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LATIN AMERICA AND THE THIRD SESSION OF UNCTAD

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INTRODUCTION

Ever since the preparatory stages of the first session of the United Nations Conference on Trade and Development the ECLA secretariat has been co-operating with the Latin American countries in the study and analysis of the problems that are discussed in UNCTAD. Several resolutions of the Commission have expressly requested the secretariat to provide such co-operation and have specified basic areas fo trade and development whose investigation and elucidation are of particular interest to the Latin American countries. Thus at its last session the Commission, while instructing the secretariat to adopt various measures at the regional level, in accordance with General Assembly resolution 2626 (XXV) laying down the International Development Strategy for the Second United Nations Development Decade, recommended that it should give "high priority to the questions that are most directly related to the topics to be discussed at the third session of UNCTAD, so that these studies provide more background material and technical criteria to support and harmonize the action of the Latin American countries in UNCTAD". In the same resolution 311 (XIV) it recognizes that the ECLA secretariat has provided the Governments of the region with efficient technical collaboration "during the preparatory stages and throughout the first and second sessions of UNCTAD".

In October 1971 the Latin American countries took part in two important events to consider the basic aspects of international trade, external financial co-operation and technological development to be discussed at the third session of UNCTAD, which is to take place at Santiago in April/May 1972. At the first of these events, a meeting of the Special Committee on Latin American Co-ordination (CECLA), the secretariat presented a set of studies suggesting guiding principles and action machinery for the main topics included in the provisional agenda for the third session of UNCTAD. As a result of this meeting CECLA prepared a number of working documents in the form of principles and draft resolutions and adopted the Lima Consensus which defines Latin America's basic aspirations, stressing the urgent need for responsible action by the international community in order effectively to promote the economic and social progress of all nations, particularly the developing countries, during the Second Development Decade.

/The Group

The Group of 77, which held a meeting immediately afterwards to harmonize the positions of 96 developing countries come together at Lima to discuss the third session of UNCTAD, concluded its discussions with a Declaration which represents an assessment of the present world situation and indicates the approach to international action and the basic principles upheld by developing countries with a view to establishing "a new structure of international economic relations based on a more just and dynamic international division of labour". The Group of 77 further outlined concrete and specific proposals aimed at solving, through international co-operation, the urgent problems of trade and development affecting its member countries. Although in the Charter of Algiers the developing countries had already established a common platform of aspirations and claims in relation to the agenda of the New Delhi Conference, in the Declaration of Lima they stress the fact that the acceleration of the process of social, economic, technological and political transformation has imparted a new dimension to the problems to be discussed at the third session of UNCTAD.

The International Development Strategy for the Second United Nations Development Decade recognizes that the economic and social progress of all nations is the shared responsibility of the whole international community and that, while the primary responsibility for development depends on the efforts of each individual country, those efforts should be facilitated and supplemented by the adoption of concerted action on the part of developed countries and international institutions so that national policies and external co-operation measures will converge towards common objectives. In this respect, the third session of UNCTAD is an outstanding opportunity to make a collective and decided effort to remedy the unfavourable situation of developing countries, to assess, within its sphere of competence, the progress made in the implementation of the International Development Strategy, to endeavour to expand the existing areas of agreement, and to define practical measures for implementing national and international action in line with the goals and objectives laid down in the Strategy.

The present document deals with the main problems to be discussed at the third session of UNCTAD. The countries of the region have already adopted a concerted position on these topics with the other developing countries in the Group of 77. The aim of this study is basically to analyse and evaluate Latin America's own position and to highlight some problems whose solution is of special interest to all or some of the countries in the region. The measures or approaches suggested in some fields supplement those expressly set forth in the Declaration of Lima, and the developing countries will be presenting specific proposals on them at the Conference.

/In the

In the chapter on commodity problems and policies, attention is drawn to the following trends: (a) Latin America's decreasing share in world commodity trade to the advantage not only of other developing countries but especially of developed countries; and (b) the long-established and continuing deterioration in the terms of trade, aggravated more recently by the decline in world prices of most of the primary products exported by the region in 1971 and the far from encouraging prospects for the near future. Bearing in mind these trends and the fact that primary products are and will for the next few years continue to be the main source of external income for the Latin American countries, stress is laid in this document on the need to ensure that certain commitments are effectively complied with and that the third session of UNCTAD results in the adoption of practical measures as regards a standstill arrangement and the reduction or elimination of tariff and non-tariff barriers impeding access to world markets.

In view of the widely differing situations presented by world trade in primary products, an attempt is made to identify the specific problems affecting the main commodities or groups of commodities which are of export interest to Latin America, and some specific measures are suggested which should be adopted at the third session of UNCTAD or put forward at other international meetings in order to achieve the stabilization of prices at fair and equitable levels for both producer and consumer countries and the continued expansion of exports from developing countries. This chapter also refers to the operation of international commodity agreements and the obstacles that must be overcome in order successfully to conclude the agreements currently being negotiated and to extend the scope of international co-operation in related matters, such as the operation of buffer stocks, support for diversification policies, the more orderly disposal of surpluses and strategic reserves, solutions to problems created by increasing competition from sythetic products, the limitation of production development policies in developed countries, and the granting by the latter to developing countries of a minimum share in their markets.

In the chapter on the world and regional trade in manufactures and semi-manufactures, attention is drawn to Latin America's declining and minority share, particularly in industrial products involving a higher level of processing and more advanced technology, for which world demand is growing most rapidly. Although experience regarding trade in manufactures differs considerably from country to country, exports being concentrated in a small group of countries (usually the most advanced in the region), it presents some common characteristics and

/problems which

problems which call for policies and action at a national level and proper understanding and co-operation on the part of the international community. The most important step forward in connexion with trade in manufactures and semi-manufactures since the first session of UNCTAD has been the establishment of the generalized system of preferences, which has already been put into practice by some developed countries, starting with the European Economic Community in mid-1971, followed more recently by Japan, the United Kingdom and Norway. The document urges countries which have not already done so to put their systems of preferences into effect without delay, and reference is made to several points arising from the initial application of the systems already in force: in this connexion, reference is made to hindrances in the utilization of preferences resulting from tariff or other quotas established by certain countries for specific commodities and from excessively restrictive rules regarding origin. If the rules in force are extended in scope and made more flexible and the additional demands of the developing countries (increase in the number of products covered by the system, minimum preferential margins, special treatment for the least developed among the developing countries, etc.) are accepted, the benefits that were envisaged when the generalized system of tariff preferences was established will fully materialize. The report also refers to the urgent need to establish time-tables, to be duly respected by all parties, for the elimination of existing non-tariff restrictions which prevent or hamper the access of manufactures and semi-manufactures from developing countries to the developed countries' markets. Other questions dealt with include the demands of developing countries for the eliminiation of restrictive business practices on the part of international enterprises, and various forms of co-operation designed to promote trade in manufactures and semi-manufactures.

As regards a concerted strategy to facilitate the efforts of developing countries in the field of export promotion, the relevant chapter of the document suggests some measures which could be adopted by developed countries and international organizations in connexion with both demand and supply. Without overlooking the importance which the Latin American countries should continue to attach to the expansion of their exports of primary products and the continuing search for new ways and opportunities of selling these on external markets, the report examines in greater depth the problems affecting exports of manufactures and semi-manufactures and suggests specific practices and measures for improving supply conditions. The role which ECLA can continue to play in this field is also dealt with.

/The chapter

The chapter on the impact of regional economic groupings of developed countries on international trade, and particularly the trade of developing countries, analyses the evolution of Latin America's trade and financial relations with the main industrialized areas (the EEC, United States and Japan). The report also includes a preliminary examination of the impact of the entry of the United Kingdom and other European countries into the European Economic Community on Latin American trade. This impact is analysed from the standpoint of the results of the application of the common agricultural policy in the expanded European market and the extension of preferential areas to countries linked to the Community by conventions of association or preferential agreements that are contrary to the principle of multilateral trade hitherto advocated by the great commercial powers. At the bilateral level, the report reviews the recent development of Latin America's relations with the EEC and the dialogue which seems to be opening as a result of the Community's favourable attitude to the approaches and proposals made by the countries of Latin America on the basis of the consensus reached in the Declaration of Buenos Aires. Some recent trends in the region's relations with the United States and Japan are described and emphasis is placed on the need for both countries to improve certain aspects of their financial and technical assistance to Latin America and to facilitate access to their respective markets for products of export interest to countries of the region.

In chapter V of the report, trade expansion and economic co-operation among developing countries are discussed from the standpoint of both intra-regional and inter-regional trade. A description is given of some achievements and experience in intra-Latin American trade, particularly under the economic integration and trade co-operation agreements in force in the region (LAFTA, the Central American Common Market, the Andean Subregional Integration Agreement (the Cartagena Agreement), CARIFTA and the East Caribbean Common Market). With respect to trade between developing countries in different geographical areas, reference is made to some particular problems which must be solved if these trade flows are to expand, and special emphasis is laid, because of its importance as a precedent, on the Protocol on tariff concessions not governed by the most-favoured-nation clause adopted within GATT by a group of countries signatories and not signatories of the Agreement.

The Special Committee on Latin American Co-ordination (CECLA) has requested the ECLA secretariat, in its role as advisory body, to carry out studies on action which might be taken in favour of the relatively less developed countries of Latin America, bearing in mind the special treatment accorded to them under regional and subregional economic integration

/agreements (resolution

agreements (resolution 13/XII (Lima)). These studies should be taken into account in relation to the relevant paragraphs of Trade and Development Board resolution 82 (XI) and General Assembly resolution 2768 (XXVI), which refer to a review of the initial list of hard-core least developed countries and the preparation of an action-oriented programme in favour of these countries. The relevant section of the present report deals with the problem of selecting criteria for identifying the least developed among the developing countries at the world and regional level, describes specific experience in the Latin American context, and suggests some trade, financial and technological measures that might be adopted at the international and regional level, with due regard to the special situation of countries identified as hard-core least developed countries; countries which, without being hard-core least developed countries, present an evident weakness in specific sectors; and countries considered to be economically relatively less developed within the context of certain geographical areas or of regional or subregional economic integration and co-operation agreements. The considerations presented by the ECLA secretariat on this subject to CECLA were of a very preliminary nature and it is currently engaged, at the request of CECLA, in more detailed studies in this complex field.

In compliance with CECLA's other request that the ECLA secretariat should prepare studies on measures which might specially benefit the land-locked developing countries in Latin America, some statistical material and preliminary information are presented for identifying the situation in those countries. Mention is also made of some measures which are being carried out and others which might be promoted at the regional and international level in order to solve such countries' infrastructure problems, particularly in transport and communications.

In the section of the report dealing with the problems involved in trade with countries with centrally planned economies, the development of those countries' relations with developed market-economy countries and the various developing regions is outlined and the particular features and systems of trade between the socialist countries of Eastern Europe and Latin America are described. The section ends with an indication of some questions which should be resolved in order to promote greater economic and technical co-operation between such countries and Latin America, and some areas for immediate action are suggested.

/One of

One of the subjects which is bound to merit particular attention at the third session of UNCTAD is maritime transport. The developing countries have been working out a common platform on this matter, the basic principles of this platform being contained in the Declaration of Lima. The relevant section of the present report describes Latin America's main problems regarding the need to develop its merchant marines in consonance with its participation in world trade, the constant increases in freight rates, and liner conference practices. As regards the present state and future development prospects of the Latin American fleets, a rough estimate is made of the investment which would be required for the region to regain its 1965 share in the world tonnage, and stress is laid on the urgent need to step up and improve the terms of international financial and technical aid for the purchase of new and second-hand ships and for the establishment or expansion of the shipbuilding industry in developing countries. The adverse effect of maritime transport costs on the balances of payments of the Latin American countries is discussed, together with the main technological advances which these countries should take into account when renewing or enlarging their merchant fleets and improving and modernizing their port infrastructure. Various lines of action are recommended to deal with the frequent increases in freight rates, including the publication of tariffs, the establishment and consolidation of consultation and negotiation machinery and the adoption of measures for reducing costs and rationalizing services. As regards conference practices, some suggestions are made regarding the preparation and content of a conference code of conduct and possible systems of international regulation; substantial progress is expected in these respects at the third session of UNCTAD.

In the chapter on insurance and tourism, emphasis is laid on the importance of these elements in the balances of payments of the Latin American countries and attention is drawn to the deficit in transfers to and from the region under the heading of payment and collection of insurance and reinsurance premiums, and the under-utilization by nearly all the Latin American countries of the potential source of external income with which tourism could provide them on account of their natural resources and beauty. In both these respects some measures and projects for improving Latin America's position in the world context are considered.

In response to the requests of Latin American countries, emphasis is placed in the report on some questions which are considered to be of the highest priority within the broad topic of financial resources for development. An attempt is made, in so far as the available data permit, to asses the progress or setbacks in this field in relation to the goals

/and objectives

and objectives which the international community has set itself and the basic positions upheld by the developing countries. As reference elements, special consideration is given to the resolution on the International Development Strategy for the Second United Nations Development Decade and the Programme of Action adopted by the Group of 77 at Lima. After global and country-by-country analyses of the volume and nature of the public and private resources made available to developing countries, it is emphasized that, UNCTAD, at its third session, should define more precisely the characteristics which public aid must possess and the terms on which it must be given if it is to contribute effectively to the recipient countries' development. In this connexion, stress is laid on certain approaches, such as the establishment of a multilateral fund for levelling interest rates, the preferential channelling of public assistance through multilateral institutions, and the liberalization and untying of financial aid. With regard to the role which private foreign investment should play in the economic and social development of the Latin American countries, mention is made of the experience of certain countries, which appears to indicate the advisability of establishing specific policies and measures for defining the conditions and characteristics of this investment or for controlling the way in which it is carried out.

As regards the need to obtain additional financing for the developing countries, special attention is paid in the report to the establishment of a link between the allocation of Special Drawing Rights (SDR's) and the provision of additional development finance. Reference is made to the World Bank's proposals regarding supplementary financing machinery to offset short-term drops in the export earnings of developing countries, and to the need for more flexibility in the terms of the International Monetary Fund's system of compensatory financing. Some suggestions are put forward in connexion with Latin America's external indebtedness and the outflow of its financial resources, and reference is made to some recommendations on the subject contained in the Pearson report. Among other aspects of development financing, consideration is given to the mobilization of the domestic resources of developing countries and to the use of a portion of the resources freed as a result of disarmament to increase aid to such countries.

