, and a considerable percentage of women from the poor strata are heads of households, this link with the family units should be taken into account both as regards its consequences for the situation of women and its effects on children, who are the population of the future. It will therefore be necessary to pay special attention to improving the living conditions of the family units, and this, in addition to lightening the burden of the work done by women and opening up new possibilities for their participation in society, will make it possible to improve the quality of living of the population as a whole. It must be acknowledged that some countries have already established special institutions to facilitate the full participation of women in the social and economic development of their respective countries.

26. Policies regarding human settlements should consider the great variety of problems relating to the habitat as regards the quantity, density and distribution of the population, regional and rural-urban disparities, and the distribution and allocation of production resources, so as to establish a satisfactory environmental and cultural balance in order to increase human well-being and ensure the correct use of natural resources.

#### C. THE EVOLUTION OF THE ECONOMY DURING THE 1970s AND THE GOALS OF THE INTERNATIONAL DEVELOPMENT STRATEGY

27. The rate and structure of economic growth have undergone changes of great importance in the course of the past decade in Latin America. Taking the region as a whole, three phases can be clearly distinguished: during the first four years, the region maintained and boosted the economic growth it had been experiencing since the end of the 1960s; in 1975, the growth rate plummeted, while 1976 saw the start of a recovery phase of extreme lenticity in most of the countries, in which the average increase in the domestic product has been notably below its traditional rate and that of earlier periods.

28. Of particular influence in this sharply contrasted evolution were government economic strategies and policies, the potential and real economic development capacity of the region, and the course of international trade and the economy of the industrial countries, successively expressed as booms, crises and economic recessions, with recent tendencies towards some level of recovery in a milieu dominated by factors of instability and uncertainty.

29. Internally, the majority of the countries made some progress in mobilizing resources and in their financing efforts, although the variability of external conditions prevented full and continuing benefit from being extracted from this progress. The periods when external conditions were favourable served to illustrate the region's high economic growth potential, and the adverse periods confirmed that the growth rate was vulnerable to external factors.

30. During the 1970s important changes of an institutional nature were begun or continued in many of the Latin American economies, and progress was made in programming public and private activities, by making the definition of the economic policies more coherent. The organization of the financial markets was improved by giving impetus to the accumulation of savings and increased investment. Economic policy measures were applied to control inflation and the constitution of price levels and structures more in keeping with international patterns, and trade policy measures linked to the organization of the exchange markets and the reduction of tariffs and controls on imports to liberalize trade; and various promotion measures and direct stimuli were applied to expand and diversify exports, particularly with the introduction of flows of industrial products and other non-traditional items.

31. This action by the Latin American countries to expand and diversify their role in the world economy in order to give impetus to economic growth in adequate conditions of efficiency, has increasingly come up against the diverse protectionist-type measures which are spreading in the industrial countries.

32. Dynamism in investment was accompanied by the growth of domestic savings. After long periods of savings coefficients of around 18%, the region raised them to over 20% during several years in the course of

/the decade.

the decade. In this way, domestic savings were able to cover a relatively large proportion of domestic investment -- over 90% most years, and about 95% in 1973. However, in those periods when external relations produced a large deficit on the current account of the balance of payments, it was necessary to resort to large sums of external indebtedness which reduced the domestic financing of investment to percentages of around 85%. The region's high domestic savings potential and the restrictions on its use arising in periods of external bottlenecks has thus been demonstrated. In this context, the disparity between countries is very substantial and a considerable number of countries still have not achieved 20% of domestic savings, and finance less than 30% of their investment with their own resources.

33. During the first three years of the decade, the economic growth of the region speeded up, while the dynamism of the economy was particularly influenced by the evolution of exports, their diversification, and the improvement of the terms of trade. However, the favourable trend in the terms of trade was of short duration, and was concentrated in the biennium 1972-1973; furthermore, it did not benefit all the countries, since for many of them the rise in the purchasing power of their exports was offset. The increase in external purchasing power was to some extent reinforced by the greater use of external financing, and all this made possible a rapid inflow of imports, which helped to spur economic growth. In this way, during the period the Latin American economy tended to function unimpeded by the external bottleneck which had hampered it in previous periods, and showed relatively substantial growth potential capable of emerging once the economy had freed itself from the harmful effects of the external bottleneck.

34. In 1974 the Latin American economic picture began to change radically; the oil-exporting countries benefited from a further increase in prices and their terms of trade appreciably improved.

35. Most Latin American countries faced a weakening of external demand as a result of the economic slow-down in the industrial countries, the general decline of commodity prices and the rise in the prices of imports from the developed countries, which was accentuated by the rise in the cost of fuel imports.



36. In 1974 the volume of imports continued to increase, while real income from exports marked time or even dropped. This caused a serious balance-of-payments problem, which required the intensive use of both external finance and currency reserves. The countries of the region still managed to maintain the vigour of their economies, stimulated by domestic investment and demand, but were obliged to incur substantial external debts which later affected the policies adopted by the countries.

37. In 1975 the unfavourable trends in the external sector worsened. Exports declined, and the deterioration of the terms of trade became widespread. The worst-hit countries had to adopt restrictive import controls and hold back domestic demand, and as a result the rate of growth of the domestic product fell drastically: the growth rate was practically the same as the rate of population increase; at the same time, the balance-of-payments deficit began to increase again and external indebtedness rose, although most of the debt was concentrated in a small number of countries.

38. In the oil-exporting nations, the real value of exports dropped from the high level achieved in the previous year, but the rate of economic growth was maintained.

39. The period 1976-1978 was marked by a slow recovery in economic growth. In the past four years (1975-1978) the growth rate of the gross product has reached only 4% a year, reflecting the region's slowest growth in the past three decades. The recovery was achieved through major efforts by the Latin American countries, especially the non-oil-exporting countries, which even cut back the value of their imports in absolute terms.

40. An intensive export promotion policy, together with a slight recovery in external demand, led to a substantial rise in exports. This considerable effort did not suffice to cover servicing of the large accumulated debt, and the deficit on the current account of the balance of payments of the non-oil-exporting countries could only be reduced to \$US 9,000 million in 1978.

41. Economic trends in the group of oil-exporting countries have also undergone important changes during recent years. In these countries economic growth has tended to rise, and imports have continued to increase,

/but surpluses

but surpluses on the external account have ceased to accumulate, and until the last two years they recorded a deficit on the current account of the balance of payments.

42. Unexpected and frequently uncontrollable developments of a temporary nature which occurred in some of the years referred to above, resulted in significantly higher export earnings from some primary products than they would normally have received, and this affected the general situation of the economies. The large-scale fluctuations of earnings in foreign currencies and their repercussions on other sectors forced the countries affected to make costly readjustments in their economic policies.

43. The differences in productive, technological and social terms between the agricultural sectors in various Latin American countries became sharper in the 1970s. At the national level the emergence of the modern enterprise provided a great stimulus to numerous subsectors, and also led to profound transformations among social groups in the countryside, in the roles of the various producers in the national agricultural markets and in the structure of agricultural exports. Nevertheless, social problems persisted through this process of change, and in some cases even appear to have worsened.

44. The relationships between the agricultural sector and the general economic circumstances of the countries intensified. As the sector's activities and links with urban and industrial activities became diversified, agriculture became increasingly influenced by events in the markets for goods and services and factors of production, by financial policies and machinery and by the actions of public institutions and urban social forces. Thus differences in levels of income, degrees of urbanization, industrialization and technological development, and many other general and urban factors, caused substantial differences in agricultural development in the countries of the region.

45. The public sector intensified its agricultural activities and became more active in financing the sector and in guiding investment in agriculture. In various countries this greater governmental concern led to the provision of more resources for agricultural credit, rises in investment in infrastructure for marketing, the establishment of agro-industries, the development of unexplored natural resources and a marked increase in the areas under irrigation.

46. The processes of agrarian reform have encountered many obstacles. Owing to their high costs and slow realization in the majority of countries, 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.

47. Average growth in agricultural output may be regarded as relatively low. A comparison of the levels of output of the region as a whole in the first and last years of the present decade shows an annual cumulative rate of less than 3.5%, markedly below the 4% target laid down in IDS. Less than half the countries studied managed to reach or surpass this target. It is well known that agricultural output is subject to short-term fluctuations because of changes in climatic conditions, but even so that rate is in line with the slow historical trend. This contrasts both with the greater productive potential of the region, and with the fact that greater output is essential to meet the nutritional requirements of a vast mass of Latin Americans living in extreme poverty, as well as the additional requirements for raising exports of primary products and processed products from the agricultural sector, in order to secure the external purchasing power needed to acquire essential imports or avoid increasing the external debt.

48. The process of industrialization in Latin America continued during the 1970s. Industrial output has tended to become diversified as the industries producing intermediate, consumer and capital goods have developed. The characteristics and magnitudes of this process have differed greatly in the different countries of the region, and the differences in industrial productive structures have sharpened. It is also clear that, despite the advances made, expansion of the output of industrial intermediate goods, and particularly of capital goods, has to some extent lagged behind achievements in the other manufacturing activities, and this clearly indicates unbalanced industrial development. In this regard it should be pointed out that a group of Latin American governments are currently making efforts to speed up the development of the branches which are lagging furthest behind.

49. Protection - in many cases excessive and indiscriminate - which has generally characterized industrial promotion, together with the existence of small national markets, made even smaller by the prevailing highly concentrated income distribution patterns, contributed in many cases to shaping productive structures operating on a scale below minimum economic levels, with insufficient degrees of specialization, and therefore with high costs.

50. The progress achieved in various aspects of the industrialization process was not, in general, accompanied as much as might be wished by a definite rise in the local capacity to select and adapt foreign technology, still less to generate technological innovations. The region has had a relatively passive attitude to technological matters, although here too marked differences may be observed between countries.

51. The growing importance of the export of manufactures as a means of industrial development further emphasizes the need to increase the local capacity to generate local technology to some extent, and to select and adapt foreign technology, so that, while also dealing with other equally important requirements, the region can play a growing and significant part in trade in manufactures within the region and on a world scale.

52. Regional exports of manufactures have grown relatively fast, and now make up almost 20% of total exports. However, despite the progress made in diversifying the range of products exported, light manufactures still predominate. While a high proportion of exports of manufactures are destined for countries outside the region, the regional market also occupies an important place: in recent years it has absorbed about 40% of such exports, with a relatively high proportion of engineering products.

53. The role of the transnational corporations in exporting manufactures, and more generally in the process of industrialization, is especially important in the most vigorous and advanced areas of the manufacturing sector, sometimes to the detriment of national firms. Their economic, commercial and financial potential, together with their technological superiority, tend to give their activities such scope and range that it is essential to reconcile them with the direction of the industrialization process and, in a broader sense, with the guidelines for overall economic development in each country.

54. The direct contribution of the manufacturing sector to solving the region's serious employment problem has been smaller than had been hoped. Only during periods of expansion has the generation of industrial employment reached relatively high levels. This indicates that accelerating the growth rate well above the average rates achieved in past decades would make it possible to broaden the role of industry in solving the region's serious employment problem, not only through the direct contribution of the sector, but also through its repercussions on other economic activities.

55. The industrial sector is contributing a growing share of the total product, and linkages both within the sector and with other sectors have increased. It is not surprising in such circumstances that the vigour of the sector has been closely related to the periods of expansion, decline and slow recovery of the economy as a whole. The industrial growth rate, which reached around 10% in the biennium 1972-1973, barely exceeded 1% in 1975, and was only 4% in the biennium 1977-1978. These variations, which affected most of the countries to different extents, meant that the average growth rate between 1970 and 1978 for the region as a whole was barely above 6% a year. Only three countries managed to reach or exceed the 8% growth rate laid down in IDS, and in this respect the performance of industry was undoubtedly unsatisfactory.

56. In the course of the 1970s the Latin American countries stepped up efforts to transform their productive systems, which led to the expansion and diversification of industrial enterprises, some progress in the modernization of agriculture and growing linkages between the different sectors of the economy. The depth and dynamism of this process varied from one country to another and from sector to sector. In some countries and sectors a high degree of modernization was effected, based mainly on the direct incorporation of high-cost imported technology. Some efforts were made to adapt imported technology to local circumstances, but greater efforts have to be made in this direction. The development of indigenous technology to improve production techniques in subsistence agriculture and traditional industries has not progressed as rapidly as was anticipated; hence it is not uncommon to find sectors with a high degree of modernization and productivity coexisting with others using inefficient systems of production and characterized by low productivity.

57. As a result of the fluctuations in economic growth described above, growth in the present decade, as measured by comparing the domestic product in 1978 with that of 1970, has reached an annual average rate of only 5.7%, below the IDS target of 6%. Only five countries reached or exceeded that target. The vast majority undershot it, and indeed ten countries failed to reach the figure of 4% a year, and some countries even recorded levels in 1978 which were similar to those of 1970. Thus for the region as a whole, and for a significant number of countries, the present decade has been one of contradiction, since while the growth potential has been demonstrated, the final results have fallen well short of that potential.

58. The decline in the growth rate of most of the countries in the second half of the 1970s has undoubtedly had severe social repercussions. It has severely limited the capacity for absorption in productive employment, in some cases leading to a rise in open unemployment, and still more in underemployment; and it has accentuated the adverse effects of the extreme concentration in the distribution of income, thus exacerbating the struggle for redistribution, with its subsequent effects on inflationary pressures. The conclusion is clear that one of the basic objectives which the countries must pursue is the revival and acceleration of the growth rate in coming years, and especially in the 1980s, since this will furnish a better material basis for the establishment of clear, well-defined objectives in the field of social development and human advancement, which must accompany the process of economic growth.