In the section dealing with the <u>present international monetary situation</u> and the reform of the international monetary system, the report presents some background information on the circumstances and facts responsible for the crisis in the monetary system which has been in force for over a quarter of a century, and it underlines the

/following objectives

following objectives and criteria to which the developing countries wish to give concrete form in the reconstruction of this system: guaranteeing adequate liquidity for the expansion of world trade, the acceleration of exports and the growth of developing countries; ensuring the effective participation of the developing countries in the negotiations for reforming the system; and strengthening of the authority of the International Monetary Fund in handling world monetary policy, with fuller participation by the developing countries in decision-making. Some comments are made on the guidelines included in the Programme of Action of Lima regarding the maintenance of exchange rates within narrow margins, a more important role for SDR's as a basic source of international liquidity, the establishment of a link between the allocation of SDR's and the additional financing required for the developing countries, and guarantees against exchange losses affecting the reserves of these countries.

In order to shed some light on problems connected with the transfer of technology and the intensification of local research and development activities, reference is made in the report to some basic channels for the transfer and absorption of foreign know-how (construction of production plants, licences, foreign investment) and to the experience of developed countries and the particular situation of Latin America in this field. Various measures at the national, regional and international level are suggested for the organization and implementation of national policies designed to create more favourable conditions in the region for the transfer of technological know-how and the strengthening of research and development activities.

The question of the impact of environment policies on trade and development, which is included in the agenda for the third session of UNCTAD, is dealt with in the report by describing some basic approaches to the problem in both the major centres and peripheral countries. Attention is also focussed on the main questions of concern to the region (as embodied in a draft resolution submitted to CECLA) arising out of the effects of the environmental measures which are being adopted by the great industrial countries in the fields of trade, finance and technology. Lastly, some information is given about the scope of the United Nations Conference on the Human Environment which is to take place at Stockholm in mid-1972.

/Chapter I

Chapter I

COMMODITY PROBLEMS AND POLICIES

A. GENERAL TRENDS OF WORLD TRADE

World exports during 1970 continued to expand at the same rapid pace as in recent years, despite the effect of certain adverse factors that gave rise to a fear that demand in the principal world markets might slacken. Although events in the monetary and trade spheres in mid-1971 have undoubtedly changed the context in which trade had hitherto been conducted, there are as yet not enough data available to evaluate their impact on individual countries or groups of countries. Consequently, the present examination of recent trends will generally cover the principal trends up to the end of 1970 and early 1971.

It should be noted firstly that the growth of world exports in 1970 followed the traditional growth model of the past two decades, which has the following main features: (a) the highest growth rates are found in the developed countries; (b) the most dynamic sector of trade is that of manufactures; and (c) price fluctuations have a particularly strong impact on agricultural and mining products (which account for the lion's share of the developing countries' export earnings) and are generally the determining factor in the deterioration of the terms of trade between developing and developed countries.

The figures given in table 1 show that the share of manufactures in world exports rose from 50 per cent in 1960 to 60 per cent in 1970, even though some commodities, notably non-ferrous metals, enjoyed relatively favourable trade conditions during the second half of the 1960s. The fact that world exports of manufactures grow more rapidly than commodity exports is attributable, as is well known, to a number of quite different factors, including structural changes in demand as income rise; technological progress which has stimulated the production of synthetics and substitutes for a number of natural products and has brought savings in the raw material inputs required to produce a given finished product; the liberalization of trade in manufactures among the developed countries, which at the same time continue to protect their domestic production of raw materials and maintain restrictions on imports from the developing countries; and the characteristic instability of markets for commodities, mainly in the form of frequent and wide-ranging price fluctuations.

/Table 1

Table 1

WORLD EXPORTS BY GROUPS OF PRODUCTS

Current values in thousands of millions of dollars	1960	1967	1968	1969	1970
Total	128.3	214.7	239.6	273.3	312.5
Agricultural products	40.0	52.2	53.8	58.4	64.6
Mining products a/	21.4	35.9	40.6	44.5	51.1
Manufactured products	64.0	122.9	140.4	164.5	189.3
Indexes (1960=100):					
Current value: total		167	187	213	243
Agricultural products		130	134	146	161
Mining products		168	190	208	239
Manufactured products		192	219	257	296
Unit value: total		105	104	108	114
Agricultural products		100	99	104	106
Mining products		109	110	115	120
Manufactured products		106	106	108	116
Volume: total		159	180	197	214
Agricultural products		130	136	141	152
Mining products		153	172	181	198
Manufactured products		181	208	238	255

Source: Figures taken from GATT, International Trade 1970, Geneva 1971.

a/ This group includes fuels and non-ferrous metals. See appendix to International Trade 1970, p. 214, which gives sources and notes.

/These factors

These factors do not have exactly the same effects in the developed and the developing countries. For example, among the developed countries, exports by Japan and the European Economic Community (EEC) grew more rapidly than those of the United States and the European Free Trade Association (EFTA) (see table 2). Among the developing countries, exports from African and Asian countries grew more rapidly than exports by Latin American countries. As a result, Latin America's share in world trade is now much smaller than it was twenty years ago, not only because exports by the developed countries have grown so rapidly, but also because other developing regions have outpaced Latin America in export growth. In other words, the region's declining share in world trade is attributable, first to the fact that it plays little part in the trade in manufactures, and secondly to the fact that even in the export of commodities it is being overtaken by developed and other developing countries.

The figures given in table 3, which compares average annual values for 1961-1965 and 1966-1969 by exporting regions and groups of products, show the growth rates achieved between the two periods by each group of products and the percentage share of the different regions in world exports of each group of products. They indicate that the highest growth rate among commodities was achieved by non-ferrous metals (Division 68 of the Standard International Trade Classification - SITC), namely, a 75 per cent increase between the two periods, which to a large extent reflects price rises. Although the Latin American countries did increase their exports of non-ferrous metals, their share in the world total of exports of such metals fell slightly between 1961-1965 and 1966-1969. This, coupled with the fact that non-ferrous metals account for only a small part of the region's total exports, explains why the export boom for non-ferrous metals had relatively little impact on the overall growth rate of Latin America's exports. Similarly, Latin America did not participate fully in the upsurge in world exports of fuels (Section 3 of the SITC), which expanded by 59 per cent between the two periods. Latin America's exports of fuels grew much less rapidly, and hence not only did its share in the world market for fuels decline (from 16.5 to 13.4 per cent), but also its overall export figures were depressed because of the important plan occupied by petroleum and petroleum products in the total.

/Table 2

Table 2

WORLD EXPORTS, BY SELECTED REGIONS AND COUNTRIES

(Thousands of millions of dollars)

	1960	1967	1968	1969	1970	Annual growth rate 1960-1970
World total	128.0	213.0	237.5	271.0	309.6	9.2
Developed countries	85.7	149.6	168.2	193.7	223.9	10.1
United States	20.4	31.2	34.2	37.5	42.6	7.6
EEC	29.7	56.1	64.2	75.7	88.5	11.5
EFTA	18.5	28.7	31.1	35.7	40.2	8.1
Japan	4.1	10.4	13.0	16.0	19.3	16.7
Developing countries	27.3	40.3	44.1	49.4	54.7	7.2
Latin America	8.6	11.7	12.2	13.4	14.9	5.7
Africa	5.3	8.4	9.7	11.3	12.5	9.0
Asia	11.9	18.0	19.9	22.3	24.6	7.5
Soviet Union and Eastern Europe	13.0	23.1	25.2	27.9	31.0	9.1
		Percentages of the total				
Developed countries	67.0	70.2	70.8	71.5	72.3	
United States	15.9	14.6	14.4	13.8	13.8	
EEC	23.2	26.3	27.0	27.9	28.6	
EFTA	14.4	13.5	13.1	13.2	13.0	
Japan	3.2	4.9	5.5	5.9	6.2	
Developing countries	21.3	18.9	18.6	18.2	17.7	
Latin America	6.7	5.5	5.1	4.9	4.8	
Africa	4.1	3.9	4.1	4.2	4.0	
Asia	9.3	8.4	8.4	8.2	7.9	
Soviet Union and Eastern Europe	10.2	10.8	10.6	10.3	10.0	

Source: Absolute figures taken from United Nations, *Monthly Bulletin of Statistics*.

/Table 3

Table 3

WORLD EXPORTS, BY GROUPS OF PRODUCTS AND EXPORTING AREAS

SITC Sections	Years	World total millions of dollars	Percentage share of each exporting area			
			Developing countries		Developed countries	Socialist countries a/
			Latin America	Other		
0 and 1	1961-1965 b/	27 218	15.6	18.7	56.2	9.5
	1966-1969 b/	34 385	15.1	16.8	57.8	10.3
2 and 4	1961-1965	22 740	8.7	25.2	54.6	11.5
	1966-1969	27 132	8.4	23.3	56.2	12.1
3	1961-1965	7 072	16.5	44.9	25.4	13.2
	1966-1969	11 248	13.4	51.8	24.0	10.8
Division 68	1961-1965	5 209	12.1	17.6	62.3	8.0
	1966-1969	9 103	11.6	19.0	62.0	7.4
Total commodities	1961-1965	70 633	13.3	26.5	49.2	11.0
	1966-1969	92 318	12.4	27.2	49.8	10.6
5	1961-1965	9 788	1.4	2.8	86.6	9.2
	1966-1969	16 208	1.4	2.9	87.8	7.9
6 and 8 (excluding 68)	1961-1965	37 521	0.6	6.7	79.1	13.6
	1966-1969	54 380	0.9	8.5	83.7	6.9
7	1961-1965	37 284	0.1	0.7	86.0	13.2
	1966-1969	62 773	0.2	0.9	86.9	12.0
Total manufactured products	1961-1965	84 593	0.5	3.6	83.0	12.9
	1966-1969	133 361	0.6	4.3	85.7	9.4
Overall total 0-9	1961-1965	157 442	6.3	13.9	67.9	11.9
	1966-1969	232 360	5.3	13.3	70.1	11.3

Source: United Nations, Monthly Bulletin of Statistics.

a/ Includes all the countries with centrally planned economies in Asia and Eastern Europe. b/ Annual averages.

/World exports

World exports of foodstuffs, beverages and tobacco, and also of primary products (excluding fuels) expanded much less rapidly than exports of non-ferrous metals and fuels. In the case of these products, too, Latin America's exports did not manage to keep pace with the trend of world exports and thus slightly lost ground. Although the foodstuffs and beverages group includes two commodities that carry appreciable weight in the region's exports (coffee and bananas), here too Latin America's share in world exports declined. Indeed, Latin America lost ground in the world market in each of the four main commodity groups, which account for between 93 and 95 per cent of the region's total exports (see table 3). In contrast, while the Latin American countries and the other developing countries are losing ground as suppliers of primary commodities (with the exception of fuels), the developed countries are correspondingly increasing their already large share of the world market. Although the composition of exports is not the same in each group of countries, and although many developing countries' exports are dominated by tropical-zone products (for which world demand is sluggish), it cannot be overlooked that among the most influential factors in raising the share of the developed countries as suppliers of the world market are their agricultural policies, which are markedly protectionist, their policies of direct or indirect export subsidies, their systems for the disposal of surpluses and stocks, and their measures to stimulate the production of goods which compete with and replace a number of natural products.

B. LATIN AMERICAN EXPORT TRENDS

In 1969 and 1970, the value of Latin America's total exports increased in absolute terms by the largest amounts recorded during the whole decade. For the region as a whole, the average annual rate of growth between 1960 and 1970 was 5.3 per cent, but the figure for the period 1960-1968 was only 4.4 per cent (see table 4). There are big differences between countries. Some countries, particularly those which export a substantial amount of non-ferrous metals (Bolivia, Chile and Peru), Panama and three of the Central American countries, achieved annual growth rates that compare favourably with, or even exceed, the average annual rate for world exports (9.2 per cent in the period 1960-1970). Among the three countries carrying most economic weight in the region, Brazil's exports grew at an annual rate of 8 per cent, while those of Mexico and Argentina grew somewhat more slowly.

/Table 4

Table 4

LATIN AMERICA: VALUE OF EXPORTS, BY COUNTRIES
(Millions of dollars f.o.b.)

	1961-1965	1966-1969	1968	1969	1970	Annual growth rate 1960-1970
Argentina	1 290	1 509	1 368	1 612	1 773	5.1
Bolivia	77	152	153	182		15.2 a/
Brazil	1 410	1 897	1 881	2 311	2 738	8.0
Chile	579	948	941	1 068		9.0 a/
Colombia	486	546	558	608	674	3.7
Ecuador	151	194	208	183	218	4.2
Mexico	970	1 258	1 258	1 430	1 402	6.3
Paraguay	42	49	48	51	64	9.0
Peru	581	816	865	864	1 044	9.3
Uruguay	173	181	179	200	233	6.1
Venezuela	2 617	2 593	2 560	2 547	2 638	0.8
LAFTA	8 376	10 143	10 019	11 036		
Costa Rica	100	161	171	193	229	10.3
El Salvador	155	202	212	202	228	6.9
Guatemala	148	231	227	262	298	9.8
Honduras	92	164	183	169	171	10.5
Nicaragua	101	149	157	155		12.0 a/
CACM	596	907	950	981		
Cuba	618	651 b/	650	...	...	...
Dominican Republic	159	160	164	184	214	2.0
Panama	57	99	100	113	111	14.8
Total	9 820	11 982	11 900	13 010	14 390 b/	5.3
Latin America excluding Venezuela	7 213	9 389	9 340	10 463	11 752 b/	6.7

Source: United Nations, Monthly Bulletin of Statistics.

a/ 1960-1969.

b/ Preliminary. The sources show small discrepancies owing to the fact that the figures for several countries are preliminary.