59. Real per capita income as obtained by adding the terms-of-trade effect to the domestic product showed an average rate of increase of about 3% a year between 1970 and 1973, a rate slightly above the rate of increase in the domestic product (2.8%). A particular influence was the relatively improved terms of trade of some countries, such as the oil exporters, though in another large group the evolution in the terms of trade limited the rise in real income. If these trends were maintained, Latin America would take about another quarter-century to double its per capita income. As with the domestic product, changes in real incomes have been very different depending on the country. Of the 23 countries studied, only

nine recorded a rate higher than the average of 3%, and of the remaining 14 the vast majority achieved a growth rate well below the average; there were many cases where the per capita income in 1978 was practically the same as that of 1970, or only slightly higher. In this way the region as a whole, and a large number of the countries in it, recorded a rise in per capita income which was markedly lower than the rate of 3.5% laid down in IDS as a bench-mark for the developing countries as a whole.

## II. THE EXTERNAL RELATIONS OF LATIN AMERICA ON THE THRESHOLD OF THE 1980s

### A. CHANGES IN LATIN AMERICA'S PRIORITIES

60. All the countries of Latin America continue to manifest characteristics and experience problems which are specific to developing countries and shared by the entire Third World. They include the still high share of exports of primary products in total exports; the low degree of development of some industries, especially those producing capital and intermediate goods; inadequate co-ordination in the use of the region's bargaining power; the persistent imbalance on current account and their status of net recipients of external capital in the form of loans and direct investment; and considerable inequality in the distribution of income and the high proportion of the population which is still living in extreme poverty. The latter problems can be solved only by complementing the domestic effort with appropriate international co-operation in the fields of trade and technological and financial matters.

61. These characteristics make it necessary to incorporate in the policies for international co-operation the common denominators shared by all developing countries.

#### 1. Trade policy

62. During the first years of the post-war period, Latin America assigned high priority in its trade policy to primary products, which at that time made up over 95% of the region's total exports. The region's concerns and ideas regarding price stability, a greater degree of processing of its products and participation in the distribution of these goods, which for many years were discussed in various United Nations bodies, were later brought to the attention of UNCTAD. In those first years too, trade policy was designed to promote exports of manufactures, but the related problems and policies were given lesser importance.

/63. Today,



63. Today, Latin America continues to attach much importance to its primary commodity exports, since they still represent more than four-fifths of their total income from exports. Serious problems in gaining access to the markets of developed countries which affect primary products exported by Latin America, sharp fluctuations in incomes arising from such exports and the unfavourable impact of inflation on their purchasing power are some of the main focuses of concern. However, at the same time other aspects of trade policy have been of great importance. The main thrusts of current policy in Latin America are the procurement of equitable prices for exports, the promotion of exports of manufactures and other non-traditional goods and the securing of broad and complete access for these goods in the markets of industrialized countries, and intensification of the process of diversifying markets. Regrettably, in recent years the efforts of the developing countries to increase and diversify their exports have run up against serious obstacles in the form of the protectionist tendencies observed in the industrialized countries; the accentuation of these tendencies is a matter of profound concern, not only among the developing countries but also in the international community.

## 2. Protectionism

64. Despite the undertaking made by the developed countries during the IV UNCTAD, in its resolution 96 (IV), to maintain the status quo in the application of tariff and non-tariff barriers, new types of protectionist measures have proliferated in those countries in recent years, with a negative impact on the developing countries' exports both of primary products and of manufactures and semi-manufactures.

65. This protectionism, which in recent years has taken on new dimensions and characteristics, is of great concern to Latin American countries, since the new restrictions on trade which are being introduced systematically have a serious effect on agricultural goods and minerals and on semi-manufactures and manufactures of special interest for them (sugar, bananas, soya, flowers, meat, oils, dairy products, copper, zinc, tin, textiles and clothing, footwear and leather manufactures, preserved fish, electronic articles and consumer durables, motor cars, steel and ships).

66. This is of particular gravity since the expansion and rationalization of their domestic production, and opportunities for creating employment for the growing labour force, depend to a large extent on vigorous growth in exports from the sectors mentioned.

67. In view of the implications of protectionism for the world economy, it is necessary to agree upon and implement a co-ordinated international programme of action. In that respect, the Latin American countries should, in the appropriate forums, draw up policies for short-term action to restrain the growth of protectionist measures which can be linked with, and complement, other medium-term and long-term policies.

68. To that end, CEGAN recommends the adoption of the agreements reached at the Latin American co-ordination meeting held under the umbrella of SELA and the Fourth Ministerial Meeting of the Group of 77, and especially those related to the inequitable nature of the new protectionist trends, voluntary measures in the economic, financial or trade fields within the framework of joint action, the limitations which should be incorporated into new protectionist measures to prevent their application to products from the developing countries, and institutional machinery to oversee the development of protectionism and the application of the steps agreed upon for the progressive elimination of the protectionist measures.

69. CEGAN also recommends the strengthening and intensive use of existing forums in Latin America, with the aim of examining the general and particular aspects of protectionism and producing recommendations, in the light of the interests of the region, which will lead to their reduction or elimination.

70. CEGAN further recommends the denunciation, in all appropriate forums, of the flagrant contradictions between the recommendations addressed by the industrialized countries to the developing countries to the effect that they should open up their economies to international markets and become more closely integrated in the world economy, and the protectionist barriers against access to their own markets for the manufactures produced by the latter, thus creating a source of undeniable frustration for the countries of Latin America and others in a similar position.

/71. Furthermore,

71. Furthermore, this type of protectionism includes arrangements and machinery whereby imports from developing countries are subject to greater restrictions than those from the industrialized countries, although the latter have substantial surpluses on the current account of their balance of payments and the developing countries are finding it difficult to overcome the economic crises they are experiencing.

72. CEGAN also recommends the denunciation of the tendency of the developed countries to take unilaterally measures which present the developing countries with a situation in which they must negotiate bilaterally on terms which are very unequal and contrary to the principles agreed upon multilaterally by the international community.

73. In the light of the principal causes of protectionism, CEGAN reaffirms its conviction that the main solution to protectionism in the medium and long terms lies in the restructuring of industry which should take place within the developed countries, taking into account the real interests of the developing countries.

74. For the above purposes, and in order to facilitate the restructuring of industry and the transfer of the developed countries' industrial capacity to the developing countries, CEGAN recommends that an attempt should be made to negotiate the establishment, in the developed countries, of effective systems of assistance measures for the restructuring.

75. Moreover, bearing in mind that Latin America as a whole has substantial purchasing power and enormous quantities of natural resources, which confer on it considerable bargaining power, CEGAN recommends that, in all the appropriate Latin American forums - especially within CEPAL and SELA - a study should be carried out of the different possibilities of using this purchasing power and the most suitable means of making its use effective. In that regard, and in line with the various possibilities and the areas in which such an approach would be most feasible, emphasis should be placed on the promotion of joint or co-ordinated negotiation and purchasing, within the framework of the action committees of SELA.

### 3. Industrialization, access to markets and world industrial restructuring

76. In order to ensure more harmonious and balanced economic development, the Latin American countries should gradually replace the model based on import substitution with a model which responds to the needs of the region and enables selected sectors of Latin American industry to compete in international markets, while proceeding with the transformation of the industrial structure and the development of new industries.

77. Manufactures are the most dynamic component for the behaviour of exports, and accordingly the expansion of manufactures is essential in order to stimulate the growth of the economy, combat the external bottleneck and tackle the serious domestic problems of structural unemployment and low incomes with prospects of success.

78. The development of capital and intermediate goods industries which operate efficiently not only alleviates pressures on the balance of payments but also represents a necessary element in the present stage of Latin American technological and industrial development.

79. One of the principal causes of the stagnation in Latin American industry and its low level of utilization is the deterioration in the conditions of access to the markets of the industrialized countries, which continue to apply domestic policies supporting inefficient production sectors, with restrictions on the import of products from the developing countries.

80. The solution to this problem lies fundamentally in a restructuring of world industry compatible with the growth objectives of the developing countries.

81. The long-term policies aimed at a restructuring of world industry which will encourage optimum global growth require conscious efforts by the international community to institute rational productive arrangements in the world. In this regard, it is necessary to create appropriate monitoring machinery in order to follow closely the evolution of the world's production and trading arrangements and to facilitate the shift of production factors from the sectors which need to be restructured in the developed countries, with the aim of achieving the most effective inter-industry and intra-industry international specialization.

82. In this regard, CEGAN recommends the adoption of the agreements which emerged from the Fourth Ministerial Meeting of the Group of 77, and especially those relating to the establishment within UNCTAD of machinery to examine periodically the production and trading arrangements in the world economy and identify the sectors which require a structural readjustment, and those relating to the creation of an appropriate forum to speed up negotiations to

/ensure the

ensure the establishment and application by the developed countries of measures and policies which are necessary to promote the readjustment process in the sectors identified and facilitate the shift of the production factors from those sectors; it is also necessary to ensure constant vigilance in order to avoid the creation, in the developed countries, of uneconomic excess capacity which might lead to demands for protection.

#### 4. Commodities

83. The fundamental problems which continue to affect earnings from the commodity exports of developing countries are: the instability of international commodity prices, the low degree of processing of exports of such products, and the scant participation of the developing countries in their marketing. In order to give an adequate solution to these problems, resolution 93 (IV) on the Integrated Programme for Commodities was adopted at the IV UNCTAD, some of the objectives of which are: (a) to achieve stable conditions for trade in commodities, particularly avoiding excessive fluctuations in prices; (b) to improve and maintain the real incomes of the developing countries, by protecting them against fluctuations in their export earnings, especially from commodities; (c) to improve access to the markets for commodities and products processed from them; and (d) to improve the market structure for commodities.

84. As part of the work schedule of the Integrated Programme, preparatory meetings have been held for negotiations on all the commodities covered by the above-mentioned resolution, with the exception of bananas and bauxite. Because of the lack of political will on the part of the developed countries, very little progress has been recorded, except in rubber, although in the case of some products sufficient elements already exist to convene the negotiating conferences. (To date only the negotiating conference on rubber has been convened.)

/85. CEGAN

85. CEGAN considers that there is a need to develop policies aimed at the rational utilization of non-renewable primary products (such as minerals) to ensure that the use of these resources contributes to viable socio-economic growth and the protection of the environment in the short as well as the long run.

86. CEGAN therefore recommends that, in the Declaration which will emerge from the eighteenth session of the Commission, the developed countries should be urged to provide maximum collaboration so as to conclude as soon as possible the technical stage of identifying problems detrimental to international trade in those commodities covered by resolution 93 (IV) for which preparatory meetings have been held, so as to reach as rapidly as possible the phase of negotiating international agreements.

87. Mention should also be made of the negotiations on the Common Fund, progress on which has been extremely slow and difficult as a result of insufficient political willingness on the part of the majority of the developed countries; this has caused the initial position of the Group of 77 to deteriorate. Although there currently exists an agreement of principle that the Common Fund should possess its own resources and that, in addition to international stocks, it should finance other measures required for achieving a balance between supply and demand, the volume of capital which the industrialized countries would accept in this regard in fact converts the Common Fund into a pool of resources stemming from the participation of international commodity agreements. This distorts the initial purpose for which this financial body was set up, namely to influence the commodity markets so as to stabilize the international prices of these products, and reduce the financial burden on the developing countries arising from the establishment of the international measures agreed upon within the international commodity agreements.

88. So as to promote joint action by the developing countries in the negotiations on the Common Fund and on individual commodities, important agreements were reached during the Fourth Ministerial Meeting of the Group of 77, notably on the Common Fund and on commodity negotiations. These agreements should be included in the declaration which will result from the eighteenth session of CEPAL. The aspects which should be highlighted in connexion with the commodity negotiations include the following:

/(i) That

(i) That negotiating conferences should be convened as soon as possible on the commodities at present in the preparatory phase, with regard to which sufficient progress has been made in the technical phase of the identification of problems, on the basis of action programmes to stabilize prices and other measures; these negotiating conferences should be concluded within the extended time-table for the Integrated Programme for Commodities. In order to facilitate the negotiation process, assistance should be given to developing countries which are also producers in their efforts to strengthen and harmonize their negotiating positions, through meetings between such countries or through commodity associations.

(ii) That the signatory governments to the existing international commodity agreements should be invited, in accordance with the appropriate procedure for the adoption of decisions laid down by these agreements, to consider the possibility of including other measures of the Integrated Programme for Commodities, which may be relevant and also consider the participation of these international commodity agreements in the Common Fund, with a view to using both the financial facilities corresponding to buffer stocks and those of other types (first and second windows) where appropriate.

(iii) That provisions should rapidly be adopted for effectively applying appropriate measures and procedures for stabilizing and improving in real terms the prices of commodities exported by the developing countries, taking account of world inflation and the changes in the international economic and monetary situation - including exchange rates - the terms of trade, profits from investment and other relevant factors.

(iv) That in the specific studies and negotiations the processed and semi-processed products manufactured with the raw materials contained listed in resolution 93 (IV) should be included when the developing countries consider this appropriate.

(v) That "horizontal" action should be encouraged permitting agreements between producer countries on specific commodities. The formulae for concerting agreements offered by the producers' associations would be adjusted in order to apply this type of guideline.

89. It should be mentioned that the commodity negotiations have to date been concentrated on price stabilization, which makes it necessary to carry out negotiations to establish measures for action required in areas of critical importance for the countries of the region, such as compensatory financing, the processing and development of commodities, marketing and distribution, research and development, horizontal diversification and the expansion and diversification of the production and trade in foodstuffs.

90. CEGAN recommends that account should be taken of the agreements adopted by the CEPAL-FAO Technical Meeting on Rural Social Development in Latin America and the Fifteenth FAC Regional Conference for Latin America, which were held in August 1978 in Montevideo, Uruguay, since they produced some declarations on agrarian reform, plant and livestock health, technical co-operation among developing countries and especially on the problems of the region's international trade in agricultural products.

#### 5. Transnational corporations

91. The increasing share of the transnational corporations in the economic activity of the region has given rise to concerns which are reflected in the principles upheld by the international community in the Charter of Economic Rights and Duties of States and the efforts of the developing countries to draw up a code of conduct for transnational corporations. These basic concerns, which were grouped in the Guatemala Appraisal,<sup>3/</sup> are fully valid and refer to the need for the implementation of the agreements reached on the subject by the countries in their regional forums; they include the agreements that the transnational corporations should comply with the laws and regulations and submit to the exclusive jurisdiction of the host country; refrain from any interference in the domestic matters, international relations and external policy of the host country; respect national sovereignty over natural and economic resources; comply with

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<sup>3/</sup> See International Development Strategy and establishment of a New International Economic Order, op. cit., paragraphs 169-173.



national policies, objectives and priorities; report on their activities; make net contributions of financial resources; contribute to the development of local scientific and technological capacity, and abstain from restrictive commercial practices.

92. Within SELA the Latin American countries have established their position vis-à-vis the code of conduct for transnational corporations, and the corresponding proposals are now being analysed within the United Nations Commission on Transnational Corporations, in which the negotiations on this code are taking place.

93. The process of discussion, preparation and acceptance of a code of conduct for the transnational corporations at the international level is complex and difficult. In the meantime, the bargaining power of the Latin American countries must be improved, and they should make efforts to exchange among themselves and other developing countries the information they possess on negotiations with the transnational corporations, thus helping to enhance the individual and collective bargaining power of the countries. Both CEPAL and the United Nations Centre on Transnational Corporations should continue to provide support in this regard.

94. In order to promote the position of the developing countries it is necessary to take as a basis the preliminary draft code of conduct for transnational corporations drawn up by a group of Latin American countries and negotiate on it with the industrialized countries, bearing in mind the following important principles of that code: transnational corporations should comply with national legislation and jurisdiction, their activities should be in keeping with the development objectives of the region and with national interests, they should avoid interfering in the internal affairs of the countries in which they operate, shall not enjoy preferential treatment, shall refrain from seeking diplomatic or other support from their countries of origin, and shall not invoke the application of laws different from those applying in the host country.

/6. Technology

## 6. Technology

95. The solution of the problems of the transfer of science and technology continues to have high priority in the establishment of the New International Economic Order. Questions continue to be asked about the prices used in the transfer of science and technology, the adequacy of the existing institutional arrangements and the degree to which this transfer is in keeping with the conditions of the countries of the region.

96. In the circumstances, the creation of an autonomous technological capacity in the countries of the region has not kept abreast of the progress achieved in the fulfilment of the targets by Latin America, in other areas of the IDS. Technical assistance from the international system has not given sufficient importance to research and development programmes, for example. CEGAN considers it opportune to reiterate the positions which Latin America agreed upon at the Fourth Regular Meeting of the Latin American Council (SELA, Caracas, 3-5 April 1973), when the following aspects were highlighted:

(i) The action arising out of the United Nations Conference on Science and Technology for Development to be held in 1979 should serve to promote the scientific and technological capacity of developing countries according to the conditions adopted by the Group of 77;

(ii) The contribution of UNCTAD in connexion with the function of the system of industrial property in the transfer of technology, in the context of the revision of the Paris Agreement for the Protection of Industrial Property which WIPO is carrying out. In this respect, the Latin American countries reiterate that this revision should provide the means for adopting appropriate measures aimed at preventing the abuses observed in this area;

(iii) Support and assistance from UNCTAD for setting up and strengthening sectoral, national, subregional and regional centres for effecting the transfer of technology and the establishment of links between these centres;

(iv) Application of the rest of the recommendations formulated at the Fourth Ministerial Meeting of the Group of 77 in Arusha (6-10 February 1979) on co-operation in the transfer and development of technology;

/(v) The

(v) The adoption of measures by the countries of the region to foster actively the transfer and mutual dissemination of technology in specific and critical sectors of their economies;

(vi) The full application of UNCTAD resolution 87 (IV), for which more assistance must be provided by the international community with regard to technological plans and policies, and development of local labour resources and technological infrastructure in order to carry out the commitments undertaken;

(vii) The need for joint action by all the countries, through UNCTAD, to correct the adverse aspects of the inverse transfer of technology relating to development.

97. The Latin American countries reaffirm the need to adopt a code of conduct for the transfer of technology, universally applicable under the conditions agreed upon by the Group of 77 in Arusha. The objectives of this code should be:

(1) To abolish the restrictive and unfair practices which affect the transfer of technology,

(2) To strengthen the technological capacity of the developing countries,

(3) To increase the international flow of the different forms of technology in conditions favourable to the developing countries.

98. The law applicable to transactions of the transfer of technology should be the code of conduct and the law of the purchaser country, especially with regard to policy matters in which the country's policy is implicated. Questions concerning the government policy contained in the legislation of the country purchasing the technology should normally be resolved by the authorities of that country. Arbitration is admitted as a means of solving controversies if the forms of selecting the arbiters and the procedures to be followed are fair and equitable, and if the law applied by the arbiter is the code and the national law laid down in the code.

99. The international transactions of the transfer of technology should remain within the context of application of the code, which should also apply to transactions or agreements between parent enterprises, subsidiaries established in the purchaser country, or between subsidiaries or affiliates of the same enterprise wherever they are located.

7. External financing and monetary problems

100. During the early post-war years, faced with the scarcity of private resources and the uncertainties which had characterized private flows of external capital towards the developing countries during the previous two decades, the international community gave great importance to public capital to increase capital flows to these countries. The concept of "targets" was included for the first time in the discussions on international financial policy to ensure a sufficient volume for the transfer of resources and give greater security to the financing of national development plans. In view of the very considerable sensitivity of Latin American balance-of-payments situations and those of other developing countries during those years, the concessionary aspect was highlighted with the object of ensuring more liberal terms and conditions which would be less of a load on official development assistance.

101. As from the collapse of the Bretton Woods system in 1971, international monetary relations have been characterized by extraordinarily high and persistent inflation and by a high degree of instability in the exchange rates of the main currencies. Although specific measures have since been adopted, the process of international adjustment has not been satisfactory and major imbalances continue to exist. This is particularly serious in the context of an international economy in which low rates of growth in production and trade exist alongside high rates of unemployment and underemployment, underutilization of resources and inflation.

102. Flows of public resources at the present time are not increasing at the rate required and are losing relative importance. Furthermore, the OECD countries, both bilaterally and in multilateral forums, are adopting the limited criterion of linking capital flows to per capita income, so that above certain levels, official development assistance is small or has been abolished altogether. Since many Latin American countries at the present time are above these levels of per capita income, the region as a whole is virtually excluded from the official aid flows.

103. Despite the second amendment to the Articles of IMF, international monetary relations continue to be characterized by a high degree of instability, with exchange rates changing frequently and sharply. Correction of the

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imbalances hits the developing countries particularly hard, since a major part of the burden of the adjustment measures falls on them, and moreover they have had to cut back their development programmes and incur extremely high external debts in relation to the size of their economies.

104. The so-called "interim period" intended to solve the severest problems of the international monetary crisis is not regarded as having been satisfactory. As a result, the international monetary system will require structural reforms which ensure the effective participation of the developing countries in the organization and management of a new international monetary system which, among other features, will offer them adequate resources to overcome the problems of disequilibrium in their balance of payments.

105. To this panorama may be added new developments such as the recent introduction of the European Monetary System (EMS), which make it desirable to transfer concern and recommendations regarding the above, to the appropriate forums as subjects for negotiation.

#### 8. Specific aspects of relations with developed areas

106. One of the most striking features of the 1970s is the continuation of the growing internationalization of the region and its economic and financial linking with the developed economies. The external relations of Latin America and the Caribbean have become more complex and diversified, encompassing aspects of trade, technology and financing, and the transnational corporations are playing a very significant role in them. Nevertheless, for reasons which will be indicated below, the region's exports to each of the developed areas have recorded a significant decline in terms of their relative share; in addition, the region has recorded substantial trade deficits with each of those areas. This section deals with some specific problems in these relations in the sphere of trade.

##### (a) Relations with the United States

107. Despite the changes which have taken place in the centres of economic power in the world economy, the United States maintains its predominant position. It is Latin America's major trading partner, supplying the largest percentage of its imports and purchasing the major part of its exports; it is the main source of investment flows into Latin America, and the most significant supplier of technology. It is involved in the ownership and

/exploitation of

exploitation of a significant number of basic resources which are of critical importance in the economy of many countries. Finally, it is a major source of tourists; expenditure by these visitors accounts for a significant part of the foreign exchange earnings of several Latin American countries. In Latin America's relations with the United States, the prospects and trends observed at the beginning of this decade have further deteriorated, as the analysis hereafter will show.

103. Exports to the United States have continued to be the least dynamic sector of Latin American trade. The growth of Latin American exports of manufactures to the United States is the natural result of the region's development process and its efforts to diversify production and trade. On these efforts the possibilities of increasing Latin America's imports of intermediate equipment and manufactures and the growth of the economies of the region partly depend.

109. As far as basic commodities and agricultural products are concerned, protectionist measures of various types have also proliferated. Mention should be made of those related to quality control and phytosanitary considerations.

110. Also of importance are the periodic inconsiderate sales of strategic reserves of mineral products, principally tin, which have a harmful effect on international prices for such products; and an indefinite freeze on such sales is essential in view of their effect on the economies of the producing countries.

111. The Latin American countries have viewed with concern protectionist tendencies in the United States which affect goods of high priority in Latin American exports. Some examples of the re-emergence of protectionism in the United States are: (i) the establishment of the trigger price mechanism for steel products early in 1978, following similar action establishing minimum, or "basic" prices for such products in the European Economic Community; (ii) the Beef Import Act of October 1978, providing a valve to shut off imports of beef when domestic production rises and allow them to increase when it falls; (iii) the duty increase and additional charge on sugar imports; (iv) passage in the Senate and House of Representatives of a bill to prevent the President from making trade concessions in respect of United States textile and apparel imports at the multilateral trade negotiations; and (v) the failure of Congress to extend the President's authorization to waive countervailing duties.

112. Concern also exists at the trade restrictions originating in the United States legislation on countervailing duties and its application, which does not always comply with GATT standards. For that reason great importance is attached to the negotiations on a code of conduct on the subject currently being held in Geneva, which, it is hoped, will lead to special and differential treatment in favour of the developing countries in respect of subsidies and countervailing duties.

113. With regard to the Generalized System of Preferences, the main instrument which the United States has employed in recent years for executing its trade policies designed to benefit the developing countries, concern continues with regard to:

(i) The exclusion of Ecuador, Venezuela and Cuba, contravening the principle of non-discrimination in GSPs accepted by the industrialized countries when they committed themselves to implementing these preferential systems;

(ii) Rules of origin. In order for a product to qualify for preference, at least 35% of its value added must have originated in the exporting country; the figure is 50% in the case of a product with value added in two or more countries forming part of a trade association or integration area. The restrictive nature of these percentage specifications increases very significantly through the fact that the value added is limited, for purposes of the law's application, to direct costs;

(iii) The application of the competitive need formula which restricts Latin American exports of many goods, thus implying the annual elimination of export products of importance to Latin America from the United States preferential system. These provisions prevent the countries from effecting investment derived from the incentives which the system should provide.

(iv) The exclusion of numerous goods of great interest to Latin America.

114. The declaration which will be adopted by CEPAL at its eighteenth session should express the conviction of the countries of the region that the GSP should not constitute an instrument of economic coercion, and that accordingly discrimination in the United States GSP against Cuba, Ecuador and Venezuela should be eliminated.

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115. About 700 United States tariff items have been left out on the grounds that they are sensitive and that their exclusion is mandatory under the 1974 Trade Act. Many of the excluded items are of real or potential interest to Latin America (textiles, apparel, footwear, etc.). However, the list of exclusions which is the longest and the most discouraging is that containing all of the products whose absence from the scheme is discretionary. These products have been excluded by decision of the President, after public hearings and recommendations by the International Trade Commission, due to the possibility of unfavourable effects of imports on United States industries and employment.

(b) Relations with the European Economic Community (EEC)

116. The European Economic Community continues to be the second most important market for the Latin American region, after the United States. Exports by the region to the Community, however, have not succeeded in growing at a rate similar to that of imports from the Community, especially in recent years, and this has meant that the balance of trade with the Community, which was a surplus up to 1970, has given way to frequent deficits since then.

117. A review of conditions of access to the EEC market made by CEPAL in 1978 showed that it is highly protected. This affects exports of manufactures and commodities. The obstacles in the way of the free access of Latin American exports to the Community markets are manifested in different forms, and vary from one group of products to another. Tropical products, for example, are largely subject to high and escalating tariffs as the degree of processing of the product increases. The application of the STABEX system to some products may, moreover, persuade the Community to choose to purchase them from the ACP countries. Several others, mainly temperate-zone products, are subject to the Community's agricultural policy, which effectively protects Community farmers and applies various restrictions to imports for this purpose.

118. The different agreements drawn up between EEC and groups of countries have formed a network which covers a large number of the developed and developing countries; this may have adverse consequences for exports by Latin American countries which are not part of the network.