/Venezuela's exports

Venezuela's exports displayed the most unfavourable evolution in the whole region, despite the fact that they largely consist of petroleum and petroleum products, which are among the products for which world demand is growing most rapidly. The average annual value of Venezuela's exports in 1966-1969 was slightly lower than in 1961-1965: quite the opposite of the trend in the oil-exporting developing countries outside the region. In world trade as a whole, as noted earlier, exports of petroleum and petroleum products achieved one of the highest growth rates during the 1960s. In Venezuela, production increased at a rate well below that of world production, and the value of the country's exports was affected by the steady decline in actual sales prices for crude petroleum and petroleum products on the world market 1/. The slow growth of petroleum production in Venezuela is probably attributable to a wide variety of factors, including decisions made by producer companies in the light of their interests in other areas, differences in systems of taxation (particularly in relation to the Middle East countries), the impact of quantitative restrictions by the United States on imports of crude petroleum and petroleum products 2/, and the emergence of new producing areas in North Africa with a comparative advantage as regards supplying the European market. In this connexion, it may be noted that, despite the quantitative restrictions in the United States market, Venezuela's exports to that market are the only exports that are growing 3/, within the limitations of the quota system, thus making up for the fall in exports to the EEC and EFTA countries.

Some of the factors that adversely affected Venezuela's petroleum exports during most of the 1960s started to improve in early 1970: in particular, world demand pushed up, and subsequently the Organization of Petroleum Exporting Countries (OPEC), of which Venezuela is a member, agreed upon and implemented measures aimed at initiating new negotiations with the foreign producer companies in each country to secure better prices and also other arrangements regarding taxation, exemptions, etc. The results of the negotiations carried on by the OPEC countries give reason to expect a substantial improvement in the revenue of the oil exporting countries, including Venezuela.

1/ Table 5 gives price indexes for Latin America's major export products.

2/ The actual impact of the restrictions varies depending on the programmes of the producer companies in the United States, since it is they who are subject to the quota system and not the exporting countries.

3/ Including exports of crude to Canada and Trinidad and Tobago which are generally destined, after refining, for the United States market.

The countries producing and exporting non-ferrous metals (Bolivia, Chile, Peru and to some extent Mexico) had relatively favourable markets from 1964 onwards, when the prices for copper, tin, lead and zinc began an upward trend after having declined to various extents during the previous four or five years. The special features of the world markets for each of these products meant that prices did not improve uniformly for all. For example, copper prices rose less during 1964 and 1965 than prices for the other three metals, but between 1966 and 1968 tin, lead and zinc lost some of the price increases of 1964 and 1965, while copper prices continued to rise and reached their highest point ever in 1969. After reaching this peak, however, copper prices then turned downward, while in the same year prices for the other three metals appeared to be returning to their 1965 levels. At all events, while these fluctuations in world prices for non-ferrous metals were in line with the traditional way that commodity markets operate, they ranged within a generally higher band than in the second half of the 1950s. The annual growth rates of exports by Bolivia (15.2 per cent), Chile (9 per cent) and Peru (9.3 per cent) between 1960 and 1970 were attributable in the main to the recent relatively favourable world market trends for copper, tin, lead and zinc, of which these countries are the main exporters in Latin America.

While it is not possible to summarize in the present study all the factors affecting export growth in each Latin America country during the 1960s 4/, it is possible to give a general idea of the trends of world prices for the region's principal export commodities, since these prices are often the most important variable in determining each country's export earnings.

4/ This kind of analysis is given regularly in the Economic Survey of Latin America, which the Economic Commission for Latin America issues each year.

/The price

The price indexes given in table 5 show annual average world prices for a group of commodities that account for more than two-thirds of the region's total exports. Fluctuations from year to year in the total overall index for these commodities (excluding petroleum and petroleum products) during the period 1960-1968 were not very pronounced, but the indexes for individual commodities usually show wide variations from one year to the next. In 1969 and again in 1970 the overall index rose to its highest point since 1960, because not only did copper prices rise, but prices for the other non-ferrous metals (tin, lead and zinc) also made a recovery, added to which prices rose for coffee, cocoa, beef, and fish flour, while free market prices for sugar began to recover. By the middle of 1971, however, some of these price rises had disappeared: coffee prices were falling back to the 1966 levels; cocoa prices had already dropped below the 1963 level; and copper prices were steadily falling. If petroleum and petroleum products are left out of account, it seems very likely that the overall index for 1971 will be lower than that for 1970.

The trend of the overall price index for Latin American commodities during the 1960s is reflected in the unit value indexes for the region's total exports. Table 6 gives indexes of the unit values of Latin American exports and imports, as a means of showing the trend of the terms of trade. As can be seen, the unit value indexes for total exports (particularly the index that excludes petroleum) improved substantially from 1964 onwards. Since one country is responsible for most of the petroleum exports, it can be considered that the unit value index of exports excluding petroleum gives a fairly reasonable picture of what happened in the rest of the Latin American countries as a whole, namely, that average export values improved and, although dipping slightly in some years, from 1964 onwards generally remained above previous levels. Over the same period, however, the unit value of imports also rose steadily, with the result that the terms of trade during 1964-1970, without being completely unfavourable, were not as positive a factor as might have been expected given the favourable situation of the world commodity market. Thus, for example, the improvement in the terms of trade in 1964 was gradually whittled away in succeeding years, until by 1967 the situation was the same as it had been in 1963, the base year of the table. In 1969, and particularly in 1970, when the unit value of exports reached its highest level, the unit value of imports rose sharply and thus cancelled out a substantial part of the advantages that Latin American exporters might have obtained. Even though the terms of trade index excluding petroleum is higher for 1970 than in the immediately preceding years, the fact that this is only a temporary state of affairs is clear from the indexes for the last two quarters of 1970 and the first two quarters of 1971, which show the unit value of imports rising and the unit value of exports falling. By the end of the first quarter of 1971, the terms of trade had lost all the gains of the previous year and had dropped below 1960 levels.

/Table 5

Table 5

PRICE INDEXES OF MAJOR LATIN AMERICAN EXPORTS ON THE WORLD MARKET

(1963=100)

Commodity	1960	1961	1962	1964	1965	1966	1967	1968	1969	1970
FOOD, BEVERAGES AND TOBACCO	92	89	87	108	100	96	92	90	103	118
Tropical zone	91	88	85	107	97	93	89	90	100	119
Sugar a/	36	34	35	69	25	22	24	25	41	44
b/	77	77	79	84	83	85	89	92	96	99
Bananas	95	95	95	90	96	92	93	89	88	96
Cocoa	101	85	80	87	64	87	100	124	164	122
Coffee c/	107	106	100	137	131	120	111	110	120	160
d/	113	110	103	123	123	120	106	108	114	142
Tobacco	82	81	84	62	79	...	...	...	...	...
Temperate zone	99	98	99	111	116	114	112	96	120	105
Beef	107	101	106	122	133	125	121	...	...	...
Maize	91	90	88	101	108	108	101	94	100	112
Wheat	96	100	100	105	98	101	107	98	98	98
AGRICULTURAL RAW MATERIALS	101	101	98	105	101	102	95	97	97	101
Linseed oil	121	133	120	112	108	91	98	111	112	107
Cotton e/	100	103	100	101	98	96	105	106	97	105
f/	99	106	101	99	99	92	100	102	88	100
g/	119	110	107	117	105	109	118	127	117	123
Hides	130	121	117	106	121	165	121	129	148	144
Quebracho extract	92	78	89	105	115	116	115	122	135	151
Fish meal	77	87	98	106	128	123	107	111	133	148

/Table 5 (cont. 1)

Table 5 (cont. 1)

Commodity	1960	1961	1962	1964	1965	1966	1967	1968	1969	1970
Wool h/	86	79	87	111	83	94	83	72	74	64
i/	99	95	82	110	90	84	56	55	59	59
METALS	107	104	103	117	129	152	142	148	174	172
Copper	105	98	100	118	136	186	170	183	227	220
Tin	88	98	99	136	155	142	135	125	137	144
Iron ore	111	115	114	96	97	98	98	98	98	101
Lead	114	101	89	159	182	150	131	138	166	171
Zinc	116	101	88	154	147	133	131	124	135	138
PETROLEUM AND PETROLEUM PRODUCTS	105	105	102	94	93	92	91	92	90	89
Crude	104	104	102	94	94	92	91	91	...	...
Petroleum products	108	107	103	93	92	91	91	94	...	...
Total, excluding petroleum and petroleum products	96	94	95	109	105	108	102	103	114	125
Total 21 products	99	98	97	104	101	102	98	99	106	113

/Table 5 (cont. 2)

Table 5 (cont. 2)

Commodity	1969				1970				1971		
	I	II	III	IV	I	II	III	IV	I	II	III
FOOD, BEVERAGES AND TOBACCO	98	99	101	113	116	118	119	119	113	105	104
Tropical zone	95	95	97	111	118	119	120	118	114	103	104
Sugar a/	40	46	41	38	39	44	46	48	57	52	49
b/	94	96	95	97	97	99	100	98	103	103	105
Bananas	86	99	91	76	106	108	88	83	98	108	104
Cocoa	164	165	166	162	125	109	131	122	106	98	100
Coffee c/	112	109	116	141	154	158	164	164	147	126	125
d/	108	102	107	138	146	145	141	137	128	122	122
Tobacco	...	...	...	...	...	...	...	...	...	...	...
Temperate zone	117	122	132	129	97	102	110	121	105	102	101
Beef	142	151	146	150	...	...	...	...	...	...	...
Maize	92	101	111	95	98	108	120	121	116	109	108
Wheat	101	96	...	...	97	96	100	...	95	95	95
AGRICULTURAL RAW MATERIALS	96	97	96	99	100	101	102	102	104	107	111
Linseed oil	115	108	115	111	107	109	105	106	98	88	90
Cotton e/	97	97	94	100	101	103	106	110	113	117	125
f/	88	89	87	90	93	100	103	110	113	120	125
g/	120	115	114	...	124	125	125	120	122	123	123
Hides	141	149	149	149	147	148	139	141	152	168	168
Quebracho extract	132	136	134	140	145	151	153	155	163	171	171
Fish meal	116	134	131	150	150	155	139	149	146	138	140
Wool h/	76	76	76	70	66	66	65	58	56	55	55
i/	59	59	59	58	59	60	61	56	57	62	64

/Table 5 (concl.)

Table 5 (concl.)

	1969				1970				1971		
	I	II	III	IV	I	II	III	IV	I	II	III
METALS	157	170	182	187	195	187	162	145	140	151	146
Copper	198	221	240	247	261	248	201	170	164	179	170
Tin	129	134	138	146	149	146	141	141	137	138	134
Iron ore	97	98	98	98	100	99	102	103	97	107	108
Lead	147	159	177	180	187	177	163	158	149	150	141
Zinc	127	131	138	145	139	136	139	136	130	136	145
PETROLEUM AND PETROLEUM PRODUCTS	...	...	...	...	...	...	...	...	...	...	...
Total, excluding petroleum and petroleum products	109	112	116	125	129	129	124	121	116	115	114
Total 21 products	...	...	...	...	...	...	...	...	...	...	...

Source: ECLA, on the basis of official statistics.

a/ Excludes exports to the United States.
b/ Exports to the United States.
c/ Santos (Brazil).
d/ Manizales (Colombia).
e/ Matamoros (Mexico).
f/ Sao Paulo (Brazil).
g/ Pima (Peru).
h/ Montevideo (Uruguay).
i/ Buenos Aires (Argentina).

/Table 6

Table 6

LATIN AMERICA: INDEXES OF THE UNIT VALUE OF EXPORTS AND IMPORTS AND OF TERMS OF TRADE

(1963=100)

Year		Unit value of exports		Unit value of imports	Terms of trade	
		Total	Excluding petroleum		Total	Excluding petroleum
1960		97	96	100	97	96
1961		96	94	100	95	93
1962		95	93	103	92	90
1963		100	100	100	100	100
1964		107	110	101	106	109
1965		106	109	104	103	105
1966		108	111	104	103	107
1967		105	108	106	100	102
1968		106	109	107	99	102
1969		109	114	109	100	104
1970		115	122	114	101	107
1970	I	115	122	113	102	108
	II	117	123	114	102	107
	III	119	123	114	105	108
	IV	113	120	115	98	104
1971	I	108	111	118	91	94
	II	108	111	119	91	94

Source: United Nations, Monthly Bulletin of Statistics, January 1972.

/1. The

1. The trends in the main commodities

In view of the relative decline in Latin America's share of the world commodity export market, it may be of value to take a close look at the trends in the production and export of the region's staple products in order to establish the facts of the situation without, however, examining in depth the domestic or external causes that may have been wholly or partly responsible for the particular trend in each product.

(a) Sugar

World production of sugar has risen 95 per cent over the past twenty years. During this time, Latin American production went up by 61 per cent and that of the rest of the world by 111 per cent (see table 7). Though the region's overall share in world production dropped, there were big differences between individual countries. First of all, Cuba's production remained more or less stagnant during the whole period in question, except for the 1969/1970 crop year, when output soared to the unprecedented figure of 9.4 million short tons compared with 5.2 and 5.5 millions for the two previous years; the average for the three years, however, was barely higher than at the beginning of the 1950s, although it did represent a significant recovery from the serious decline that had occurred in the early 1960s. At all events, Cuba's share in world production declined considerably during the last decade and is still low at the beginning of the 1970s, since it has not yet managed to exceed the production level of the 1950s. In the other Latin American countries, by contrast, whose total joint output twenty years ago was not as high as that of Cuba, sugar production has been booming since 1961, partly as a result of the changes in trading patterns set off by the United States embargo on trade with Cuba. Latin American sugar exports between 1951 and 1953, other than those from Cuba, came mostly from the Dominican Republic, Mexico, Perú and, to a lesser extent, Brazil. At the time, Cuba provided 3.2 million tons out of a total of 3.5 million tons which the United States imported from Latin America. When Cuba's quota on the United States market was cancelled, part of it went to North America's own producers, who increased their share of domestic supply, while the rest was divided among various Latin American exporters, including countries that had hitherto had no preferential access to the market. The price difference that has normally existed between sugar exported to the United States under the import quota system and that sold on the free market was a big incentive for Latin American producers and explains the rapid growth in the production and exports of certain countries, particularly Brazil and Mexico, as well as of a group of countries (including Argentina, Colombia, Ecuador and the Central American countries) that had not previously been exporters at all or, at most, only marginally. Since, therefore, the decline in Cuba's exports has been offset by expansion of the exports of other Latin American countries, the region as a whole has managed to retain its large share of world sugar exports (see table 8).