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119. The Community GSP scheme offers better conditions of access to the developing countries for a large number of products; nevertheless, the treatment of the "sensitive" and "semi-sensitive" products affects precisely those manufactures which Latin America is endeavouring to export.

120. The series of protectionist measures adopted by EEC with increasing frequency, and the serious economic harm arising from them, led the First Advisory Meeting on Latin America's Relations with EEC, held under the umbrella of SELA in Punta del Este in November 1978, to draw up specific recommendations to the Latin American Council for consideration at its fifth ordinary meeting.

121. With specific reference to the aspect under consideration, mention should be made of the procedures which might be adopted to strengthen the region's negotiating position vis-à-vis EEC. These might basically involve action by the countries which considered themselves affected, without prejudice to bilateral action which was deemed necessary, to carry out consultations with the other interested countries with a view to deciding on the desirability of formulating and implementing appropriate joint action.

122. This joint action would include such voluntary measures in the economic, financial or trade fields as:

(a) Even-handed trade treatment applicable to exports from the developed country or countries;

(b) The drawing up of guidelines to restrict or stimulate imports to the developing countries from the developed country or countries;

(c) Persistent and co-ordinated action designed to secure adequate participation in the international negotiations or operational machinery in all appropriate forums, in order to safeguard the interests of the countries of the region and for that purpose to promote collective action in such negotiating forums.

(c) Relations with Japan

123. As part of a policy to diversify the external relations of Latin America, it is important to increase the links between the region and Japan in trade, technology and financing. Latin American exports to Japan have increased more slowly than imports. A growing deficit has emerged since 1970, reaching \$US 2,800 million in 1976, i.e., 136% of exports. Commodities with a

/limited degree

limited degree of processing figure largely in Latin America's exports. Product coverage must thus be expanded and the obstacles restricting the access of both primary goods and manufactures to this market must be removed. Japan's Generalized System of Preferences must be improved and applied to the full, and agreements implemented in order to make it possible to increase exports of commodities and semi-processed products. New agreements must also be reached in the field of technology.

(d) Relations with other developed countries

124. Trade flows with Canada have expanded considerably, and there have been examples of valuable technical and financial co-operation, although still on a small scale. It is important for the studies begun by the secretariat to be brought to a conclusion and their approach should be such as to contribute to solving the problems pending and to detecting new forms of co-operation which will better respond to Latin American needs. The secretariat should consider how technical meetings can be held on relations with Canada and Japan, based on its ongoing studies, in order to obtain useful conclusions for action.

(e) Relations with the European members of the Council for Mutual Economic Assistance (CMEA)

125. The countries of Latin America have maintained trade relations and signed agreements with the European members of the Council for Mutual Economic Assistance (CMEA), but nevertheless in the past two decades their relative importance in the region's total trade has been very small. Starting in the first years of the 1970s Latin American exports have reached a higher annual rate of growth than in previous years, while the number of countries of origin of such exports has risen although there has been no substantial change in the high proportion accounted for by two countries in the total amount of exports. As far as Latin America's imports from CMEA countries are concerned, the trend has been different, since these imports have grown much more slowly than exports, so that the total trade balance has recorded a growing surplus in recent years.

126. The trends and facts indicated above refer to all Latin American countries except Cuba. Starting at the beginning of the 1960s, Cuba was obliged to redirect most of its external trade (because of the trade blockade against it) which it effected largely towards the European members of CMEA, which at the beginning of the present decade absorbed 64% of Cuba's exports and supplied 63% of its total imports. In more recent years the CMEA countries' share in Cuban trade has been smaller, but relations in the field of co-operation have become much deeper and wide-ranging, particularly since 1972, when Cuba became a member of CMEA.

127. The expansion in trade which has been referred to was further accompanied by a qualitative change in the relationship between the Latin American countries and those of CMEA, to the extent that the strictly commercial agreements have been progressively replaced by agreements of a broader nature, which include aspects of economic, scientific and technological co-operation. To date a substantial number of Latin American countries have signed about 200 agreements of various kinds with the various CMEA countries (including agreements defining the general framework and arrangements for co-operation in various fields), which represent the contractual basis on which the relations between the two groups of countries rest. In that respect it should be pointed out that most of the economic co-operation agreements have entered into force only recently, and consequently in many cases the concrete co-operation projects are in their initial stages of implementation, while in other cases they are in the study or negotiation stage. As a result, it is reasonable to assume that in the medium term Latin American trade with the CMEA countries will continue to increase, especially if advantage is taken of the possibility of negotiating agreements for sales of specific volumes of products of fixed periods.

128. The concerns of the Latin American countries in connexion with these relations are related to, among other matters, the drawing up of multilateral agreements for the settlement of trade balances, and the interest of the countries of the region in diversifying their exports, which are at present concentrated on traditional products with an insufficient degree of processing.

/9. Regional

9. Regional and interregional economic integration and co-operation

129. During the 1970s the regional economic integration processes have come up against serious problems, with the exception of the Andean Group, despite which there has been a significant increase in real links and co-operation among Latin American countries. Owing to the importance of regional co-operation in the development and diversification of regional production, economic integration should constitute a basic point of departure in the international development strategy for the 1980s and the establishment of a New International Economic Order.

130. In the cases of LAFTA and the Central American Common Market, one of the aspects which have aggravated the delays and problems of some formal integration processes has been the lack of political will which has obstructed the operation of the programming machinery and has delayed progress, despite achievements in trade matters. Another element which has contributed to hindering the implementation of the objectives of these systems is the difference in the economic structure and the initial degree of development of the member countries which has not made it possible to balance benefits and costs.

131. Despite these difficulties of progress in the formal integration machinery, strong links have been developed in the field of trade, industry, the infrastructure, agriculture, technology and the defence of common interests and in cultural exchange and the progress achieved in the Amazon Pact. The creation of SELA constitutes an important instrument for giving impetus to co-operation activities in specific fields, and defining common regional positions for negotiation in international forums, as adopted in the constituent agreement of Panama.

132. The strategy to be defined for the 1980s should contain the formulae and modalities which will facilitate the convergence and interconnexion of the different integration systems and machinery; SELA should play an important role in this task and in the harmonization of the formal systems and the de facto forms of co-operation.

(a) The

(a) The integration processes

133. During the second half of the 1950s and the 1960s, regional co-operation efforts were mainly channelled towards drawing up integration schemes of an all-embracing nature, and materialized in the establishment of the Central American Common Market, the Latin American Free Trade Association, the Caribbean Free Trade Association which later became the Caribbean Common Market (CARICOM) and the Cartagena Agreement. The Latin American Free Trade Association, which recorded substantial progress in its early years, is going through a period of relative stagnation with regard to new negotiations. This may be a backward step to some extent, owing to the reduction of area preferential margins as a result of the general cuts in customs tariffs by some member countries. The ending of the period of transition of the Montevideo Treaty in 1980 has opened up a phase of activities of a preparatory nature to be implemented this year, so that the meeting of the Council of Ministers can review the process and adapt the legal structure of the Association to present requirements and the needs for its future development, so that it may recover its original dynamism and once again act as the powerhouse of regional integration.

134. The Central American Common Market showed marked dynamism during the first decade in which it functioned, and was successful in giving a firm boost to the industrialization of the Central American countries and in forging ahead with the diversification of their structures of production. The machinery set up included measures for liberalizing trade and joint industrial programming. Since growing difficulties emerged in the application of the latter, the rate of industrial change which had arisen out of the integration process came to a standstill, although inter-area trade continued to expand moderately. In recent years, further specific problems arose and delayed an in-depth reformulation of the original treaty proposed by the Secretariat of the Treaty to imbue the Common Market with new dynamism.

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135. In the CARICOM region (formerly CARIFTA) significant progress has been made in the expansion of trade, the development of financial, administrative and other institutions and consultations on agricultural development and industrial planning. In the past three years the economic difficulties experienced in some of the largest countries of the region have led them to introduce quotas which apply to all imports, including those from other CARICOM countries. This has temporarily affected the development of CARICOM.

136. The Andean Group stands out by its dynamic development, both in the decisions adopted and in the growth of intra-zonal trade. The progress made by the different mechanisms contained in the Agreement is promising, and is reflected in the decisions already adopted, which are aimed at influencing the industrial diversification of the countries and arriving at an appropriate distribution of the benefits among them. Among its achievements mention should be made of Decision 24 referring to a common treatment for foreign investment; since its adoption, there has been significant growth in investment. This subregional integration mechanism has substantial political support from its member countries.

137. Despite the problems experienced by some integration processes, Latin American interregional exports have increased several times more rapidly than extra-regional exports and at present account for nearly 17% of the total. This favourable development has made it possible to lessen the difficulties generated by the protectionist tendencies of the developed countries. During the difficult economic conditions of recent years, the regional market showed its ability to absorb the effect of the drop in exports to extra-regional markets.

138. Exports to the regional market are characterized by a higher content of new products which are industrially and technologically more complex than those exported to the extra-regional market. For some of these new products, particularly in the engineering industries, the regional market made it possible to gain the necessary experience to penetrate the markets of developed countries at a later date. In this

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way, the real link existing between Latin American economies is contributing to the regional industrialization process. Latin American integration and complementarity is a feasible and efficient road to the development of new industries and to imbuing those already in existence with new dynamism. In the field of agriculture, progress has been scanty despite the great potential.

(b) Forms of co-operation in specific aspects

139. An important mechanism for regional co-operation is the Latin American Economic System (SELA) whose action committees constitute a new, expeditious and novel form of co-operation among the countries which compose it. These committees are bodies of the system set up for a limited period to channel and implement projects of common interest to three or more member countries of SELA which are open for the rest of the Latin American countries to join.

140. Among the committees constituted to date within SELA are those on fertilizers, food supplements, handicrafts, public housing and sea and freshwater products; other committees projected are for a technological information network, milk products and meat and meat products, cereals, seeds, fruits and oilseeds and tourism.

141. In addition to action by SELA, joint activities have recently been carried out by two or more Latin American countries in the fields of trade, the infrastructure, production services, technological development and financial co-operation. In the field of intra-regional trade bilateral agreements have been strengthened, particularly between countries situated in the Southern Cone of the continent and in Central America. An example of this form of trade co-operation is given by the bilateral trade liberalization programmes, agreements aimed at intensifying trade in products contained in special lists, supply commitments for commodities over a number of years, and arrangements aimed at promoting direct purchases among public enterprises.

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142. In some geographical areas, progress has been made in integrating the physical infrastructure, particularly in the field of transport, communications and energy. Road transport presents an unbroken physical structure, throughout the region; rail interconnexions are concentrated more in the Southern Cone, and river transport is used to large extent in the River Plate Basin. However, serious transport problems remain which affect land-locked countries and certain regions as regards their access to the sea. For their solution an important contribution should be made by the action envisaged in the strategy being drawn up for the next decade. The Inter-American Telecommunications Network is making rapid progress, with a few micro-wave interconnexions remaining to be completed.

143. In the field of energy, joint activities are focussed on the electricity sector with a substantial increase in binational projects for hydroelectric development, notably at Itaipú, Yaciretá, Puyango Tumbes, Laguna Merín, Salto Grande and Corpus. Economic complementarity in the sectors of production has acquired considerable dynamism. The importance of the investment made in other countries of the region by firms located in Latin American countries may be appreciated, as well as the fact that such investment represents flows not only of finance but also of entrepreneurial and technological skills. In the field of technology, recent studies show a potential for internal flows of technological know-how to supplement imported know-how, and this will help to create fields of horizontal co-operation between countries of the area.

144. In the financial sphere there are various examples of machinery in Latin America for co-operation both in finance and trade and in balance-of-payments support. These include the Andean Development Corporation, the Caribbean Development Bank, the Central American Clearing House and the LAFTA Reciprocal Payments and Credit System. They have been joined by the temporary balance-of-payments support machinery of the LAFTA countries and the Dominican Republic (Santo Domingo Agreement), the Latin American Export Bank and the Latin American Tourist Bank.

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The Latin American Arab Bank is a joint effort by the two groups of countries. The Venezuelan Investment Fund is a national body which in addition to its programmes of concessionary aid promotes investment in the region, while the Andean Reserve Fund, which was established recently, offers opportunities for both financial and policy co-operation. Finally, the Latin American Bank Acceptances (ABLA) system, while not a co-operative effort in itself, reflects collaboration by the countries in drawing up banking documents with common features to facilitate their handling in external financial markets.

145. Also of importance are the subregional economic and infrastructure co-operation arrangements between various groups of Latin American countries, such as the River Plate Basin Agreement, the Amazon River Basin Treaty, the Caribbean Development and Co-operation Committee and the Central American Co-operation Committee.

146. Latin America also has public and private sectoral organizations which engage in co-operative activities involving the organizations and enterprises of various countries in a given sector. The Latin American Energy Organization (OLADE), the Latin American State Oil Assistance Association (ARPEL) and the Commission for Regional Electrical Integration (CIER) are operating in the energy sector, the Latin American Railways Association (ALAF), the Latin American Road Transport Association (ALATAC), the Latin American Shipowners Association (ALAMAR) and the Caribbean Multinational Shipping Association (NAMUCAR) in the field of transport; the Latin American Industrial Association (AILA), the Latin American Canning and Allied Industries Association (ALICA), the Latin American Iron and Steel Confederation (ILAFA) and the Latin American Association of Tourist Organizations (COTAL) in the industrial and services sector, in the financial sector there are the Latin American Association of Financial Institutions for Development (ALIDE) and the Latin American Bank Federation (FELABAN), as well as regular meetings of the Governors of the region's central banks.