/Table 7

Table 7

CENTRIFUGAL SUGAR: WORLD AND LATIN AMERICAN PRODUCTION

(Thousands of short tons of unrefined sugar)

	1951/1952-1953/1954	1961/1962-1963/1964	1967/1968-1969/1970	1969/1970	1970/1971	Percentage increase between 1951/1952-1953/1954 and 1967/1968-1969/1970
Argentina	748	923	970	1 059	1 061	30
Brazil	2 112	3 710	4 930	5 068	5 987	133
Mexico	893	1 871	2 624	2 587	2 746	194
Peru	630	874	811	870	942	29
Dominica Republic	672	919	943	1 118	1 200	40
Other Latin American countries	647	1 629	2 434	2 374	4 337	276
Total	5 702	9 926	12 694	13 017	16 213	123
Cuba	6 374	4 506	6 700	9 400	6 500	5
Total for Latin America	12 076	14 432	19 394	22 417	22 713	61
World total	38 777	57 101	75 716	79 311	78 689	95
Percentage of world total:						
Cuba	16.4	7.9	8.8	11.4	8.3	
Rest of Latin America	14.7	17.4	16.8	17.0	20.7	
Total for Latin America	31.1	25.3	25.6	28.4	29.0	

Source: United States Department of Africulture, *World Agricultural Production and Trade* (various issues).

/Table 8

Table 8

CENTRIFUGAL SUGAR: WORLD AND LATIN AMERICAN EXPORTS

(Thousands of tons of unrefined sugar)

	1951-1953	1961-1963	1967-1969	1969	1970	Percentage increase between 1951-1953 and 1967-1969
Argentina	-	186	85	58	121	-
Brazil	103	570	1 047	1 061	1 130	919
Mexico	23	448	591	625	612	2 515
Peru	325	498	386	268	403	19
Dominican Republic	528	770	634	636	793	20
Other Latin American countries	72	278	849	954	1 496	1 086
Total	1 049	2 749	3 627	3 603	4 555	245
Cuba	5 322	5 022	5 031	4 799	6 906	-6
Total for Latin America	6 371	7 771	8 658	8 402	11 461	36
World total	13 517	17 974	19 478	18 543	21 676	44
Percentage of world total:						
Cuba	39.3	33.5	25.9	25.9	31.9	
Rest of Latin America	7.8	15.3	18.6	19.4	21.0	
Total for Latin America	47.1	48.8	44.5	45.3	52.8	

Source: International Sugar Council, *Statistical Bulletin*.

Cocoa (b)/

(b) Cocoa

World cocoa production has risen 81 per cent over the past twenty years, primarily as a result of increased production by Africa. The fact that the increase in Latin American production was barely 43 per cent was mainly due to the fluctuations in the output of Brazil, the region's largest producer. Brazil's average annual output between 1951/1952 and 1953/1954 was 119,000 long tons, which was less than that of the three previous years, when the average was 148,000 long tons; similarly, the average of 117,000 long tons for 1961/1962 represented another severe decline in production, since the average for the period 1957/1958 to 1959/1960 had been 178,000 long tons. The average of 167,000 long tons for the three-year period 1967/1968-1969/1970 does not represent any real increase, since it is lower than that for the end of the 1950s. Even the figures of the period 1969/1970-1970/1971, which seem at first sight to indicate an upswing in production, had already been equalled in 1959/1960 with an output of 198,000 long tons. Consequently, the percentage increase in Brazilian production that is given in table 9 is strictly relative, since a comparison with earlier periods gives a totally different picture (see table 9) 5/.

Other Latin American countries also experienced varying degrees of fluctuations in production, with normal crops in some years and severe reductions in others; the country least affected by these variations was probably Ecuador, whose output in recent years has grown rather more steadily.

Unlike Latin America, and although they too have experienced considerable fluctuations, the African countries have made great strides in production, most likely because they have been more successful in wiping out crop pests and diseases, which are the major causes of drops in production. The average production for the three-year period 1967/1968-1969/1970, (938,000 long tons) is not the highest recorded in Africa, as it was exceeded in the period 1964/1965-1966/1967, when production reached 989,000 long tons per year. The excess of production over current demand during the latter period brought about the most serious crisis in cocoa prices on the international market. Of all the commodities exported by Latin America, few suffer from such notorious price instability as cocoa beans, both because of the tremendous variations in world production and because of the system of marketing in the exporter countries. Hence the importance attached to providing for a buffer stock in the international cocoa agreement that has been under negotiation for many years.

5/ If the average annual production figures for 1948/1949 to 1950/1951, (148,000 long tons) are compared with those for 1968/1969 to 1970/1971, (181,000 long tons), the total increase in Brazilian production is 22 per cent.

/Table 9

Table 9

COCOA BEANS: WORLD AND LATIN AMERICAN PRODUCTION

(Thousands of long tons)

	1951/1952-1953/1954	1961/1962-1963/1964	1967/1968-1969/1970	1969/1970	1970/1971	Percentage increase between 1951/1952-1953/1954 and 1967/1968-1969/1970
Brazil	119	117	167	197	183	40
Colombia	15	19	18	19	21	20
Ecuador	26	37	58	54	60	123
Dominican Republic	33	37	31	42	25	-6
Venezuela	18	20	24	24	25	33
Other Latin American countries	30	47	45	41	40	50
Total for Latin America	241	277	345	385	354	43
Africa	474	853	938	998	1 116	98
World total	737	1 167	1 330	1 423	1 517	81
Percentage of world total:						
Latin America	33	24	26	25	23	
Africa	64	73	71	71	74	

Source: Gill and Duffus, Cocoa Market Report (London).

/The trend

The trend in world exports of cocoa beans has more or less followed the pattern of production. While Latin America's share of world production dropped from 33 to 26 per cent during the period under consideration, its share of world exports fell from 23 to 20 per cent. The region's declining share might well dwindle further in future because of the levelling off or decrease in long-term production that certain small Latin American producers are experiencing (see table 10).

(c) Coffee

Latin America's share in the world production and export of coffee has undergone a marked decline over the past twenty years, largely because of trends in Brazil and Colombia. In the period 1951-1953, the exportable production of these two countries amounted to 63 per cent of world production, a further 18 per cent of which was provided by the other Latin American countries, so that the region as a whole was supplying over four-fifths of the world's exportable production. The rapid expansion of African production during the 1950s, however, changed the whole picture. By the period 1961-1963, the exportable production of African countries had risen 168 per cent compared with 1951-1953, whereas the corresponding increase was only 58 per cent for Brazil, 19 per cent for Colombia and 61 per cent for the rest of Latin America. Some of these trends became even more marked from 1961-1963 onwards: Brazilian coffee growers in particular suffered severe losses due to frost in several seasons and the growth rate of production declined elsewhere in Latin America. While the share of African countries in world exportable production rose to 41 per cent between 1968 and 1970, that of Latin America fell to 52 per cent. It should be borne in mind, in this connexion, that between 1957 and 1963 efforts to stabilize the world coffee market covered only Latin American countries and it was not until the negotiations of the international coffee agreement in 1964 that the African producers and the major importing countries were also brought in.

/Table 10

Table 10

COCOA BEANS: WORLD AND LATIN AMERICAN EXPORTS

(Thousands of long tons)

	1951-1953	1961-1963	1968-1970	1969	1970	Percentage increase between 1951-1953 and 1968-1970
Brazil	86	75	104	118	118	21
Ecuador	23	33	44	32	36	91
Dominican Republic	23	18	28	25	34	22
Venezuela	15	11	12	10	11	-20
Other: Latin American countries	8	23	19	21	16	137
Total for Latin America	156	159	207	206	215	33
Africa	487	821	796	740	844	63
World total	666	1 014	1 037	982	1 094	56
Percentage of world total:						
Latin America	23	16	20	21	20	
Africa	73	81	77	75	77	

Source: Gill and Duffus, Cocoa Statistics (London, July 1971).

/Though exports

Though exports tend very much to follow the same trends as production, Brazilian exports are not showing the same strong annual fluctuations as before, thanks to the stocks accumulated in certain years, which make it possible to compensate for low production in others. Exports from Brazil and Colombia nonetheless rose by a bare 17 and 19 per cent respectively between 1951-1953 and 1968-1970, which goes to show that these are the two countries most affected, either for natural causes or as a result of trade control measures, by the attempts to stabilize the world coffee market and prevent the discrepancy between world supply and demand and the accumulation of stocks from having still more disruptive effects on prices. Excluding Brazil and Colombia, Latin American exports rose by 75 per cent over the period in question, while those of African countries rose by 225 per cent (see table 11).

These differences show that the African countries continued to increase their share of the world coffee market also during the period after the international coffee agreement came into effect. Thus, between 1961-1963 and 1968-1970, Latin America's exports rose by 2.9 million 60 kg bags but African exports rose by 4.3 million (see table 12).

(d) Wheat

The share of Latin America in world wheat production is very small, and is decreasing, despite the fact that Argentina, the main producer in the region (and the only exporter), has managed to keep a share of between 4 and 6 per cent of world exports (see table 13).

/Table 11

Table 11

COFFEE: WORLD EXPORTABLE PRODUCTION, BY MAIN GROWING AREAS

(Thousands of 60 kg bags)

	1951/1952-1953/1954	1961/1962-1963/1964	1968/1969-1970/1971	1969/1970	1970/1971	Percentage increase between 1951-1953 and 1968-1970
Brazil	14.6	23.1	6.6	10.3	1.5	-55
Colombia	5.7	6.8	6.6	7.1	6.1	16
Other Latin American countries	5.7	9.2	9.5	9.9	9.8	67
Total for Latin America	26.1	39.1	22.7	27.3	17.4	-13
Africa	5.6	15.0	17.9	18.5	18.1	220
World total	32.4	56.2	43.3	47.7	38.9	34
Percentage of world total:						
Brazil	45	41	15	22	4	
Colombia	18	12	15	15	16	
Rest of Latin America	18	16	22	21	25	
Total for Latin America	81	70	52	57	45	
Africa	17	27	41	39	47	

Source: United States Department of Agriculture, World Agricultural Production and Trade (various issues).

/Table 12

Table 12

COFFEE: WORLD EXPORTS, BY MAIN GROWING AREAS

(Thousands of 60 kg bags)

	1951-1953	1961-1963	1968-1970	1969	1970	Percentage increase between 1951-1953 and 1968-1970
Brazil	15 914	17 621	18 578	19 613	17 035	17
Colombia	5 466	6 115	6 525	6 478	6 508	19
Other Latin American countries	5 612	8 313	9 822	9 759	9 788	75
Total for Latin America	27 012	32 049	34 924	35 850	33 381	29
Africa	5 121	12 346	16 627	16 114	17 036	225
World total	32 814	46 313	54 108	54 466	53 254	65
Percentage of world total:						
Brazil	48	38	34	36	32	
Colombia	17	13	12	12	12	
Rest of Latin America	17	18	18	18	18	
Total for Latin America	82	69	64	66	63	
Africa	16	27	31	30	32	

Source: Pan American Coffee Bureau, "Annual Coffee Statistics" (various issues).

/Table 13

Table 13

WHEAT: WORLD PRODUCTION, BY MAIN GROWING AREAS

(Millions of tons)

	1948/1949-1952/1953	1961/1962-1963/1964	1967/1968-1969/1970	1969/1970	1970/1971	Increase between 1948/1949-1952/1953- and 1967/1968-1969/1970
Argentina	5.1	6.5	6.6	7.0	4.3	29
Other Latin American countries	2.7	2.7	2.7	3.2	3.7	-
Australia	5.1	8.0	11.0	10.8	7.9	116
Canada	13.4	14.3	17.4	18.6	9.0	30
United States	31.0	31.5	41.3	39.7	37.5	33
Western Europe	30.3	42.3	51.2	50.1	43.7	69
Eastern Europe	10.8	13.6	20.6	20.8	22.7	91
Soviet Union	32.7	62.3	83.5	79.9	80.0	155
Others	40.1	39.8	67.3	78.3	79.1	68
World total	171.2	221.1	301.9	308.4	287.9	76
Percentages of world total achieved by Latin America:						
Argentina	3.0	2.9	2.2	2.3	1.5	
Rest of Latin America	1.6	1.2	0.9	1.0	1.3	

Sources: International Wheat Council, World Wheat Statistics, 1969; U.S. Dept. of Agriculture, World Agricultural Production and Trade, September 1971.

/The wheat

The wheat trade has its own special features. Three countries (Australia, Canada and the United States), which averaged 24 per cent of world production in the last decade, provided - also on average - 72 per cent of world exports (see table 14). The export policies of these three countries, particularly the United States and Canada, have considerable influence on conditions on the international market, and they have also affected the regulations resulting from the succession of international wheat agreements which have been negotiated since 1949. Among the trade policies which most affect the competitive position of Argentine wheat are the subsidizing of exports and the various forms of "non-commercial" transactions, that is to say, programmes for the disposal of surpluses and other forms of Government aid to exports. According to the most recent data available, wheat and wheat-flour exports carried out under various Government-supported programmes reached the following volumes:

Countries	Exports under Government programmes (Thousands of tons)		Percentage of the country's total exports	
	1968-1969	1969-1970	1968-1969	1969-1970
Australia	214	215	3.9	3.0
Canada	3 711	3 211	42.7	36.3
European Economic Community	200	1 300	4.0	18.2
United States	8 555	10 107	58.2	61.3
Totals	12 680	14 833	37.5	37.3

Source: International Wheat Council, Review of the World Grains Situation, 1969-1970, London, November 1970, p. 228.

/Table 14

Table 14

WHEAT AND WHEAT FLOUR: WORLD EXPORTS, BY MAIN PRODUCER COUNTRIES

(Thousands of tons, trade years July/June)

	1948/1949-1952/1953	1961/1962-1963/1964	1967/1968-1969/1970	1968/1969	1969/1970	% Increase between 1948/1949-1952/1953 and 1967/1968-1969/1970
Argentina	1 694	2 320	2 088	2 785	2 108	23
Australia	3 021	6 293	6 543	5 369	7 250	117
Canada	7 782	11 437	8 867	8 700	8 999	14
United States	10 730	19 989	17 124	14 693	16 480	60
Others	2 854	9 179	14 070	13 448	15 420	393
World total	26 080	49 127	48 692	44 995	50 257	87
Percentages of world total:						
Argentina	6.5	4.7	4.3	6.2	4.2	
Australia	11.6	12.8	13.4	11.9	14.4	
Canada	29.8	23.1	18.2	19.3	17.9	
United States	41.1	40.7	35.2	32.7	32.8	
Others	10.9	18.7	28.9	29.9	30.7	

Source: International Wheat Council, World Wheat Statistics, 1970.