147. In recent years regional machinery has been established to jointly safeguard the market position of certain basic products of interest to Latin America, including the body representing a group of Latin American and Caribbean sugar exporters (GEPLACEA) and the Union of Banana-exporting Countries (UPEB).

148. The establishment and development of all these bodies and the experience they have acquired furnish a real institutional basis to facilitate the development, expansion and deepening of co-operation within the region and with other developing countries, so that this co-operation can play a vanguard role, especially in the face of the difficulties the international economy may encounter in coming years.

(c) Countries in special situations

149. The countries of the region present a heterogeneous picture of different national situations which are reflected in their stages of development and diversification of their economies, and in other economic and social indicators. This picture alone makes it difficult to generalize and seek solutions to the economic and social problems of the region; but is even more complicated if it considers the existence of less advanced developing countries islands and landlocked countries. In the efforts required to maintain unity and solidarity in the region vis-à-vis the problems which affect it and are common to it, measures should be established which as far as possible will alleviate or solve the specific situations facing these countries, so that they can go ahead with their development.

(d) Economic and technical co-operation among developing countries

150. In the progress towards the establishment of a new international economic order, co-operation between developing countries acquires great importance. It is a topic which in recent years has tended to occupy the attention of the international organizations, the developing countries and the international community.

151. This importance has been recognized in various resolutions, declarations, and decisions by the General Assembly and by the agencies and bodies of the United Nations. The Conference on economic co-operation among developing countries held by the Group of 77 in Mexico in September 1976; the United Nations Conference on Technical Co-operation among Developing Countries held in Buenos Aires in 1978, and various meetings of  
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the non-aligned countries, particularly the Fifth Summit Conference held in Colombo in 1976, have confirmed the enormous importance which the developing countries and the international community give to technical and economic co-operation among the developing countries themselves.

152. It is a significant fact, and one which constitutes a commitment for Latin America, that two of the international conferences on this topic have been held in the region. This co-operation is not new for the Latin American countries, since in addition to having developed in the region, it has occasionally extended bilaterally to other regions.

153. This is the moment for this projection towards Africa and Asia to acquire new dimensions. As was said at the Buenos Aires Conference on Technical Co-operation among Developing Countries, such co-operation is a decisive force in initiating, planning, organizing and fostering co-operation among developing countries so that they can create, acquire, adapt, transfer and share know-how and experiences to their mutual benefit, and achieve the national and collective self-reliance which is essential for their social and economic development.<sup>4/</sup>

154. CEPAL has taken the first steps towards the materialization of co-operation possibilities between Latin America and Africa. This incipient effort must be maintained and amplified. Latin America, with adequate international support and co-operation can play a major role in this effort by underdeveloped countries towards achieving one of the main aspects of the New International Economic Order, and the implementation of the Action Programme adopted at the Mexico Conference on economic co-operation among developing countries.

155. The new formula of SELA action committees makes it possible to identify the areas and sectors which will play the role of nuclei, and also facilitate the implementation of projects by setting up inter-regional action committees in which Latin American, African and Asian countries interested in a specific project take part.

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<sup>4/</sup> See United Nations, Report of the United Nations Conference on Technical Co-operation among Developing Countries, (A/Conf.79/13/Rev.1), New York, 1978, p. 4.

B. EVOLUTION OF THE NORMS AND PRINCIPLES WHICH GOVERN  
INTERNATIONAL ECONOMIC RELATIONS

156. In order to facilitate the structural changes necessary for the establishment of the New International Economic Order, it is necessary to reformulate and renegotiate the rules and principles at present governing international trade and economic relations, in the light of the agreements reached at the VI Special Session of the General Assembly and in the Charter of Economic Rights and Duties of States.

157. The present rules and procedures of the International Monetary Fund and the General Agreement on Tariffs and Trade (GATT), do not respond to the trade, development and financial needs of the developing countries.

158. The results of the current negotiations on a code of conduct should reflect the situation of the developing countries, and the General Agreement should be revised to make it more flexible.

159. It is necessary to denounce forcefully the attempts of the developed countries to introduce new concepts, norms and principles in international economic relations which are inconsistent with the norms and principles laid down in the documents relating to the New International Economic Order, since they would produce very harmful consequences, neutralizing the effect of the measures and structural changes required to establish that order. Accordingly, CEGAN recommends rejection of:

(i) The new general framework of "basic needs", which rests on an inadequate conception and systematization which would limit the field of action in the areas included in the programme for the establishment of the New International Economic Order, and which, if applied, would produce enormous pressures on the developing countries to accept objectives incompatible with their development policies;

(ii) The concept of selectivity which the developed countries are in fact applying to exports from the developing countries, and for which they are attempting to gain acceptance in the multilateral trade negotiations within the code of conduct on safeguard clauses;

/(iii) The

(iii) The concept of "access to supplies", which would imply a threat to the principle of permanent sovereignty over natural resources and economic activities;

(iv) The concept of "graduation", which implies discrimination in matters related to trade, financing and development through an attempt to classify the developing countries into different categories. In that regard, CEGAN recommends the forceful denunciation of the effective application of this concept - which has not been accepted by the international community - by various governments of developed countries, which are discriminating against the Latin American countries in diverse protectionist measures, and by the international financial institutions, which have increasingly been focusing their attention on concessional and preferential policies basically designed to assist developing countries with per capita incomes below certain fixed levels, thus excluding almost all the Latin American countries.

160. In view of the foregoing, CEGAN recommends that all appropriate forums should denounce this international economic climate, which appears to be in the process of becoming increasingly unfavourable to Latin America, precisely at the most critical stage of its development.

/III. LATIN

### III. LATIN AMERICA'S PRIORITIES FOR THE 1980s

#### A. GENERAL ASPECTS

161. In section II of this document some conclusions and guides for action were outlined which derive directly from the analysis of the external economic relations of Latin America. These guides for future action should be considered together with the priorities outlined in section III below.

162. Latin America is a region in transition, with great potential for economic development, and at the same time serious problems and fundamental limitations which prevent this potential from being rapidly exploited.

163. In the domestic sphere, Latin America faces serious socio-economic problems which are principally associated with unemployment and the low incomes of large sectors of the population. A solution to these problems depends to a large extent on proper solution of the region's external problems, independently of the efforts which must be made at the domestic level.

164. Inflows of foreign exchange into the region continue to originate basically in the export of primary commodities. The prices of these commodities lack the necessary stability in real terms, so that the planning of economic development in Latin American countries is practically impossible.

165. Latin America's industrialization efforts depend to a large extent on the evolution of the markets of the developed countries, and on access to them. In this regard serious obstacles have arisen in the form of the protectionist trends recorded in the industrialized countries in recent years, the accentuation of which has caused grave concern among the countries of Latin America.

166. Efforts by the Latin American countries to achieve uninterrupted economic development, the sharp fluctuations in international commodity prices and the intensification of protectionism have made an enormous contribution to the emergence of a Latin American balance-of-payments deficit, which the countries of the region have increasingly had to cover

/by means

by means of external borrowing, with the consequent increase in external pressures that make it difficult to solve social problems and redistribute income. As a result, Latin America's external financial position is very closely linked to the solution of the problem of fluctuating commodity prices and the vigour of its exports.

167. The major challenge facing the region is to combine its domestic and external approaches in a consistent integrated policy so as to maintain uninterrupted and balanced economic development.

168. The fundamental external constraints will persist unless the structural changes which are necessary for the establishment of the New International Economic Order, in accordance with the guidelines laid down by the United Nations General Assembly in resolutions 3201 (S-VI), 3202 (S-VI) and 3281 (XXIX), are introduced.

169. The absence of political will on the part of the industrialized countries to achieve more rapid progress in the negotiations on the establishment of the New International Economic Order, which would permit the gradual adoption of global policies with the full participation of the developing countries in the various fundamental fields for such purposes, continues to limit seriously the integration of the region in the international economy.

170. In recent years, additional phenomena have appeared whose seriousness obstructs the region's economic development efforts, especially those relating to the increasing discrimination suffered by Latin America in various schemes of international co-operation, including in some cases its exclusion from such machinery. This phenomenon is particularly evident in the policies guiding official development assistance, and those which institutions for financial co-operation have adopted or plan to adopt, which in fact constitute an application of the concept of grading into categories in the international financial and technical sphere. To this may be added the fact that some global policies, such as those which refer to access to markets, have particular impact on the region.

171. The sterility of the present international economic order adversely affects not only the developing countries but also the recovery and level of activity in the industrialized countries. The active role of the

/developing countries,

developing countries, and particularly of Latin America, in providing anti-cyclical stimuluses in periods of international recession, is frequently ignored. That role could be observed in the sustained capacity to import of the countries of the region in recent years. Exports from the industrial countries to the developing countries have expanded sharply in recent years: between 1969 and 1975 the developing countries absorbed almost a third of the total rise in exports of manufactures from the industrial countries. In 1976, exports of manufactures from the North to the South totalled \$US 125,000 million, while the flow in the opposite direction was only \$US 25,000 million. The positive influence of this volume of sales on the level of employment in the developed countries cannot be denied.

172. From the above one may observe two contradictions which CEGAN recommends should be forcefully denounced. Firstly, while the industrialized countries demand from the developing countries a high capacity for debt repayment, their trade policies minimize the debtors' chances of making such repayments by increasing their capacity to export. Secondly, while the industrial countries have adopted a counter-inflationary policy, restrictions are imposed on products from the developing countries whose productive processes are labour-intensive and which are of high technological quality; the markedly lower costs of the developing countries could logically be of benefit to the consumers of the developed countries.

173. In order to tackle Latin America's fundamental problems, substantial progress should be demanded in the negotiations on the establishment of the New International Economic Order, in a spirit of equity as regards opportunities for all the countries of the world to enjoy the benefits of progress; here there is no place for discriminatory policies of grading into categories which can provoke disagreement in negotiations whose essential features should be universality and mutual benefit, within the framework of the general principles which govern the United Nations system, including the Charter of Economic Rights and Duties of States.



B. OBJECTIVES OF THE INTERNATIONAL DEVELOPMENT STRATEGY (IDS)  
IN THE THIRD UNITED NATIONS DEVELOPMENT DECADE

174. The formulation of a new international development strategy must form an integral part of the efforts of the international community to accelerate the economic and social development of the developing countries and establish the New International Economic Order.

175. Consequently, the formulation of the strategy should follow the guidelines laid down by the General Assembly of the United Nations in resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and Programme of Action on the Establishment of a new international economic order; in resolution 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, and 3362 (S-VII) of 16 September 1975, on development and international economic co-operation.

176. The strategy should be aimed at achieving the objectives of the New International Economic Order which are contained in the resolutions mentioned above, and, in addition to defining targets, objectives and policies, should contain a set of interrelated and concerted measures in all development sectors with the purpose of promoting the economic and social development of the developing countries and ensuring their full and effective participation, on an equitable basis, in the formulation and application of all decisions in the sphere of development and international economic co-operation.

177. The strategy should also contribute to promoting the objective of the national and collective self-reliance of the developing countries, in particular through the encouragement of economic and technical co-operation among them and unconditional support for such co-operation by the United Nations system and the industrialized countries.

178. For the above purposes and with a view to the preparatory work for the formulation of the new international development strategy, CEGAN endorses General Assembly resolution 33/193 and further recommends that CEGAN itself should continue to meet periodically in order to properly prepare Latin America's contributions to the formulation of the new strategy, proving support to the Latin American group which is participating in accordance with the resolution.

C. THE INTERNAL EFFORT BY THE LATIN AMERICAN COUNTRIES  
AND REGIONAL ECONOMIC CO-OPERATION

179. Development must be regarded as an integral process, characterized by the achievement of economic targets in terms of objectives of social change which ensure the full involvement of the entire population in the efforts and benefits of development. In this context, the countries of Latin America should, individually and free of external interference, strengthen their economic, cultural and social structures so as to achieve coherent development based on national self-determination.

180. The highest priority should be given to the organization and participation of the traditionally backward sectors of the population. In this context, the particularly important role of grass-roots organizations, which should be encouraged by means of material, technical and financial support, must be clearly visible.

181. CEGAN considered that the governments should intensify activities aimed at achieving a genuine redistribution of income and high levels of employment in favour of the marginal groups, so as to increase their social well-being by improving the quality of life (health, nutrition, housing, social security) and social and economic status (mass participation, education and training).

182. Latin America should recover and achieve a high level of economic growth during the next decade, as an essential requirement for facilitating the achievement of the social aims put forward above.

183. This economic growth must be accompanied by an intensive process of change in production which will permit rapid industrialization of the economies and a deep-seated change in the agricultural systems of production, in order adequately to meet the nutritional needs of the population of Latin America and contribute to the growth of the exports required to enable the countries to afford supplies of essential imports.

184. The uncertainties and difficulties which the international economy is now traversing highlight still further the need to strengthen the role assigned to internal efforts and co-operation among developing countries, and particularly regional co-operation.

185. The domestic effort should be focused on the intensification of national savings, which necessarily implies a constraint on consumption - currently polarized in small sectors of society - so that in combination with the accumulation of other resources it can be selectively directed towards agricultural and industrial development, as was observed in earlier paragraphs.

186. Concerning regional co-operation, the priorities set out in the following paragraphs, especially as regards commodities, are to be added to those relating to similar topics set out below in part E of this section, dealing with international economic co-operation.

187. The promotion of regional and subregional co-operation, which is one of the mainstays of the action programme for the establishment of the New International Economic Order, should be conducted in a co-ordinated manner in Latin America, principally through the existing formal integration schemes and SELA, and with support from other regional and subregional institutions and machinery.

188. In order to facilitate this, the governments of the member countries of Latin America should co-ordinate their economic policies with efforts of this kind and provide maximum collaboration for the best possible use of the technology, technological capacity and natural resources of the region. For this purpose, they should make intensive use of the relevant forums existing in the region, which should be adequately reinforced so that they can carry out the complex tasks which will arise in connexion with the achievement of the basic objective of the third international development strategy, which is to establish the New International Economic Order.

189. In order to infuse greater dynamism into the economic integration process in Latin America, it is necessary to introduce reforms to allow the formal integration schemes to overcome the obstacles which have prevented them from making progress in fields of economic development other than the reduction of obstacles to trade and the establishment of programmes and agreements, for industrial complementarity which include infrastructure, agriculture, technology, transport and the defence of common interests.

190. On the other hand, formulae and machinery must be established to facilitate the convergence and interconnexion of the different integration schemes and machinery; SELA constitutes an important and flexible instrument for this purpose, and should play an important role, giving impetus to co-operation activities in specific fields aimed at drawing up common regional positions for negotiations in international forums, or for making use of the joint bargaining and purchasing power of Latin America.

191. Considering that LAFTA - which recorded progress in its early years and has experienced a relatively unproductive period - is in the process of carrying out preparatory negotiating activities with a view to the revision of the process, in view of the forthcoming conclusion at the end of 1980 of the period of transition of the Montevideo Treaty, it is recommended that the governments of the member countries should introduce reforms to bring it into line with present requirements, so as to restore it to its original dynamism, giving it greater flexibility as a forum for consultation and co-operation and strengthening the machinery for commodity negotiation and industrial complementarity agreements.

192. As far as the Central American Common Market is concerned, it is urgently necessary to find formulae and practical machinery which will give it new dynamism and permit the speeding up of the rate of industrial change in its member countries. With regard to the Andean Group, which stands out as a result of its dynamic development, new forms of support must be identified which will enable it to implement its important decisions more thoroughly.

193. The Latin American countries must strengthen SELA, whose action committees, which constitute a new, flexible and novel form of co-operation among their members, offer unlimited potential for facilitating economic co-operation.

194. It is also necessary to mention that if the obstacles to economic integration in Latin America are to be overcome, it is of vital importance to speed up the integration of the physical infrastructure of the Latin American countries, particularly in the fields of transport, communications and energy.

195. In order to avoid duplication of efforts by the different secretariats of the integration bodies, periodic meetings should be promoted among these bodies, which can give each other mutual support and exchange experience. CEPAL could play an important role as supporting body and technical assistance agent through specific studies which would supplement the work of these secretariats.

196. In the spirit of the resolutions adopted internationally and regionally, the new development strategy should develop machinery which will make it possible to deal with problems which may affect the economies of the less developed countries of the region, particularly the island and land-locked countries.

197. CEGAN recommends that the physical linking-up of the continent should not take place exclusively along the coastal strip, but also towards the interior, so that the land-locked countries can find improved means of solving the problems involved in marketing their products.

198. As far as commodities are concerned, consultations must be intensified so as to make the best possible use of the experience and the natural resources of the region. Possible action includes the following:

(i) Strengthening of the present producers' associations and the creation of new ones in the light of co-operation possibilities and the international negotiations in progress.

(ii) Establishment of a system of self-sufficiency in agricultural products.

(iii) Creation of offices of the producer countries of the region in the commodity exchanges which operate in the developed countries so as to observe the evolution of the transactions which cause fluctuations in international commodity prices and ensure that the information they channel on world supply and demand and weather factors is correct and does not distort real trends in this respect.

(iv) Establishment of common regional positions with a view to negotiations within the permanent bodies which govern the international commodity agreements and those taking place within the Integrated Programme for Commodities.

/(v) Application

(v) Application of common strategies, agreed upon within SELA, vis-à-vis protectionist measures affecting regional exports of commodities and vis-à-vis the sale of the strategic reserves of such commodities by the developed countries.

(vi) Establishment of special machinery to facilitate the consultations and exchange of experience among the countries of the region, with a view to modernizing farming methods and mining and thus increase productivity.

(vii) Increase of research and development within the region with the object of identifying new commodity uses.

(viii) Adoption by the Latin American countries of appropriate plans for expanding and diversifying production of and trade in foodstuffs.

(ix) Establishment, as far as possible, of a joint programme for the marketing and distribution of commodities in the region.

(x) Establishment of a regional financial institution providing technical and financial support for the development of national marketing and distribution systems in the Latin American countries, in particular the financing of the creation of national reserves and storage installations, and the constitution of funds for horizontal diversification funds.

199. With regard to industrialization, in order to speed up the economic and industrial development of the Latin American countries, their collective efforts to expand and create multinational industries based on the development of local resources must be intensified. Similarly, infrastructure must be created to allow a more rational absorption of external capital and technology, expand national and regional markets and substantially increase Latin America's share in the world trade of manufactures.

200. Suitable instruments for quality control must also be adopted, so that exports of manufactures and semimanufactures become more competitive in the international markets.

201. In order to make better use of the regional market as a whole, the Latin American countries must make full use of every possibility of industrial programming and complementarity, and adopt a joint position with regard to the restrictive trade practices imposed by the transnational corporation, in accordance with their position on the code of conduct

for transnational corporations within SELA, since these corporations hinder the rational use of natural resources and labour. It is necessary to reinforce sectoral meetings of entrepreneurs and promote consultations between entrepreneurial bodies so as to observe the evolution of the intentions of the transnational corporations in the application of such practices. It is also necessary to strengthen the machinery for consultation, establishment and application of standards of quality.

202. With regard to legislative matters, the Latin American countries should adopt effective rules to govern foreign investment, the conditions in which the transfer of technology takes place, the restrictive trade practices of the transnational corporations, and questions concerning industrial property, so as to avoid exclusivity agreements and abuses of market power.

203. Since the growth of industrialization largely depends on the evolution of external factors such as protectionist measures, financing, technology, quality control and transport, it is essential that consultation on these subjects should be intensified and that the region should adopt common positions for the purposes of the international negotiations which are at present being held on the above subjects within the United Nations system, and in associated bodies such as GATT.

204. In the field of technology it is necessary to create special machinery to facilitate the transfer of indigenous technology and the exchange of technical assistance. For these purposes it is recommended that national centres for technological development should be set up which can link up with regional institutions or centres, such as the Latin American Technological Information Network (RITLA), set up during the fourth regular meeting of the Latin American Council of SELA.

205. These links between the national centres and subregional and regional centres for the development and transfer of technology will assist in putting into practice initiatives in such fields as:

(a) The suitable exchange of information on the various possibilities open to the developing countries in the field of technology.

(b) The establishment of joint technological research and training programmes.

/(c) The

(c) The identification of technological needs and the supply of technical assistance for the development of training programmes and the drafting of model contracts for the granting of licences.

206. It is also important to develop appropriate intermediate technology to deal with such problems as subsistence agriculture, which affects vast sectors of the rural population of Latin America.

207. In order to ensure that the international code of conduct for the transfer of technology which is being negotiated in UNCTAD includes all aspects of interest to the Latin American countries, continued co-ordinated action is essential.

208. As far as transnational corporations are concerned, their increasing participation in economic activity in the region has led to concern which is reflected in the principles upheld by the international community in the Charter of Economic Rights and Duties of States and by the developing countries in the negotiation of a code of conduct for the transnational corporations.

209. An information system on technology and on transnational corporations must be established in the region, combining resources from the United Nations Centre on Transnational Corporations and those of the regional commissions, plus the necessary additional resources.

210. It is necessary to stimulate the use of new contractual arrangements with the transnational corporations, taking advantage of the region's joint bargaining power, in order to select those elements in which the contribution of the transnational corporations is irreplaceable and minimize the costs involved in such negotiations.

211. As regards the negotiations on the code of conduct for transnational corporations, the governments of Latin America should keep up their co-ordination activities in defining and applying joint positions, with the support of CEPAL and SELA.

212. With regard to protectionism, it is essential to combat the present protectionist trends in the developed countries, in order to allow Latin American exports of commodities, manufactures and semi-manufactures to grow suitably.

/213. Independently



213. Independently of the action being advocated at the international level to halt the new wave of protectionism, regional machinery might be established to monitor the evolution of the trends and the implications of protectionism in the interests of Latin America.

214. This machinery might decide on the steps which the Latin American countries deem necessary in the economic, financial and trade fields, such as:

(i) Even-handed trade treatment applicable to exports from the developed country or countries;

(ii) Guidelines to restrict or stimulate imports by the developing countries from the developed country or countries;

(iii) Persistent and co-ordinated action designed to secure adequate participation in the international negotiations or operational machinery in all appropriate forums, in order to safeguard the interests of the countries of the region, and the encouragement of collective action in those negotiating forums.

215. A rapid information system might also be established which would make it possible to identify more quickly and accurately the non-tariff barriers applied by the developed countries and the forms in which they are applied.

216. As far as energy products are concerned, Latin America as a whole depends more on hydrocarbons than other regions of the world for its energy supply. In addition, because of the level of development of the region, it is very difficult in the short or medium term to divorce economic growth from a parallel rise in energy consumption. Furthermore, the firm intention to raise the level of welfare of the marginal sectors of our societies higher and higher will result in growing energy consumption. In addition, it is clearer day by day that in the 1980s man's demand for this resource will exceed the capacity to produce it. This raises serious problems in devising a strategy for sustained social and economic development in Latin America.

217. Furthermore, the geographical spread of Latin America, with huge unexplored areas with oil-bearing potential in addition to the wide availability of other little-used conventional energy resources, such as

/water, and

water, and other sources which are still unconventional and untried, mean that in the next decade the countries of Latin America, individually and jointly, must adopt integrated energy policies taking account of projections of their requirements, the availability of resources and technological progress in this field. These policies must tend towards the achievement of self-sufficiency in energy in the region, which will ensure a transition to a post-oil energy era without major difficulties.

218. This individual and joint effort offers a broad field for international co-operation between the countries of the region and the rest of the world. For this purpose, national efforts must be supplemented by support for and strengthening of the efforts which are being carried out by our regional organizations which specialize in this area, such as OLADE, ARPEL, CIER, UCEL and CEE.

219. On the basis of UNCTAD resolutions and the results of earlier regional meetings, CEGAN recommends that the eighteenth session of CEPAL should decide to convene a meeting of Latin American insurance and reinsurance supervisory officials in order to move ahead on the decisions already taken for the establishment of a regional association in this field.

#### D. ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

220. Economic co-operation among developing countries is one of the fundamental pillars of the programme of action for the establishment of the New International Economic Order.

221. Economic co-operation among developing countries, as a matter of fundamental concern to them, should be formulated and promoted by the countries themselves, at the subregional, regional, interregional and global levels.

222. In this context, the developed countries and the organizations of the United Nations system have a role to play in supporting and participating in this process, which they should fulfil unconditionally in compliance with the various resolutions of the General Assembly and UNCTAD.

223. The fundamental framework of economic co-operation among developing countries consist of:

/(i) The

(i) The decisions adopted at the Conference on Economic Co-operation among Developing Countries (Mexico, 13-22 September 1976);

(ii) The Programme of Action on Economic Co-operation and the corresponding resolutions adopted by the Fifth Conference of Heads of State or Government of the Non-aligned Countries, (Colombo, 16-19 August 1976), concerning co-operation between developing countries, as well as the recommendations on the subject drawn up at the Conference of Ministers for Foreign Affairs of the Non-aligned Countries (Belgrade, 24-29 July 1978);

(iii) The Buenos Aires Action Plan, adopted at the United Nations Conference on Technical Co-operations among Developing Countries (30 August-12 September 1978).

224. On the basis of the Mexico programme, the Commission on Economic Co-operation among Developing Countries adopted a programme of work which served as a background for the drawing up, at the Fourth Ministerial Meeting of the Group of 77, of the First Plan of Action in the Short and Medium Term for Economic Co-operation among Developing Countries.

225. In this regard CEGAN recommends that at its eighteenth session CEPAL should endorse the content of the above plan of action.

226. With the aim of facilitating agreements and the adoption of joint positions by the region concerning the subjects and actions referred to by the above plan of action, CEGAN recommends that the appropriate regional bodies, especially SELA and CEPAL, should be strengthened.

227. It also recommends that SELA, in co-operation with CEPAL and the regional and subregional organizations for Latin American integration, should draw up a programme of studies designed to identify the characteristics of the region's problems in each of the areas included in the above Plan of Action; and that on the basis of those studies, intergovernmental meetings of experts from Latin American countries should be convened to identify the problems which arise from the commitments to, and characteristics of, the economic integration of Latin America, and adopt joint positions most in accordance with the interests of the region.

228. In order to make possible the fulfilment of such tasks, the links of co-operation between the regional and subregional organizations for economic co-operation and integration in Latin America and the United Nations

Development Programme should be intensified. In this regard, CEGAN recommends that special divisions on economic co-operation among developing countries should be created in the secretariats of SELA, CEPAL and the various subregional organizations for economic integration in Latin America.

229. Finally, UNCTAD should continue to furnish technical assistance to the regional and subregional organizations for economic integration in the region.

230. As far as technical co-operation among developing countries is concerned, it should be emphasized that the form in which such co-operation has been conceived by the developing countries on various previous occasions and by the United Nations Conference on Technical Co-operation among Developing Countries represents a fundamental instrument to stimulate economic co-operation among developing countries.