/In the

In the agricultural years in question, the four areas mentioned in the table supplied 75 and 79 per cent respectively of world exports, so that the proportion of exports carried out under Government programmes - especially in the case of the United States and Canada - considerably affects the position of other exporters, especially countries like Argentina, which is not in a position to make sales by accepting payment in the currency of the purchasing country, or by extending long-term credit, or by barter transactions, these being the main ways in which wheat is sold under the United States Government programmes.

The problems raised by the disposal of surpluses belonging to the developed countries, notably the United States, have been under international consideration since the mid-1950s, when the FAO's "principles of surplus disposal" were approved and almost simultaneously certain notification procedures were established within GATT. These problems, which do not only affect wheat, have been a matter of international concern, and for some years now several countries have been increasing their efforts to make the system of inter-governmental consultation set up to deal with these operations more effective and practical, particularly in view of the diversity of forms now taken by "non-commercial transactions". This new name conferred on such operations reflects the changes which have taken place in Government overseas sales programmes, which are no longer limited to agricultural surplus disposal but now also cover the promotion of sales of current production and sales from stockpiles of metals and other raw materials resulting from changes in the strategic needs of some of the developed countries.

The discussion of these problems at the international level has not yet led to the conclusion of any agreement to perfect the machinery for consultations. In the "Declaration and principles of the action programme of Lima" the developing countries reiterated the position which they have been maintaining on this matter, pointing out that developed countries which dispose of surpluses and strategic reserves must ensure that these operations do not adversely affect the economies of the developing countries, and that UNCTAD must maintain a constant watch on the disposal of surpluses and reserves not covered by the FAO's "Principles of surplus disposal", in order to ensure that Decision 4 (V) of the UNCTAD Committee on Commodities is carried out 6/.

6/ Decision 4 (V) of the above-mentioned Committee lays down a series of principles on the disposal of surpluses and reserves, particularly as regards products not covered by the FAO principles. See "Report of the Committee on Commodities on its fifth session".

/The problems

The problems raised by the disposal of surpluses and reserves, and all the "non-commercial transactions" in general which are carried on by the developed countries are not, of course, the only ones affecting Argentine wheat exports: other major problems are those concerning the level of subsidies granted by the developed countries to their own exports, the policy of maintaining domestic prices, and the systems of variable duties, quotas, prohibitions and other measures designed to restrict access to those countries' markets. It is the existence of these policies, in the final analysis, which determines the framework within which production in Argentina has to be planned, so it is hardly sufficient, in this case, to put forward the usual argument that Argentina's exports of wheat are not increasing because there is no increase in production.

(e) Bananas

The Latin American countries have traditionally dominated world production and exports of bananas, and over the last few years they have succeeded in increasing their share of world exports in spite of the import restrictions which certain important markets have applied in a discriminatory fashion to this product. The increase in exports has mainly been achieved by Ecuador, Honduras, Costa Rica, Panama and, to a lesser extent, Colombia, and it has made up for the drop in exports by Brazil and other minor producers. One of the decisive factors in this boom has been the change in the way that bananas are borded and distributed. This is now done entirely in cases, so that the product reaches the consumer in better condition and the losses which used to take place when bananas were transported in unprotected bunches, are eliminated, while the percentage of bunches rejected at the export purchase centres is greatly reduced (see table 15).

This relatively favourable trend should not cause the importance of the problems of access for regional exports to be forgotten. The United Kingdom, for instance, imports an average of 350,000 tons of bananas per year, almost entirely from countries in the British Commonwealth (mainly Caribbean producers), which are subject to no restrictions whatsoever, but fixes a quota of scarcely 4,000 tons a year for imports from Latin American countries, which in addition are subject to customs duties of around 15 per cent ad valorem. The entry of the United Kindgom into the European Common Market is a source of particular concern from Latin American exporters of bananas, for the EEC applies a common tariff of 20 per cent ad valorem, to imports of bananas, except for a free quota to the Federal German Republic which is supplied almost entirely by Latin American countries. Imports of bananas by other members of the EEC are subject, in addition to the Common External Tariff, to quotas, licences and excise taxes, which tend to result in preference being given to purchases in countries or territories associated with the EEC.

/Table 15

Table 15

BANANAS: EXPORTS FROM LATIN AMERICAN COUNTRIES AND WORLD TOTAL

(Thousands of tons)

	1951/ 1953	1961/ 1963	1968/ 1970	1969	1970	% increase 1951/1953- 1968/1970
Brazil	195	223	176	163	204	-9
Colombia	165	185	331	334	257	100
Costa Rica	329	262	708	719	853	115
Ecuador	357	1 122	1 270	1 193	1 364	256
Honduras	310	384	859	838	815	177
Panama	142	274	568	589	575	300
Other Latin American countries	237	318	207	209	198	-12
Total Latin America	1 734	2 768	4 119	4 045	4 266	138
Africa	286	448	358	377	384	25
World total	2 533	4 060	5 752	5 673	5 976	127
Percentages of world total:						
Brazil	7.7	5.5	3.1	2.9	3.4	
Colombia	6.5	4.6	5.8	5.9	4.3	
Costa Rica	13.0	6.5	12.3	12.7	14.3	
Ecuador	14.1	27.6	22.1	21.0	22.8	
Honduras	12.2	9.5	14.9	14.8	13.6	
Panama	5.6	6.7	9.9	10.4	9.6	
Latin America	68.5	68.2	71.6	71.3	71.4	

Source: FAO, Trade Yearbook 1970 and previous years.

/(f) Meat

(f) Meat

Latin America's share of world meat exports has not changed substantially over the past twenty years. Export supplies in some countries - particularly Argentina - have been affected in recent years by periods of drought and by a strong domestic demand, which made it necessary in some cases to prohibit meat consumption during certain periods. Latin America accounts for about 40 per cent of total world exports of beef. Although Argentina (with just over two-thirds of the total) is the main exporting country in the region, followed fairly far behind by Uruguay, other Latin American countries developed an active export trade in beef during the past decade, some of them - and although the volume of trade in their new export line is still quite small, it has enabled some countries - especially the Central American countries - to add to their exports a product for which there is a relatively dynamic world demand (see table 16).

It should be remembered, however, that there are restrictions on beef imports in some important markets. The United States has had an import quota system for years, although it has not yet put it into force. It has preferred to negotiate export agreements with its main suppliers under which they voluntarily limit the volume of their exports, taking into account the growth factor laid down in the formula for calculating the volume,above which the quotas would come into effect. In the European Economic Community there are complex regulations governing meat imports which provide for a variable tax in addition to customs duty, while trade agreements establishing special regulations for this product have been concluded with certain countries such as Yugoslavia. At the end of 1971 an EEC trade agreement with Argentina laid the basis for a system of continuing consultation on trade between the two areas and in particular on the way in which the variable taxes on meat imports should be applied.

(g) Cotton

Cotton production in Latin America enjoyed a period of expansion in the 1950s which continued, although at a slower rate, in the next decade. Part of this growth was accounted for by the two major producers - Brazil and Mexico - and the rest by the increases achieved by small producers (the Central American countries) and countries which were formerly net importers (Colombia). No sustained upward trend was noted in Argentina or Peru. Latin America's share in world cotton production has increased in the past two decades, but with quite pronounced fluctuations from year to year, as may be seen from the figures for the last few years, due to the effect of climate variations on yields and fibre quality (see table 17).

/Table 16

Table 16

MEAT: LATIN AMERICAN AND TOTAL WORLD EXPORTS

(Millions of pounds)

Country	1951-1955	1961-1965	1968	1969	1970
		A. Beef, mutton and pork			
Argentina	802	1 440	1 671	2 020	1 728
Brazil	17	94	196	296	339
Mexico	68	90	77	101	101
Paraguay	23	59	70	60	63
Uruguay	136	225	273	280	356
Total	1 045	1 908	2 286	2 756	2 588
World total a/	4 651	8 419	10 525	11 163	11 700
Total for the five Latin American countries as a percentage of world total	22.5	22.7	21.7	24.7	22.1
		B. Beef			
Argentina		1 217	1 339	1 693	1 429
Brazil		91	167	253	291
Costa Rica		19	48	55	57
Guatemala		14	28	37	36
Honduras		13	20	34	38
Mexico		81	63	81	80
Nicaragua		29	52	61	69
Paraguay		58	56	49	56
Dominican Republic		1	12	14	10
Uruguay		215	241	254	304
Total		1 736	2 026	2 530	2 369
World total a/		4 285	5 492	6 008	6 157
Total for the Latin American countries as a percentage of world total		40.5	36.9	42.1	38.5

Source: United States Department of Agriculture, World Agricultural Production and Trade, November 1971 and earlier issues.

a/ The world totals relate to exports from 44 countries in all continents.

/Table 17

Table 17

COTTON: LATIN AMERICAN AND TOTAL WORLD PRODUCTION

(Thousands of tons)

Country	1951/1952-1953/1954	1961/1962-1963/1964	1967/1968-1969/1970	1969/1970	1970/1971	% increase between 1951/1952-1953/1954 and 1967/1968-1969/1970
Argentina	129	114	109	140	87	-15
Brazil	361	511	663	672	477	84
Colombia	14	78	123	128	115	779
El Salvador	10	67	42	46	55	320
Guatemala	4	50	71	54	52	1 675
Mexico	270	468	448	379	312	66
Nicaragua	15	74	87	67	78	480
Peru	99	143	94	86	87	-5
Other Latin American countries	21	38	47	47	106	124
Total Latin America	922	1 542	1 683	1 618	1 369	83
World total	8 715	10 411	11 101	11 267	11 139	27
Percentages of World total:						
Argentina	1.5	1.1	1.0	1.2	0.8	
Brazil	4.1	4.9	6.0	6.0	4.3	
Mexico	3.1	4.5	4.0	3.4	2.8	
Peru	1.1	1.4	0.8	0.7	0.8	
Latin America	10.6	14.8	15.2	14.4	12.3	

Source: International Cotton Advisory Committee, Quarterly Bulletin, October 1971 and earlier issues.

/The rapid

The rapid growth of cotton fibre production in the Latin American countries in the first part of the period under review was largely the result of the prevailing world market conditions, with the United States cotton policy guaranteeing minimum prices which favoured other exporting countries. Prices slumped from mid-1956 onwards, however, when the United States Government radically altered its policy in an attempt to regain its "historical share" of the world cotton market.

Prices of the different types of Latin American cotton have since fluctuated between fairly narrow limits compared with the price fluctuations of other primary products in the region. As a result of these new price levels, production has grown more slowly, but Latin America's share in world exports has nevertheless increased and is continuing to increase, with fluctuations due to variations in production, particularly in Argentina and Peru (see table 18).

(h) Wool

World wool production is divided among a large number of countries, most of them small producers. Exports are concentrated in five countries, including two in Latin America. Over the past twenty years the rate of growth of Argentina's production was much slower than the world average rate, while total wool production in Uruguay declined. In contrast, wool output in Australia, New Zealand and South Africa increased, especially in the first two countries. Exports showed virtually the same trends in these five countries: a sharp drop in Uruguay, a somewhat less severe decline in Argentina, but increases of about 55 per cent in Australia and New Zealand, and slightly less in South Africa (see tables 19 and 20).

Among the main reasons for the relative stagnation or decline of wool production in Argentina and Uruguay are the periods of drought which at different times affected producing areas and decimated the stock. Another factor has been the instability of international wool prices and the low quotations for the principal types of Latin American wool in recent years 7/. Wool has also been affected by competition from synthetic fibres, although to a lesser extent than cotton. Substitution by synthetics has been most intensive in thick wools for carpets, which are an important item of Argentina's exports.

7/ From 1967 to 1970, for example, the price of Buenos Aires 5/6 type wool fluctuated between 44 and 48 cents per pound on the Boston market (United States), compared with 70 and 90 cents in the five previous years.

/Table 18

Table 18

COTTON: LATIN AMERICAN AND TOTAL WORLD EXPORTS

(Thousands of tons)

Country	1951/1952–1953/1954	1961/1962–1963/1964	1967/1968–1969/1970	1968/1969	1969/1970
Argentina	31	34	6	-	12
Brazil	138	219	329	384	421
Colombia	...	21	50	64	54
El Salvador	...	58	31	23	44
Guatemala	...	42	61	80	46
Mexico	211	347	295	352	265
Nicaragua	...	67	86	103	62
Peru	78	126	75	85	77
Other Latin American countries	37	13	19	14	25
Total Latin America	494	928	952	1 105	1 006
World total	2 752	3 588	3 725	3 603	3 828
Percentages of World total:					
Argentina	1.1	0.9	0.2		
Brazil	5.0	6.1	8.8	10.7	11.1
Mexico	7.7	9.7	7.9	9.8	7.0
Peru	2.8	3.5	2.0	2.4	2.0
Latin America	18.0	25.8	25.6	30.7	26.6

Source: International Cotton Advisory Committee, Quarterly Bulletin, October 1971 and earlier issues.

/Table 19

Table 19

WOOL: WORLD OUTPUT, BY MAIN PRODUCING COUNTRIES

(Millions of pounds, unscoured)

Country	1951 / 1953	1961 / 1963	1968 / 1970	1970	1971[a]	% increase between 1951–1953 and 1968–1970
Argentina	409	442	435	423	...	6
Uruguay	193	190	171	172	...	-11
Australia	1 201	1 718	1 973	1 935	1 934	64
New Zealand	416	608	730	736	727	75
South Africa	258	327	318	278	...	23
United States	266	302	198	187	180	-26
United Kingdom	99	131	107	98	92	8
Other countries	1 449	2 038	2 281	2 238	...	57
World total	4 290	5 755	6 214	6 123	6 068	45
Percentages of world total:						
Argentina	9.5	7.7	7.0	6.9		
Uruguay	4.5	3.3	2.8	2.8		

Source: United States Department of Agriculture, World Agricultural Production and Trade, August 1971 and earlier issues.

a/ Preliminary estimates.

/Table 20

Table 20

WOOL: PRINCIPAL WORLD EXPORTERS

(Millions of pounds)

Country	1951/ 1952- 1953/ 1954	1961/ 1962- 1963/ 1964	1967/ 1968- 1969/ 1970	1968/ 1969	1969/ 1970	% increase between 1951/1952- 1953/1954 and 1967/1968- 1969/1970
Argentina	250	279	244	249	212	-2
Uruguay	128	85	98	96	88	-23
Australia	1 014	1 427	1 570	1 559	1 664	55
New Zealand	414	568	643	680	669	55
South Africa	220	263	249	260	247	13
Total five countries	2 033	2 622	2 804	2 844	2 880	38
Percentages of world total:						
Argentina	12.3	10.6	8.7	8.7	7.4	
Uruguay	6.3	3.2	3.5	3.4	3.0	

Source: United States Department of Agriculture, Wool Situation, October 1971 and earlier issues.

Note: The commercial year for wool is from July to June in Australia, New Zealand and South Africa, and from October to September in Argentina and Uruguay.

/(i) Non-ferrous

(i) Non-ferrous metals

Non-ferrous metals produced in Latin America include copper, tin, lead and zinc. Production is concentrated in a few countries, which in general account for a smaller proportion of world production today than in the years 1951-1953.

Production of copper ore increased sharply in Peru at the beginning of the 1960s when new mines came into operation, but since then growth has been slower. The 76 per cent expansion in Chile between 1951-1953 and 1968-1970 took place mainly in the period 1951-1953 to 1961-1963. The aim of the expansion programme designed to raise annual production to 1.1 million tons of fine copper by 1970 was not realized 8/. Chile's share in total world copper production has continued to shrink and reached its lowest ebb in 1970. On the other hand, a much larger proportion of Chilean copper is refined locally. In 1967 the State acquired a share in the large producing companies and took steps to ensure its increasing participation in the marketing of copper abroad 9/. Mexico's copper output remained at the same level, while its exports declined owing to heavier local consumption. In Chile and Peru exports followed the same trend as production (see table 21).

Bolivia is virtually the only tin producer and exporter in Latin America. World production, which averaged 171,000 long tons in the period 1951-1953, dropped to 118,000 tons in 1958-1959 owing to the decline in world consumption, the severe slump in tin prices and the restrictions on production and exports imposed by the International Tin Council. In 1960 a slow process of recovery began in several countries, but Bolivia's production in 1961-1963 was barely two-thirds of that recorded in 1951-1953, and in 1968-1970 it had still not regained the levels reached at the beginning of the 1950s, although world output had already surpassed them. This was partly due to the depletion of the more accessible mines, the low grade of the ore and other factors connected with production efficiency. Since Bolivia has no refineries, its exports are all in the form of ore concentrates (see table 22). 9a/

8/ The production expansion programme is described briefly in the Economic Survey of Latin America, 1964 (United Nations publication, Sales No.: 66.II.G.1), pp. 258 *et seq.*

9/ The large copper companies were nationalized in July 1971.

9a/ The Oruro foundry only entered into full operation in 1971, with an annual capacity of 7,500 tons (1st stage).

/Table 21

Table 21

COPPER: LATIN AMERICAN AND TOTAL WORLD PRODUCTION AND EXPORTS

Country	1951-1953	1961-1963	1968-1970	1969	1970	% Increase between 1951-1953 and 1968-1970
		A. Mining production a/				
Chile	384	578	675	688	673	76
Mexico	62	51	63	66	61	1
Peru	33	181	204	199	212	525
Total	479	810	942	953	951	96
World total	2 721	4 373	5 816	5 861	6 218	114
Percentages of world total:						
Chile	14.1	13.2	11.6	11.7	10.9	
Mexico	2.3	1.2	1.1	1.1	1.0	
Peru	1.2	4.1	3.5	3.4	3.4	
Total	17.6	18.6	16.2	16.2	15.3	
		B. Exports b/				
Chile	343	563	662	663	684	
Mexico	49	27	7	7	5	
Peru	33	178	207	200	216	

Sources: Production: Yearbook of the American Bureau of Metal Statistics, New York, 1970; exports: official foreign trade statistics.

a/ Thousands of short tons.

b/ Thousands of metric tons.

/Table 22

Table 22

TIN: PRODUCTION OF ORE CONCENTRATES AND EXPORTS

(Thousands of long tons)

Country	1951-1953	1961-1963	1968-1970	1969	1970	% Increase between 1951-1953 and 1968-1970
			A. Production			
Bolivia	33.3	21.6	29.6	29.6	30.1	-11
Indonesia	33.4	16.3	17.3	16.3	19.1	-48
Malaysia	57.0	58.2	73.7	72.2	73.8	29
Nigeria	8.3	8.2	8.7	8.6	8.0	5
Republic of the Congo	12.3	7.0	6.5	6.5	6.4	-47
Thailand	9.7	14.5	22.1	20.8	21.8	128
World total	171.2	139.8	181.5	176.7	185.7	6
Percentage of world total:						
Bolivia	19	15	16	17	16	
			B. Exports			
Bolivia	33.3	20.1	28.7	29.4	27.8	

Sources: International Tin Council, Statistical Yearbook 1968; Statistical Bulletin, September 1971.

/A number

A number of Latin American countries produce lead and zinc ore, but the main producers are Mexico and Peru, which account for virtually all the exports from the region. In Mexico, lead production declined in absolute terms, while zinc output rose very slowly; thus Mexico's share of world production of both these metals contracted noticeably. In contrast, Peru's lead and zinc production grew more rapidly than the average world rate, so that its relative position improved. Latin America as a whole, however, lost ground in the production of both these metals between the periods 1951-1953 and 1968-1970 (see tables 23 and 24).

(j) Petroleum

World production of crude petroleum registered one of the highest growth rates of all the primary products, which partly reflects the dynamic nature of demand for this commodity and the discovery and development of new producing areas. Latin America displayed two different trends: a growth rate well below that of world production in the traditional exporter countries (Venezuela, Mexico, Colombia and Peru), contrasting with a high rate in countries where the production level was very low in 1951-1953 (Argentina, Brazil, Bolivia and Chile). In Argentina, Brazil and Chile the production increase was used mainly or entirely to cover the growing domestic consumption.

Venezuela's output rose by 104 per cent between 1951-1953 and 1968-1970 compared with the 233 per cent increase in world production (see table 25). This slower growth seems to have been due, *inter alia*, to the decline in the real prices of petroleum since 1960 10/, the changes in the United States system of import quotas since 1959, and the policies of the oil companies which operate in Venezuela as subsidiaries of corporations which also have subsidiaries in other producing areas. The Venezuelan Government's action seems to have been directed towards obtaining a larger share of the profits derived from the oil companies' operations in Venezuela rather than towards boosting production, which might have resulted in stronger downward pressure on real petroleum prices. A significant measure adopted as part of this policy was the suspension of all new oil concessions for a considerable number of years: this also affected the annual growth rate of Venezuela's production.

10/ The quotations for petroleum at the wellhead published by producing companies in Venezuela remained unchanged between 1960 and 1970, but they were always subject to variable discounts according to market conditions.

/Table 23

Table 23

LEAD: LATIN AMERICAN PRODUCTION AND EXPORTS

Country	1951-1953	1961-1963	1968-1970	1969	1970	% Increase between 1951-1953 and 1968-1970
			A. Mining production a/			
Argentina	21.9	23.4	36.6	38.5	41.9	67
Bolivia	30.5	21.7	26.9	27.8	28.4	-12
Guatemala	5.2	4.9	0.9	0.8	1.1	-83
Mexico	257.8	207.5	191.7	188.4	194.7	-26
Peru	107.5	151.3	168.9	170.1	170.9	57
Brazil	...	10.7	21.6	24.4	20.0	...
Honduras	...	7.5	16.6	15.3	20.0	...
Total	423.1	433.8	463.3	465.3	477.0	10
World total	2 656.4	2 682.6	3 527.3	3 572.8	3 746.2	33
Percentages of world total:						
Mexico	9.7	7.7	5.4	5.2	5.1	
Peru	4.0	5.6	4.8	4.7	4.5	
Latin America	15.9	16.2	13.1	13.0	12.7	
			B. Exports b/			
Bolivia	28.1	19.6	23.8	25.0	26.0	-15
Mexico	206.9	148.7	94.3	87.2	94.0	-54
Peru	92.6	135.9	156.3	156.2	159.0	69

Sources: Production: Yearbook of the American Bureau of Metal Statistics, 1970; exports: official foreign trade statistics.

a/ Thousands of short tons.

b/ Thousands of metric tons.

/Table 24

Table 24

ZINC: LATIN AMERICAN PRODUCTION AND EXPORTS

Country	1951-1953	1961-1963	1968-1970	1969	1970	% Increase between 1951-1953 and 1968-1970
		A. Mining production[a]				
Argentina	17.3	33.8	35.6	34.9	43.0	106
Bolivia	33.1	5.0	31.2	29.2	51.3	-6
Guatemala	7.7	3.6	...	...	...	...
Mexico	233.0	279.0	279.2	279.3	293.7	20
Peru	134.2	195.6	328.0	331.0	337.3	144
Total	425.3	517.1	674.0	674.4	725.3	59
World total	2 656.4	3 769.8	5 325.2	5 412.6	5 474.7	100
Percentages of world total:						
Mexico	8.8	7.4	5.2	5.2	5.4	
Peru	5.1	5.2	6.2	6.1	6.2	
Latin America	16.0	13.7	12.7	12.5	13.2	
		B. Exports[b]				
Bolivia	30.0	4.5	28.3	26.5	46.7	
Mexico	355.9	388.0	312.6	313.6	326.5	
Peru	103.3	191.6	315.5	310.8	332.0	

Sources: Production: Yearbook of the American Bureau of Metal Statistics, 1970; exports: official foreign trade statistics.

a/ Thousands of short tons.

b/ Thousands of metric tons.

/Table 25

Table 25

CRUDE PETROLEUM: LATIN AMERICAN AND TOTAL WORLD PRODUCTION

(Millions of tons)

Country	1951-1953	1961-1963	1968-1970	1969	1970
Argentina	3.7	13.0	18.5	18.1	19.9
Bolivia	0.1	0.4	1.6	1.9	1.1
Brazil	0.1	4.5	8.1	8.4	8.2
Chile	0.1	1.5	1.7	1.7	1.7
Colombia	5.4	7.5	10.3	10.9	11.3
Ecuador	0.4	0.3	0.2	0.2	0.2
Mexico	10.9	15.9	21.1	21.1	22.0
Peru	2.1	2.8	3.4	3.5	3.1
Total	22.9	45.9	65.0	65.8	67.4
Venezuela	93.2	163.1	190.3	187.9	193.9
Total Latin America	116.1	209.0	255.3	253.7	261.3
World total	624.8	1 215.1	2 081.1	2 072.2	2 247.0
Percentages of world total:					
Venezuela	14.9	13.4	9.1	9.1	8.6
Other Latin American countries	3.7	3.8	3.1	3.2	3.0
Latin America	18.6	17.2	12.2	12.2	11.6

Sources: United Nations, Statistical Yearbook 1970; Monthly Bulletin of Statistics, November 1971.

/2. The

2. The principal external markets

From the annual averages for 1961-1965 and 1966-1969, it can be seen that there are only small variations in the importance of the different external markets, particularly those for primary products, which accounted for 93 per cent of the region's total exports in the last five-year period (see table 26). The United States continuos to be the most important market for this group of products, although its share fell from 34.1 per cent in 1961-1965 to 32.1 per cent in 1966-1969. However, part of the increase in exports to Canada (especially the increase in exports of crude petroleum) may well be destined ultimately for the United States market, in which case the decrease would be less. In any event, the United States market maintains its leading psotion in both absolute and relative figures as an importer of Latin American primary products. In the manufacturing sector 11/ exports to the United States also account for a high relative share (38.0 per cent on average for 1961-1966), which declined to 31.1 per cent in the period 1966-1968 not because of a decline in the value of exports to that market, but because of a more rapid increase in sales to other areas.

Although exports of manufactured goods are still at a relatively insignificant level, in absolute terms, they represent the most dynamic sector of world trade, and hence they largely determine what possibility there is of the Latin American countries being able to overcome, in the medium and long term, the lack of outlets which affects their export sector. Since such a large proportion of the region's exports of manufactures go to the United States market, the customs surcharge of 10 per cent imposed by that country on imports in August 1971 and cancelled in December had a particularly strong effect on Latin America.

The growth rate of Latin American exports to the European Economic Community was similar to that of exports as a whole, accounting for 20 per cent of total exports in both 1961-1965 and 1966-1969. The bulk of Latin American exports to the EEC consists of primary products, although the share of fuels declined markedly between 1961-1965 and 1966-1969, owing to the rapid upswing in petroleum output in North Africa, which is preferred by the EEC countries.

11/ Non-ferrous metals are icnluded under manufactures in the definition of the latter term used in this report.

/Table 26

Table 26

LATIN AMERICA: TOTAL EXPORTS BY GROUPS OF PRODUCTS AND MAIN AREAS OF DESTINATION

(Millions of dollars)

Sections of SITC	Years	Areas of Destination							
		Latin America	United States	Canada	European Economic Community	European Free Trade Association	Japan	Soviet Union and Eastern Europe	Total
Food, beverages and tobacco (sections 0 and 1)	1961-1965	274	1 568	44	998	420	85	427	4 246
	1966-1969	399	1 830	46	1 245	434	132	537	5 203
	1968	425	1 960	48	1 170	395	125	510	5 210
	1969	440	1 870	60	1 350	485	220	520	5 580
Crude materials, except fuels (sections 2 and 4)	1961-1965	134	514	16	556	216	294	111	1 958
	1966-1969	211	515	16	588	261	402	131	2 283
	1968	215	440	17	530	270	375	125	2 110
	1969	255	560	16	700	290	420	135	2 580
Fuels (section 3)	1961-1965	203	872	212	186	281	20	-	2 600
	1966-1969	263	988	305	168	244	29	-	2 910
	1968	275	990	355	170	235	23	-	3 030
	1969	280	1 020	375	170	210	24	-	3 050
Non-ferrous metals (division 68)	1961-1965	42	263	1	204	103	8	1	628
	1966-1969	82	348	-	368	178	53	1	1 058
	1968	83	375	2	370	215	78	-	1 160
	1969	110	305	-	435	210	100	-	1 190
Total primary products	1961-1965	653	3 217	274	1 944	1 020	408	538	9 432
	1966-1969	955	3 681	367	2 369	1 117	616	669	11 454
	1968	998	3 765	422	2 240	1 115	601	635	11 510
	1969	1 085	3 755	451	2 655	1 195	764	655	12 400

/Table 26 (Concl.)