231. The Buenos Aires Action Plan and resolutions adopted by the above Conference must be implemented promptly and effectively. Among the very important provisions of the Buenos Aires Action Plan, mention should be made in this context of the need to promote the creation of national research and training centres of multinational scope in the developing countries, or strengthen those which already exist, which is also the subject of one of the resolutions adopted by the Conference.

232. Furthermore, in support of the implementation of the Plan, emphasis should be placed on the importance of the contribution of the developed countries and the international organizations to raising the national and collective capacity of the developing countries to assist themselves and one another, with the aim of implementing, among other provisions, those in the agricultural and industrial fields.

233. Since the first meeting of the United Nations intergovernmental forum to which global consideration of technical co-operation among developing countries has been entrusted, in accordance with the agreement reached in Buenos Aires, is to take place in 1980, it is necessary for the Group of 77 to take the necessary steps to ensure that it is properly prepared, in order to arrive at a joint position prior to these meetings.

E. INTERNATIONAL ECONOMIC CO-OPERATION

234. In addition to the developing countries' efforts at the domestic, regional and interregional levels, the co-operation of the industrialized countries is needed in order to eliminate the external factors which block the economic development of the developing countries.

1. Trade policy

235. In order to secure greater access to the markets of the developed countries it is necessary to draw up and apply in the relevant forums and incorporate in the legislation of the developed countries new rules on subsidies and countervailing duties to enable the developing countries to carry out vigorous export promotion policies.

236. In the field of tariffs, it is necessary to combat the present protectionist tendencies in order to permit proper expansion of Latin American exports of basic commodities, manufactures and semi-manufactures, by eliminating or reducing the tariffs of the industrial countries which affect their imports from the Latin American countries. It is also necessary to eliminate or reduce the tariff escalation which imposes higher duties as the goods are more processed, thus discouraging the process of industrialization. For that purpose, it is necessary to negotiate on the basis of effective rather than nominal protection, so as to achieve greater reductions in those tariffs which rise in line with the value added in manufacturing.

237. Concerning non-tariff barriers, action should be taken in three areas:

(i) To establish new information systems which can indicate with greater speed and security which are the existing non-tariff barriers, how they are applied and where;

(ii) To achieve their elimination in the case of products of interest to Latin America, or, if that is not possible, agreement that they should be applied only as an exceptional measure.

/(iii) To

(iii) To envisage the possibility of responding vigorously when new non-tariff barriers are established to trade or when existing barriers are increased. To that end, it is necessary to make intensive use of and strengthen the existing machinery and to envisage the possibility of establishing additional machinery to carry out this monitoring and to organize the response.

238. For this purpose, CEGAN recommends the adoption of the agreements reached in the meeting on Latin American co-ordination held under the umbrella of SELA and during the fourth Ministerial Meeting of the Group of 77.

## 2. Protectionism

239. The implications of protectionism for the world economy make it necessary to agree upon and implement a co-ordinated international programme of action. In the face of protectionist measures proposed or adopted by an industrialized country or group of countries which affect exports of products from the developing countries, especially those of Latin America, including the conclusion or extension of voluntary limitation agreements, the Latin American country or countries affected, without prejudice to the bilateral action which they may deem desirable, may consult the other interested developing countries with a view to determining the desirability of drawing up and implementing appropriate joint action. For this purpose, maximum possible use should be made of the margin of action within the agreements and institutional framework, by defining and applying appropriate trade policy measures.

240. Furthermore, such joint action would include voluntary measures in the economic, financial or trade fields, such as:

(i) Even-handed trade treatment applicable to exports from the developed country or countries;

(ii) The drawing up of guidelines to restrict or stimulate imports from the developed country or countries to the developing countries;

(iii) Persistent and co-ordinated action designed to secure adequate participation in the international negotiations or operational machinery

/in all

in all appropriate forums, to safeguard the interests of the countries of the region, and for that purpose to promote collective action in such negotiating forums;

(iv) Strengthening of the bargaining power of Latin America as a whole in the international trade negotiations, and making maximum use of it. For this purpose, it is essential to co-ordinate the negotiating positions of the Latin American countries among themselves and with the rest of the developing world.

241. It is considered that one of the main medium- and long-term solutions vis-à-vis the protectionist policies lies in the industrial redeployment which should take place within the developed countries, with the full participation of the developing countries. This redeployment would be based, among other elements, on a high degree of intra-industry specialization.

242. Long-term policies to restructure world industry and thus encourage optimum global growth will require deliberate efforts by the international community to institute rational production arrangements in the world.

243. In this regard, CEGAN recommends the adoption of the agreements originating in the fourth Ministerial Meeting of the Group of 77, and especially those relating to the establishment, within UNCTAD, of machinery to analyse periodically production and trade in the world economy and identify the sectors which require a structural readjustment, and the creation of an appropriate forum to accelerate negotiations with a view to the drawing up and application by the developed countries of measures and policies required to promote the process of readjustment in the sectors identified and facilitate the shift of those countries' production factors, and permanently to keep a close watch in order to avoid the creation in the developed countries of uneconomic excess capacity which might provoke demands for protection.

244. It is also necessary to promote the holding, under the joint auspices of UNCTAD and GATT, of a world conference on protectionism in order to examine this problem at the highest possible level and seek ways of guaranteeing continued growth in world trade. The regional commissions might provide secretariat assistance for such a conference.

245. CEGAN also recommends the intensive use and strengthening of existing forums in Latin America to examine the general and particular aspects of protectionism and, in the light of the interests of the region, generate recommendations to reduce or eliminate it.

246. CEGAN further recommends the denunciation, in all appropriate forums, of the flagrant contradictions between the recommendations addressed by the industrialized countries to the developing countries to the effect that they should open up their economies to international markets and become more closely integrated in the world economy, while they raise protectionist barriers against access to their own markets for the goods produced by the latter, thus creating a source of undeniable frustration for the countries of Latin America and other countries in a similar position.

247. Bearing in mind that Latin America as a whole has substantial purchasing power and enormous quantities of natural resources, which confer on it considerable bargaining power, CEGAN recommends that, in all the appropriate Latin American forums - especially within CEPAL and SELA - studies should be carried out of the different possibilities of using the purchasing power and the most suitable means of making its use effective. In that regard, and in line with the various possibilities and the areas in which such an approach would be most feasible, emphasis should be placed on the promotion of joint or co-ordinated negotiation or purchasing activities, within the framework of the SELA action committees.

248. The rules which currently govern international trade should be revised so that they take full account of the interests of the developing countries and facilitate the elimination of the new protectionist measures.

### 3. Restructuring of world industry

249. In order to prevent the developed countries from continuing to apply protectionist measures to protect their inefficient industries, and in order to achieve a new international division of labour, it is necessary to restructure world industry in a way which will encourage optimal, rational global growth in industrial production in the world.



250. In this regard, the developed countries must establish effective assistance measures for redeployment in all sectors where inefficiency and lack of competitiveness call for a structural readjustment.

251. For the above purposes, monitoring machinery must be created to periodically analyse world production and trade in order to identify the sectors which require a structural readjustment, and to review the efforts of the developed countries in the adoption of the measures and policies required to promote the process of redeployment in the sectors identified and facilitate the shift of the production factors from these sectors. With regard to this area, it is also recommended that the agreements reached at the fourth Ministerial Meeting of the Group of 77 should be adopted.

252. In order that the restructuring of world industry should work in favour of the interests of the developing countries, it is essential that these countries should play a full part in all the decisions taken in this regard, so that the new international division of labour represents a harmonious and equitable balance between the interests of the developed countries and those of the developing countries, and ensures that industrial development in the developing countries is not concentrated solely on basic and light industries, and that the latter can also develop products in the heavy industry and high technology sectors, in accordance with the guidelines of their industrial policy.

#### 4. Commodities

253. CEGAN believes that the objectives proposed in the Integrated Programme for Commodities should continue to be pursued so that they may help to achieve fair terms of trade with prices which are remunerative in real terms and fair for all concerned. However, certain products already possess their own negotiating forums which are therefore the appropriate bodies to decide on the measures to be taken on those products.

254. The application of the strategy of the Integrated Programme must be made more flexible in order to achieve effective integration of the negotiations on the different measures which are applicable, and to continue as soon as possible in the commodity negotiations to the phase of the negotiation of international commodity agreements.

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255. There should be a tendency towards applying appropriate measures and procedures for the stabilization and improvement in real terms of the prices of commodities exported by the developing countries, taking into account world inflation and the changes which occur in the world economic and monetary situation with regard to exchange rates, trade conditions, rate of return on investment and other relevant factors.

256. The common fund to be set up should be an efficient and economically viable institution for the financing of the arrangements on the constitution of reserves and other measures relating to commodities aimed at stabilizing the commodity markets and greater processing of commodities. Its operations should contribute towards improving the structure of the market and international trade in commodities of interest to the developing countries, and towards achieving stable conditions for this trade at price levels which will be just and remunerative for the producers, and fair for the consumers.

257. Should the common fund not fulfil these objectives, it will be necessary to create supplementary machinery which will effectively stabilize the international markets in these products.

258. The commodity negotiations should include manufactures and semi-manufactures fabricated with the raw materials appearing in the list contained in UNCTAD resolution 93 (IV).

259. The compensatory financing facility used in IMF should be made more flexible in order to offset the deficits in the export earnings from commodities in developing countries. Furthermore, complementary financing facilities must be set up for these deficits, providing greater compensation in real terms for the developing countries. A framework must be established for international co-operation with a view to increasing the processing of primary products in developing countries and access to the markets of the developed countries for such products.

260. Commitments must also be established to regulate production and investment in synthetic substitutes which compete with natural products. It is also indispensable to establish a framework for increasing the share of developing countries in the marketing and distribution of the commodities they export. Programmes should also be adopted for research and development,

/market promotion

market promotion and horizontal diversification. With regard to the aspects listed above, CEGAN recommends the adoption of the agreements reached at the fourth Ministerial Meeting of the Group of 77.

5. Specific aspects of relations with industrialized countries

261. The international economic policy of the developed countries, including economic groupings of such countries, and their national policies which have international repercussions, should contribute to promoting growth in the developing countries, bearing in mind their short-term and long-term needs. The United States and the European Community should adopt a more favourable attitude towards the problems and needs of Latin American countries, and the developing countries generally, in trade in manufactures and basic commodities.

262. Highly important in Latin America's relations with the United States are not only specific aspects of their mutual relations but also the role of the United States in the solution of international, multilateral problems which are the subject of the North-South dialogue. The matters of priority interest for Latin America include:

(i) The need for the Generalized System of Preferences not to be used as an instrument of economic coercion, and accordingly for the elimination of the discrimination in the system against Cuba, Ecuador and Venezuela;

(ii) Improvement of conditions of access to the United States market for exports from Latin American countries, for example by means of improvement of the United States Generalized System of Preferences, and especially its extension to a larger number of products of interest to the region, and the elimination of the restrictions arising from the application of the competitive need formula and rules of origin;

(iii) The gradual elimination of tariff and non-tariff restrictions on primary, semi-manufactured and manufactured goods of major export interest to the region;

(iv) Support by the United States for the search for special and differential arrangements for the use of subsidies and countervailing duties, which should go beyond the narrow limits of what is emerging on this issue from the multilateral trade negotiations;

/(v) Adherence

(v) Adherence by the United States to the measures to reduce and eventually eliminate instability in export revenues vis-à-vis the import requirements of the developing countries caused by factors external to their economies.

263. The aspects of greatest interest to Latin America in the trade policy of the European Economic Community are:

(i) The elimination of phytosanitary and other restrictions which impede access for various products of interest for Latin America, and especially meat and meat products;

(ii) The elimination of obstacles to trade in goods for which Latin America has competitive advantages, and avoidance of a revival of protectionism;

(iii) The adoption of a programme for the gradual elimination of harmful features of the Common Agricultural Policy.

264. Improvement of the EEC Generalized System of Preferences, to benefit not only the relatively less developed countries, but all developing countries. In this regard, mention should be made of:

(i) The expansion of quotas for "sensitive" products;

(ii) The inclusion of a larger number of agricultural products in the Generalized System of Preferences;

(iii) The widening of the margins of preference for agricultural products which have an excessively narrow margin of preferential treatment.

265. Of importance for Latin America within the general policy for the expansion and diversification of economic relations is the expansion and diversification of its trade and other economic relations with other developed countries, particularly Canada and Japan; it is necessary to correct the deficit trend in the region's trade balance and broaden the range of goods exported.

266. Exports from Latin American countries to the European members of the Council for Mutual Economic Assistance (CMEA) have recorded relatively rapid growth in recent years. A large number of trade and payments agreements have been signed between countries of the two areas, many of

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which go beyond the strictly commercial field and include issues of industrial, scientific and technological co-operation. The existing contractual basis augurs well for further expansion in trade, although this may in part depend on satisfactory solutions being found for the establishment of multilateral arrangements for the settlement of trade balances. Mention should also be made of the interest of Latin American countries in diversifying their exports to the CMEA countries (which at present consists almost entirely of primary products) by exporting manufactured products.

6. Transnational corporations

267. Strong impetus should be given to the work aimed at concluding an international code of conduct for the transnational corporations which will regulate their activities.

268. The Latin American countries should uphold their view, expressed in the Guatemala Appraisal, that the transnational corporations should conform to the following principles:

(i) Transnational corporations must comply with the laws and regulations of the host country and, in the event of litigation, they must submit to the exclusive jurisdiction of the courts of the country in which they operate;

(ii) They must refrain from any interference in the internal affairs of the States where they operate;

(iii) They must refrain from interference in or disruption of the relations between the Government of the host country and other States;

(iv) 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;

(v) They shall be subject to the permanent sovereignty exercised by the host country over all its wealth, natural resources and economic activities;

(vi) They must comply with national development policies, goals and priorities and make a positive contribution to attaining them;

/(vii) They

(vii) 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;

(viii) They must carry on their operations in such a way that these result in a new inflow of financial resources for the host country;

(ix) They must contribute to the development of the domestic, scientific and technological capacity of the host country;

(x) They must refrain from restrictive commercial practices.