Table 26 (Concl.)

Sections of SITC	Years	Areas of Destination: Latin America	United States	Canada	European Economic Community	European Free Trade Association	Japan	Soviet Union and Eastern Europe	Total
Chemicals (section 5)	1961-1965	34	51	1	21	8	2	7	133
	1966-1969	97	66	2	27	11	4	8	235
	1968	105	62	2	26	11	6	8	240
	1969	120	54	3	34	12	7	10	265
Manufactured goods (sections 6 and 8, excluding division 68)	1961-1965	88	90	2	6	5	8	1	216
	1966-1969	214	158	5	51	15	10	5	473
	1968	242	185	4	35	5	6	8	500
	1969	255	195	7	65	35	15	7	590
Machinery and transport equipment (section 7)	1961-1965	28	8	-	2	2	-	-	43
	1966-1969	88	42	1	9	2	-	-	147
	1968	92	51	1	8	2	2	-	160
	1969	125	79	-	12	2	-	-	225
Total manufactured goods	1961-1965	150	149	3	30	15	10	8	392
	1966-1969	399	266	8	87	28	14	13	855
	1968	439	298	7	69	18	14	16	900
	1969	500	328	10	111	49	22	17	1 080
Grand total (sections 0 to 9)	1961-1965	810	3 382	279	1 976	1 035	418	546	9 856
	1966-1969	1 355	3 958	375	2 458	1 148	630	682	12 323
	1968	1 440	4 070	430	2 310	1 133	615	651	12 430
	1969	1 600	4 100	461	2 770	1 250	790	672	13 510
	1970	1 700	4 440	500	3 130	1 300	1 020	690	14 750

Source: United Nations, Monthly Bulletin of Statistics (March and May 1967 and 1971, and June 1971).

/Exports of

Exports of manufactures to the EEC are very small but growing. In the period 1961-1965, 8 per cent of Latin American exports of manufactures were destined for the Common Market; this proportion rose to 10 per cent in 1966-1969. As the EEC was the first trading area to put into effect the system of general preferences in favour of exports of manufactures from developing countries, there seemed to be grounds for expecting that Latin America would considerably increase its exports to this market, but the quotas for a number of products or for certain suppliers in developing countries were filled in the first two months of application of the system, which would appear to indicate that the quotas are very small, at any rate for the products in question.

Exports to the European Free Trade Association (EFTA), most of which go to the United Kingdom, grew very slowly: indeed, their share in the region's total exports fell from 10.5 per cent in 1961-1965 to 9.3 per cent in 1966-1969. Primary products account for nearly all such exports and, as in the case of the EEC, the share of fuels fell considerably in the second five-year period. Exports of manufactures to EFTA were almost insignificant, although they did increase between the two periods in question. Some of the EFTA countries (United Kingdom, Denmark, Norway and Sweden) have announced that they will introduce their own systems of general preferences as from 1972.

The entry of the United Kingdom, and possibly of other member countries of EFTA, into the European Economic Community creates a new situation for Latin American exports to those two areas and will probably have restrictive effects due, on the one hand, to the adoption of the EEC common agricultural policy, with its complex regulations and strong protectionist slant, by the new members, and, on the other, to the considerable increase in coverage, thus created for preferential arrangements that discriminate against Latin America.

/Among the

Among the developed countries, Japan was the fastest growing market for Latin American exports in the past decade. In 1969, exports to Japan exceeded those to the United Kingdom, a really remarkable achievement when it is considered that in 1960 their value was less than half that of the latter. Although this increase meant that the proportion of exports of Latin American products purchased by Japan went up (from 4.2 per cent in 1961-1965 to 5.1 per cent in 1966-1969), it was not enough to improve the Latin American share in total Japanese imports, which has declined in recent years, just as it has in the case of all the other developed countries. Japan's application of the system of general preferences, which has been in force since last August, could serve to stimulate Latin American exports to that market, however, particularly exports of manufactures, which are negligible at the present time.

Latin American exports to the socialist countries of Eastern Europe (including the Soviet Union) accounted for 5.5 per cent of total exports during 1961-1965 and remained at that level during the period 1966-1969. No less than 60 per cent of these exports were accounted for by Cuba, while most of the rest came from Argentina and Brazil and, to a lesser extent, Colombia and Peru. In actual fact, only Cuban exports have a relatively stable market in the socialist bloc; exports from the other Latin American countries were characterized by sharp fluctuations from year to year.

Intra-regional exports grew more rapidly than total Latin American exports, from 9.2 per cent in 1961-1965 to 11 per cent in 1966-1969. Although primary products accounted for most of this increase in reciprocal trade, exports of manufactures are growing in importance. Thus, manufactures accounted for 18 per cent of intra-regional exports in the period 1961-1965, and 29 per cent in 1966-1969. If the total value of exports of manufactures is considered, the importance of the intra-regional market is even greater, since on this basis it absorbed 38 per cent of such exports in 1961-1965 and 47 per cent in 1966-1969.

/C. PROBLEMS

C. PROBLEMS OF ACCESS AND PRICE INSTABILITY

1. Problems of access

The foregoing analysis has brought out the growing deterioration in Latin America's position in world trade. Although it is true that some countries (the major exporters of non-ferrous metals, some small countries and Brazil) have achieved notable increases in the value of their exports in recent years, their case is no different from that of other countries which, at different periods in the past, have experienced a boom in the prices of a major export product on the international market. These periods of high international prices and increased export income are usually followed by periods of depression which sometimes last even longer. In the long term, therefore, successive periods of boom and depression or stagnation, in addition to the other factors which affect world demand for primary products, signify low rates of growth of exports and a climate or uncertainty which adversely affects the execution of development plans or programmes.

Although there had already been international discussion of commodity trade problems before UNCTAD was set up, systematic analysis of the nature of these problems and their possible solutions only began with the Conference of 1964. Since then steady progress has been made in the theoretical discussion of the problems and in working out formulas for solving them, but most of these conceptual advances have not found concrete expression in political decisions by governments designed to put the solutions into effect. There is perhaps no other field in which there is so wide a gap between theoretical principles and practical action as in the international commodity trade. Since the first round of tariff negotiations in GATT, and in all subsequent rounds, agricultural products have been excluded from the programme of trade liberalization initiated in these negotiations. This exclusion was of less relative importance to the developed countries, as their exports of primary products represent only a small proportion of their total exports. For the developing countries, however, the exclusion of agricultural products and primary products in general meant that all hope was denied them of achieving growth in such exports comparable with that of manufactures, a field in which the great majority of the countries of the region had no capacity to compete.

Considerable progress had been made in the liberalization of trade in manufactures by the beginning of the 1960s, not only through tariff reductions but also through the elimination of non-tariff barriers (particularly quantitative restrictions and systems of licenses). The entire process of

/liberalization centred

liberalization centred on mutual concessions negotiated among the developed countries, always excluding agricultural products and retaining, in addition, certain barriers to imports of low-cost manufactures from the developing countries. The last round of negotiations in GATT (the Kennedy Round) was initially scheduled to include agricultural products and to consider the problems of the developing countries, but finally it was decided to follow the model of previous tariff negotiations and confine discussion to manufactured products, especially those which were of most interest to the developed countries 12/.

Following the Kennedy Round, and in view of its failure to grant concessions in respect of products of major interest to the developing countries, the developed countries accepted the proposal formulated years before in UNCTAD, to establish a system of general, non-reciprocal and non-discriminatory preferences in favour of exports of manufactures and semi-manufactures from the developing countries. At the end of 1970, agreement was reached in the UNCTAD Special Committee on Preferences regarding the establishment of such a system of preferences in accordance with the lists of offers prepared by each of the developed countries. In addition to manufactures or semi-manufactures proper, certain agricultural products in processed or semi-processed form were also included. As these preferences are practically the only trade concession that the developed countries have so far been prepared to grant the developing countries (and doubts continue to exist as to their real value to most of those countries), it should be recalled that the problems of access and price instability of primary products continue to be the Achilles heel of the Latin American economies and so long as effective solutions are not found for these problems it will be unrealistic

12/ "The product groups receiving the deepest tariff cuts were those characterized by advanced technology or capital intensity. These products are generally assumed to have higher price elasticities than primary products and they have a relatively low component of imports from developing countries. The existing trend towards a more rapid increase in world trade in sophisticated industrial goods than in primary products is therefore likely to be strengthened. Moreover, the expanded trade opportunities in chemicals could be expected to accelerate present tendencies for substitution of primary products by synthetics. It would appear, therefore, that unless there are additional measures in the commercial policy field to correct these tendencies, the Kennedy Round will contribute to a further decline in the relative share of the developing countries in world trade." See The Kennedy Round: estimated effects on tariff barriers (United Nations publication, Sales N°: E.68.II.D.12, p.4).

/to expect

to expect the export sector in most of the Latin American countries to be able to assume, in the immediate future, the dynamic role which it ought to play in their economic growth.

When the International Development Strategy was approved, the developed countries reiterated their intention of adopting multilateral or unilateral measures to help to speed up the growth of the developing countries. The recommendations contained in the Strategy represent for the most part a minimum agreement on questions of principle, of a very general nature, and no specific arrangements or time limits are laid down for their application or implementation. In the field of primary products, the policy measures recommended by the Strategy may be summarized as follows:

(a) No new tariff and non-tariff barriers will be raised nor will the existing ones be increased by the developed countries against imports of primary products of particular interest to developing countries (status quo principle);

(b) Developed countries will accord priority to reducing or eliminating duties and other barriers to imports of primary products, including those in processed or semi-processed form, of export interest to developing countries through international joint action or unilateral action;

(c) Developed countries will give increased attention, within the framework of bilateral and multilateral programmes, to the need to supplement the resources of the developing countries so that they can carry out programmes for the diversification of production and exports;

(d) Appropiate action, including the provision of finance, will be taken to execute programmes designed to improve the position of natural products facing competition from synthetics and substitutes;

(e) The machinery for consultation on surplus disposal will be widened and reinforced in order to avoid or minimize possible adverse effects of disposals of production surpluses or strategic reserves on trade, and to take account of the interests of both surplus and deficit countries;

(f) Efforts will be made to reach agreement, before the third session of UNCTAD, on a set of general principles on pricing policy to serve as guidelines for consultations and actions on individual commodities; and

/(g) All

(g) All efforts will be made to carry out the programme of action on commodities mentioned in resolution 16 (II) of UNCTAD, including, where appropiate, the conclusion of international agreements on those products. Commodities already covered by international agreements or arrangements will be kept under review with a view to strengthening the working of such agreements or arrangements and to renewing, where appropiate, agreements or arrangements due to expire.

This set of recommendations covers nearly all the points regarding primary products that are scheduled for consideration at the third session of UNCTAD. Wide-ranging discussions have been held on all of them at past sessions of the Conference and its auxiliary organs, and resolutions have been approved which lay down standards and guidelines for international action. Consequently, rather than reiterating those same recommendations or adopting new recommendations virtually identical with them, the fundamental task of the next Conference should be to prepare and discuss specific proposals for devising instruments for the implementation of the resolutions and recommendations already adopted. In order not to go over the history of all these resolutions and recommendations again, it would be as well to take as a basis for discussion the most recent decisions adopted by the permanent organ of UNCTAD - the Trade and Development Board - on each of the items relating to primary products, linking each decision to the objectives agreed on by the developing countries at the Second Ministerial Meeting of the Group of 77 (Lima, October 1971).

On the agenda of the Conference, the questions of access to markets, pricing policy (including price stabilization measures and mechanisms), and marketing and distribution systems for primary commodities are all grouped as a single item. This is an acknowledgement that these different themes are closely interlinked and interdependent, and that they should be considered together, so that the measures adopted in any one of those fields may be consistent with those adopted in the others. The most recent decision adopted by the Trade and Development Board in this connexion is resolution 73 (X), "Commodity problems and policies: pricing policy and liberalization of trade" 13/, which some developing countries considered satisfactory, although others expressed reservations, either because they considered it to represent a retreat from the principles and objectives proclaimed in the recommendation contained in Annex A.II.1 of the Final Act of the first session of UNCTAD,

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13/ See UNCTAD, "Report of the Trade and Development Board on the first part of its tenth session", (document TD/B/327, Annex 1, 30 September 1970).

/or because

or because they did not accept some of the concepts expressed in it. As far as liberalization of trade and access to markets are concerned, resolution 73 (X) reiterates commitments already agreed upon in Annex A.II.1, including the status quo commitment, which states that no new tariff or non-tariff barriers should be created (or existing barriers increased) against imports of primary products of particular interest to developing countries. Paragraph 25 of the International Development Strategy reaffirmed this commitment in the same terms in which it was originally formulated in Annex A.II.1 referred to above, whereas resolution 73 (X) qualified it with the phrase "to the fullest extent possible", which did not appear in any of the previous formulations.

In "The Declaration and Principles of the Action Programme of Lima", adopted by the Group of 77 14/, the call for a commitment not to alter the status quo is renewed and it is added that new tariff or non-tariff barriers, or increases in existing barriers, should be eliminated if introduced since UNCTAD II 15/.

The Group of 77 also propose that appropriate arrangements should be made within UNCTAD for keeping the observance of this principle under constant review. However, they make no suggestions or proposals as to how this objective is to be achieved. To ask the developed countries to eliminate tariff or non-tariff barriers applied in contravention of the status quo principle would mean that they themselves must judge which of the new barriers or which of the increases in existing barriers constitute a contravention of the status quo.

This manner of setting about the elimination of barriers appears unrealistic. It might be better for the developing countries to entrust a working group or the UNCTAD secretariat with the preparation of a study or report identifying specific cases of the application of measures contrary to the status quo principle, and then, on the basis of that report, to organize negotiations between the country or countries applying those measures and the

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14/ See: Second Ministerial Meeting of the Group of 77, "Declaration and Principles of the Action Programme of Lima", document MM/77/II/11, 9 November 1971.