269. At the same time, it is important to prepare guidelines for the future negotiations on direct investment between government and transnational corporations, on the basis of recent experience in this regard both in Latin America and in other regions of the world. High priority is assigned to more intensive use of the potential bargaining power of the Latin American countries, of which limited use has been made until now.

270. The Latin American countries should make efforts to exchange among themselves and with other developing countries the information they possess on negotiations with the transnational corporations, so as to enhance their individual and collective bargaining power. In this regard, it is considered necessary to strengthen the Latin American focal point in the CEPAL secretariat so that, in co-ordination with the United Nations Centre on Transnational Corporations, it can collect and disseminate all the information on the corporations on a regular and systematic basis.

## 7. Technology

271. Latin America considers that it is of fundamental importance to emphasize the urgent need to adopt a mandatory international code of conduct for the transfer of technology.

272. The region also attaches great importance to:

(i) The establishment in the countries of the region of appropriate institutional machinery, particularly national centres for the development and transfer of technology;

/(ii) The

(ii) The strengthening of the region's own capacity for adapting and creating technology, this being an objective which, together with the transfer of technology from abroad, should be achieved in the conditions required by the development of each country and in accordance with the orientations established by each country;

(iii) The introduction and improvement of machinery in the public sector to contribute to the search for and dissemination of technologies suited to these conditions, which will enable the State to fulfil its responsibility in acquiring in the world market technologies which are suitable for development;

(iv) The drawing up of preferential agreements for the development and transfer of technology between Latin America and other developing regions;

(v) The establishment in Latin America of subregional and regional centres for the development and transfer of technology which will serve as a link with the national centres of the other developing countries, or the strengthening of existing centres;

(vi) The establishment or strengthening of subregional, regional or interregional centres in Latin America for the development and transfer of technology in specific sectors of key importance.

273. The countries of the region, recognizing that substantial technological progress has been achieved in Latin America, should adopt measures actively to encourage the mutual transfer and dissemination of technologies in areas which can stimulate balanced economic and social development.

#### 8. External financing and monetary problems

##### (a) What is required of the international monetary system

274. It is necessary to work for the strengthening of the decisions recently adopted within IMF concerning the increase in quotas, the establishment of the additional financial facilities and the new allocation of special drawing rights (SDRs). In this regard CEGAN recommends:

/(i) That

(i) That account should be taken in future increases of quotas of the proposal made on the occasion of the seventh general review that the developed countries should finance the SDR component of the quota increases of the developing countries;

(ii) The establishment of a complementary financial facility, on the most favourable possible terms, is also necessary;

(iii) Significant progress in the implementation of the decisions adopted to make special drawing rights the principal reserve asset in the International Monetary System, with the aim of ensuring that world liquidity does not originate in the structural imbalances or payments deficits of the reserve-currency countries.

(iv) More flexible conditionality for the use of the IMF balance-of-payments resources to stimulate a recovery in general economic activity in the developing countries, the growth of their trade and employment in particular and to facilitate a more balanced process of adjustment.

275. When overseeing the principal exchange rates in the present system of dirty floating, IMF should intensify its oversight of the principal currencies and pay due attention to the special circumstances of the developing countries.

276. It will be necessary to improve and extend the existing compensatory financing facilities with the aim of fully offsetting the drop in the purchasing power of the exports of the developing countries resulting from changes in relative prices or from falls in volume measured against the trend in the growth rate. In this regard CEGAN reiterates the recommendations of the meeting of high-level officials of the Group of 77, held in Arusha (6 to 12 February 1979). These recommendations had previously been approved at the Latin American Co-ordination Meeting for the Fourth Ministerial Meeting of the Group of 77 (Caracas, 15 to 19 January 1979) preparatory to the V UNCTAD.



277. Of the recommendations adopted in Arusha, CEGAN emphasizes the following:

(i) Inclusion of measures by virtue of which the developed countries with surpluses and the reserve-currency countries accept a fair share of the burden of adjustment and the institution of a link between the creation of special drawing rights and the financing of development, in accordance with the forms proposed at the Arusha meeting;

(ii) Ensuring fairer and more effective participation by the developing countries in the taking of decisions in the institutions of the international monetary system;

(iii) Opening of a subsidy account so that the developing countries can seek loans from the complementary facility of IMF.

(iv) Making use of the IMF meeting to be held in Belgrade in 1979 to decide on the desirability of convening an international conference on currency reform;

(v) Reaffirmation of the principle that the international financing institutions should fulfil their role without establishing distinctions among their member countries, and without co-operation being tied;

(vi) Advocating that the multilateral monetary and financial institutions should grant credits without invoking political criteria; in addition, that they should not make their balance-of-payments support financing conditional on the acceptance by the developing country of measures and programmes which involve social costs and damage, thus running counter to the fundamental purposes and objectives for which they were created.

(b) Net flows of resources and terms of their transfer

278. CEGAN supports not only the objective that the developed countries should earmark 0.7% of their gross product for official development assistance, but also the objective of achieving a higher level with an appropriate share for Latin America, without jeopardizing the flows of resources to the remaining developing countries. The policies of the official development financing institutions should be subject to the priorities of the developing countries.

279. New criteria should be agreed for the allocation of official assistance resources, to replace the sole criterion of per capita income.

280. The transfer of resources should be depoliticized and realized in an increasingly secure, continuous and automatic manner and be distributed in a rational and fair way among the developing countries. The quality of Official Development Aid (ODA) should be improved in accordance with the forms agreed upon at the meeting of officials of the Group of 77, held in Arusha preparatory to the fifth session of UNCTAD.

281. The developed donor countries should deposit the ODA resources in a revolving fund once they have been earmarked, in view of the fact that there are substantial amounts destined for such and which have still not been disbursed, and they should increase the resources of the international financial agencies, such as IBRD, IDB and CDB, including in them concessional resources to an amount compatible with the increased investment requirements of the countries of the region.

282. The developing countries should renew their demands for the reactivation of the Third Window of the World Bank, with subsidized interest for economic infrastructure projects in the Latin American countries in particular.

283. They should also work towards a parallel increase in transfer of financing resources which are concessional in nature for social development programmes and low-income sectors, within the context of the objective of establishing the New International Economic Order.

284. CEGAN reiterates that the proposal for the establishment in the World Bank of a long-term facility for the financing of the purchase of capital goods by the developing countries should be examined at the earliest opportunity, with the aim of taking a positive decision as soon as possible.

285. It likewise urges that a greater volume of multilateral technical assistance should be furnished, both for the formulation and for the implementation of development projects.

286. CEGAN rejects the principle of "graduation" in financial aspects which is being introduced in IBRD and other international financing agencies.

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In this respect, it recommends the elimination of the criteria of graduation by the international agencies, in view, among other aspects, of the recent drafting by them of a list of 44 food priority countries which includes only 4 from Latin America, and the fact that such agencies are attempting systematically to exclude Latin America from international loans on concessional or soft terms.

287. The special programmes being put forward in favour of the least developed of the developing countries should be "additional" to the measures taken to benefit all the developing countries. When United Nations resolutions relating to the least developed countries are applied, the interests of all the developing countries should also be taken into account.

(c) Private capital

288. The Development Committee of the International Monetary Fund and the World Bank have examined the problem of access to the capital markets of the industrial countries. It is necessary to expand access to the capital markets of those countries. To that end, action by the IMF may be very important and should take into account the recommendations of the Third Ministerial Meeting of the Group of 77 (Manila, 26 January to 7 February 1976) to assist in eliminating the present obstacles.

289. The recently approved European Monetary System should not lead to a currency realignment which might cause excessive costs for the countries of the region with liabilities in those currencies.

290. Direct private investment should be compatible with national legislation and with the development priorities of the countries of Latin America, including the aim of permitting greater local participation in management, administration, employment and in-service training of local staff, as well as greater local participation in ownership of the enterprises concerned. In that regard, mention should be made of the urgent need to draft a code of conduct to govern the activities of transnational corporations.

/(d) International

(d) International financial co-operation

291. At the fourth Ministerial Meeting of the Group of 77, Latin America together with the other developing countries approved a programme of action on monetary and financial issues to whose application the region attaches great importance. CEGAN wishes to stress in particular in this appraisal that Latin America reiterates the need for the developed countries to commit themselves effectively to the drawing up of a broad system of financial co-operation in the firm conviction that this would prove to be of benefit to the entire international community. The objectives of the system should include the following:

(i) A transfer of resources in real terms should be ensured so that the developing countries reach the targets they have laid down for development;

(ii) The form and composition of these capital flows should be compatible with the development plans of these countries and fully in keeping with their development priorities;

(iii) The terms of this transfer of resources should be in keeping with the debt servicing capacity of the developing debtor countries;

(iv) The developed countries which have not yet reached the internationally accepted target for ODA should increase their aid substantially so as to attain the target, and introduce qualitative improvements in their aid;

(v) A multilateral framework should be established for the future borrowing operations of interested developing countries, which should safeguard their development plans;

(vi) The transfer of resources should be founded on a predictable and increasingly secure basis so that the developing countries can prepare their development programmes with certainty;

(vii) Periodic checking or evaluation should be effected both of the inputs required from the developed donor countries and multilateral institutions and of the operation of any of the elements of the system of international co-operation, in order to correct shortcomings.

/(e) Other

(e) Other aspects

292. CEGAN urges that due attention should be paid to the recommendations for the establishment of a separate multilateral guarantee facility for interested developing countries and recommends a change in the basic instruments of the multilateral financial institutions so that they can offer guarantees, including partial guarantees, more easily. Such guarantees should lead to additional flows of capital for the countries concerned and should not affect the access to capital markets which some countries of the region already have.

293. CEGAN supports the proposal agreed in Arusha for the establishment of a multilateral export credit guarantee facility designed to increase access by the developing countries to the international capital markets and facilitate the diversification of their exports, on the understanding that this multilateral facility would not affect in any way the access to capital markets already enjoyed by some developing countries.

294. The possibility might be examined of setting up special working groups at the regional level to consider both official development assistance and private capital, with the co-operation of CEPAL, IDB, CDB, the Latin American Center for Monetary Studies (CEMLA) and SELA.

295. CEGAN invites the developed countries to apply fully and without discrimination the special measures referred to in UNCTAD resolution 165 (S-IX).

9. Transport

296. Maritime transport should continue to be emphasized during the Third United Nations Development Decade, since it remains the principal means by which foreign trade is conducted. The approach adopted for the Second Decade should be expanded to embrace not only the monopolistic behaviour of liner conferences but also the manner in which they introduce and respond to technological change. A problem of continuing importance is the difficulty in obtaining liner rate reductions to reflect port improvements. It is also necessary to study the adaptation of the region's

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merchant marine policies in order to deal with this international monopoly. In addition, during the next decade the developing countries should achieve full participation in the formulation of policies for this sector.

297. Another serious problem for Latin America concerns the introduction of new shipping technology, particularly that associated with the use of containers.

298. Containerization affects not only ships themselves but also port infrastructure and - in countries where goods are to be transported inland - road and railway infrastructure as well. If the introduction of container services by foreign shipping lines is not adequately planned and regulated, this can lead to premature obsolescence of national merchant fleets that for economic reasons cannot respond to the challenge of the new technology, or to staggering investments in new ships which are aimed at meeting the challenge at any cost but can ill be afforded.

F. RECOMMENDATIONS TO THE SECRETARIAT OF CEPAL AND FUTURE ACTIVITIES  
BY CEGAN WITH REGARD TO REGIONAL PARTICIPATION IN THE  
PREPARATION AND APPLICATION OF THE NEW  
INTERNATIONAL DEVELOPMENT STRATEGY

299. The Latin American and Caribbean member States of CEPAL should play an active part at the political and technical level in the discussions being held in connexion with the preparation of the new strategy, so that it will come to constitute a genuine and effective international action programme to promote the economic and social development of the developing countries, taking adequate account of the interests and viewpoints of the countries of the region. The central element in an international development strategy should be the implementation of the action programme for the establishment of a New International Economic Order, and measures should be taken to allow an increase in the part played by the developing countries in the processes for the international adoption of decisions for the administration of the world economy.

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300. In order to contribute to the materialization of these aims, the secretariat is requested:

(i) To press forward in the basic studies on the nature and scope of the new strategy, and other matters not considered in section III of this Appraisal, or in matters which it is considered desirable to study in greater depth, in accordance with the relevant resolutions of the General Assembly, and also in the analysis of the objectives, targets, policies and measures which the new Strategy should contain, and in particular the machinery which might be established for analysis and appraisal;

(ii) To review the various aspects of the role which CEPAL and the countries of the region should play in the application of the new strategy to be adopted by the General Assembly;

(iii) To consider the best way of complementing and expanding the international development strategy to be adopted by the General Assembly by means of a regional action programme for the forthcoming decade which will promote the strategy's efficient application and corresponding periodic appraisal;

(iv) To consider at the eighteenth session of the Commission whether CEPAL should convene CEGAN in accordance with the pre-established machinery, taking into account the progress of the work of the secretariat and the programme of activities of the Preparatory Committee for the new international development strategy;

(v) To provide all the support which may be required for activities which SELA may have to carry out in connexion with the preparatory work for the new IDS and for its implementation.