15/ In this connexion, it should be pointed out that the developing countries are on the defensive. Their aim at the second session of the Conference in 1968 was to obtain the elimination of measures contrary to the status quo principle introduced after the first Conference in 1964; now their aim is to secure the elimination of measures introduced after the second Conference (1968).

developing countries considered to be affected by them. It would thus be possible to arrive at a negotiated settlement for the elimination of those barriers. There is no reason why the arrangements within UNCTAD should be any different from those made for keeping under review the observance of all the other principles and recommendations approved by UNCTAD. As one of the items on the agenda of all meetings of UNCTAD and its permanent organs is precisely the review of the implementation of recommendations, thought should be given to the necessary arrangements for making the review procedure more effective. This question should undoubtedly be discussed in the light of the mandate given to UNCTAD to appraise the progress made towards achieving the goals and objectives of the International Development Strategy.

In this connexion, mention should be made of the need to establish machinery for the discussion within the framework of UNCTAD of any restrictive measures that a developed country may propose to apply and that would or could have particularly adverse effects on developing countries. The aim of such discussion would be to examine the justification for new restrictions or for an increase in existing restrictions, the conditions under which developing countries could be exempted, or other forms of compensation they could receive if exemption were not possible.

It cannot be said that such machinery already exists in GATT, since the latter's consultation machinery has only functioned a posteriori, and in any case most of the developing countries are not members of GATT. Lastly, it must be recognized that the fulfilment of the status quo commitment cannot be considered separately from other measures such as resorting to the safeguard clauses based on the concept of "disruption of the market" or on protection of the balance of payments and the external financial position, for if situations of market disruption (for one or more products) or balance-of-payments disequilibrium are not defined clearly, any new restriction or any increase in existing restrictions could be justified for one of these reasons, so that the status quo commitment would become a dead letter.

Another point in resolution 73 (X) which repeats previous recommendations concerns the liberalization of trade in primary products through reductions in or elimination of customs duties and other barriers. Once again the wording of this recommendation in resolution 73 (X) is more imprecise than that of part II.A.3 of Annex A.II.1 of the Final Act of UNCTAD I. Paragraph 26 of the International Development Strategy constitutes a more explicit commitment in this respect: it states that "developed countries will accord priority to reducing or eliminating duties and other barriers to imports of primary products, including those in processed or semi-processed form, of export interest to developing countries, through international joint action or

/unilateral action"

unilateral action" and it calls for the continuance and intensification of intergovernmental consultations to achieve that end. This points to a way of achieving the objective of liberalization: intergovernmental consultations. It would thus appear logical for the discussions on this matter at the third session of UNCTAD to be concentrated on the preparation of a programme of consultations and negotiations in respect of a selected list of products, subject to a timetable permitting adequate organization of the technical aspects of the consultations or negotiations. In preparing lists of products it would be possible to group together products sharing certain common problems. Three major groups may be mentioned by way of example:

(a) Products exported by developing countries which compete with the domestic production of developed countries

Most of these are temperate-zone agricultural products, and the main problems facing the developing countries here are obviously the protective agricultural policies pursued by the developed countries. Consequently, any progress in reducing or eliminating existing tariff and non-tariff barriers against these products can only come from such agreements as may be reached regarding changes in the principles, guidelines and motivations of the protective agricultural policies of the developed countries. For the most part, the latter have shown little inclination to discuss their agricultural policies at the international level, though their attitude has altered somewhat as they have become increasingly aware that such policies have implications that go beyond the individual interests of each country. In their agricultural policy, the developed countries have set themselves certain targets (a certain level of self-sufficiency for the country and a certain level of income for the people occupied in this sector) whose attainment means curtailing imports by means of quantitative restrictions, import bans, systems of licenses, discriminatory practices, import quotas, customs duties and compensatory taxes. There are also other factors which help to discourage or obstruct exports from the developing countries, especially the subsidies, refunds, subsidized credits, non-commercial transactions and other forms of government assistance that developed countries grant their own agricultural exports. The disposal of surpluses and stocks (which is included under non-commercial transactions) is probably the only one of the above measures on which some agreements have been reached (in particular, the "Principles of surplus disposal" adopted by FAO several years ago), but the operation and implementation of these agreements is not considered satisfactory by all the parties concerned.

For the past four years, the Agricultural Committee of GATT has been discussing the problems of trade liberalization for agricultural products. For this purpose it selected eight products (cereals, beef and other meats

/and meat

and meat products, fruit and vegetables, milk products, vegetable oils and oilseeds, tobacco and wine) whose importation into developed countries is subject to one or more of the various types of trade barriers referred to above, while their exportation from developed countries is aided by some kind of Government assistance, such as direct or indirect subsidies and/or refunds to the exporter. Despite the selective criteria adopted, however, the Committee has failed to reach any kind of understanding that is acceptable to all the parties concerned. The major stumbling-block is still the lack of agreement on the principles and orientation of the production policies of the developed countries, especially as regards efforts to set up domestic price-support systems that have a neutral effect on production. It is therefore interesting to note the objectives that the developing countries have set themselve for improving their access to the markets of developed countries, as laid down in the Declaration and Principles of the Programme of Action of Lima:

- Inclusion of all primary or processed agricultural products listed under chapters 1 to 24 of the Brussels Tariff Nomenclature in the generalized system of preferences that the developed countries undertook to introduce for exports from developing countries. As yet, only very few of these products have been incorporated into the preferential tariff systems that have been adopted or are being set up, so that the possibilities for developing countries (especially the least developed among them) to expand their exports are strictly limited. It is important to note that, since the benefits granted under the generalized system of preferences relate to reductions in customs duties, the value of such concessions is minimal wherever non-tariff barriers (global or bilateral quotas, licence systems, etc.) still exist.

- Elimination of the sliding tariff scale under which the duty payable on primary products increases with the degree of processing involved. This tariff policy of the developed countries tends to slow down the development of industries for processing raw materials in the developing countries and thus to prevent those countries from diversifying their exports and earning the extra income deriving from the higher added value of processed goods. Its elimination is therefore of the highest priority since, so long as tariff cuts on primary products are not accompanied by proportionally greater reductions in the tariffs on processed or semi-processed forms of those products, the same effective level of protection that the developed countries have traditionally maintained against imports from developing countries will remain: while obtaining greater facilities for exporting their primary products the developing countries will still be discouraged from exporting the same products in processed form.

/- Elimination of

- Elimination of anti-economic production incentives by developed countries, through reduction of domestic price support levels and elimination of subsidies for production in respect of all products where the developed countries are in competition with developing countries. Agreement on this will be a decisive factor in any attempt to liberalize trade and open up markets, for example by guaranteeing imports from developing countries a minimal share in the market of each developed country (bearing in mind the increase in consumption) 16/. This proposal was contained in the Charter of Algiers and has since been put forward again by the Group of 77. Another possible course of action would be to modify systems which impose a fixed duty and a variable duty (the latter being intended to absorb the difference between the cost of the imported product and the domestic price) and combine them in a single fixed duty representing a substantial reduction on current levels.

(b) Products which are exported mainly or exclusively by developing countries and are predominantly tropical-zone agricultural products

In the developed countries where these products are subject to customs duties, the aim of this taxation is not protection of local goods but the raising of revenue. This is sufficient reason for considering that these duties could therefore be eliminated without creating problems for the economies of the countries applying them. Although it is fair to recall that in recent years some developed countries have been persuaded to reduce certain excessively high duties, the aim of eliminating such duties entirely is still far from being achieved. The Group of 77 set as its aim the complete elimination of existing customs duties, both on primary and processed products, and the gradual reduction to nothing of all internal taxes and fiscal dues which a large number of developed countries also apply to these products. Until these aims can be achieved, the developing countries have proposed that the developed countries should introduce a system for reimbursing such taxes and dues to developing exporter countries.

The problems of trade in tropical commodities came under considerable discussion in GATT in the first few years of the last decade, but nothing very positive resulted from this. After some years of inactivity, it was agreed to reactivate the GATT Special Group on Tropical Commodities with a broad

16/ It might be quite appropiate to speak of the generalization of this principle, since it already applies to United States beef imports and to the sugar imports of certain European countries which are signatories of the International Sugar Agreement.

/mandate to

mandate to examine the various problems which affect trade in these commodities and to suggest means of solving them, giving special attention to studying the impact of excise and other internal taxes imposed in developed importer countries. This second phase in the activities of the Special Group, which has already been going on for several years, has proved to be no more successful than the first, for the Special Group has restricted itself to compiling information and holding exploratory discussions on the problems or to a general survey of the evolution and trends of the markets for the commodities under consideration.

Taking three products which are important Latin American export commodities (coffee, cocoa and bananas), a brief analysis can be made of the type of obstacle which affects trade in them. In most of the developed importer countries (including the United States, which is the main market for Latin America), imports of coffee beans, cocoa beans and bananas are free of customs duties and all other types of restrictions. Imports of coffee and cocoa in certain processed forms (roasted, soluble or powdered) can also be freely imported into the United States. In most European countries, however, there are different levels of customs duties on coffee beans, increasing progressively for toasted and soluble coffee. In the European Economic Community (especially France, Italy and the Federal Republic of Germany), excise taxes are very high and constitute the main obstacle rather than customs duties (at present only 7 per cent ad valorem as against the 16 per cent fixed initially as the common external tariff). Customs duties on cocoa beans were reduced or eliminated in most European markets as part of the concessions won in the Kennedy Round; the main exception is the European Common Market, where a duty of 4 per cent ad valorem is applied. Imports of bananas also have free access to several European markets, with the important exception of the European Economic Community, where they pay customs duty of 20 per cent ad valorem, except for a duty-free quota established by the Federal Republic of Germany.

Access problems for the tropical commodities which are most important to the Latin American countries are mainly encountered on the European markets, where internal taxes are also imposed on these commodities in their processed or semi-processed forms. The countries which levy high excise taxes have not shown themselves inclined to make any large-scale reduction in them, on the grounds that any such reduction would not help to increase imports but would mean a loss of revenue to the Treasury.

Another problem which was placed before the Special Group on Tropical Products but on which no agreement has been reached is that of the discriminatory treatment of some commodities on the part of the European Economic Community.

/This is

This is a matter which has been provoking friction among the developing countries, although it is difficult to evaluate, especially in some cases, the actual advantages gained by some countries and the actual prejudice suffered by others. In any case, neither the International Development Strategy nor the "Declaration and Principles of the Action Programme of Lima" contain any pronouncements or recommendations on the problems of special preferences or the system of discriminatory trade agreements which the EEC has negotiated with an ever-increasing number of developing countries 17/.

(c) Natural products whose world consumption is not increasing and in many cases is even decreasing owing to competition from synthetics and substitutes

Among the products in this group are cotton, rubber, hard fibres, lac and mica, which were selected by the UNCTAD Permanent Group on Synthetics and Substitutes for research into the precise nature of the problems encountered, with a view to identifying measures which might help to improve their competitive situation vis-à-vis substitutes. To this list could be added cowhides, some metals and (for certain applications) wool. For most of the commodities mentioned, the problem of the competition from synthetics is not mainly or exclusively determined by the existence of tariff barriers, although these usually accentuate any price disadvantage between the natural product and the synthetic substitute. Without, therefore, belittling the contribution which the reduction or elimination of customs duties could make to improving the competitive situation of natural products, the emphasis has been on domestic and international measures which could assist in increasing productivity and developing new uses for natural products. This is the position taken by the developing countries with regard to the products in this group, particular emphasis being placed on the role of international co-operation - especially by the developed countries - in carrying out research programmes on productivity and new uses. International financial aid and technical assistance are of decisive importance here, in view of the tremendous disparity between the massive financial resources and technical know-how which can be mobilized by the big industrial enterprises that manufacture synthetic products and substitutes and the slender resources which

17/ For many years the Latin American countries have maintained a clear attitude of opposition to trade discrimination between developing countries. In recent months, the United States too has expressed opposition to the preferential special agreements of the EEC. It should be remembered that this policy of trade discrimination will be aggravated in 1973, when the United Kingdom and other European countries enter the EEC.

/the developing

the developing countries can invest for this purpose. This international co-operation effort could be channelled through study groups, international secretariats or similar agencies (like those already in existence for cotton and wool), which could undertake the execution of research programmes and the promotion of new uses for the particular products in which they specialize. In keeping with a decision taken recently by the World Bank with a view to providing more support for agricultural research programmes in the developing countries, consideration could be given to the preparation of specific projects, which could receive financial support from the Bank, for solving the problems of natural products affected by competition from synthetics.

2. Price instability

During the 1950s there was intensive international discussion of the problems connected with the price levels of basic commodities exported by the developing countries, both from the point of view of long-term trends and from that of the size and frequency of short-term fluctuations. Discussion centred particularly on the effects of price instability on the earnings of the developing countries and much consideration was given to formulas or mechanisms for mitigating the harmful effects of such instability.

As from 1963, the International Monetary Fund introduced a system of compensatory credits to assist countries affected by a decrease in export earnings. This system, some aspects of which were revised in 1966, offers a temporary solution to the financial difficulties which a developing country may have to face, but equally tends to aggravate the problems of external indebtedness, particularly in the short or medium term.

The persistence of the developing countries in seeking solutions to the problem of the instability of commodity prices and their relative deterioration over the long term in comparison with prices of industrial products achieved a small gain in recent years, when the International Monetary Fund took a decision on the conditions for granting credits to member countries wishing to share in financing buffer stocks (stabilizing stocks). Again, however, this solution tends to increase the external indebtedness without any real attempt being made to define the instruments of a policy which will guarantee remunerative and stable price levels for countries which depend mainly on the export of basic commodities.

The International Development Strategy states that "efforts will be made to reach agreement, before the third session of UNCTAD, on a set of general principles on pricing policy to serve as guidelines for consultations and action on individual commodities. As one of the priority aims of pricing policy, particular attention will be paid to securing stable, remunerative and equitable prices with a view to increasing the foreign exchange earnings from exports of primary products from the developing countries". It is significant that use should be made of the concepts of pricing policy and guaranteed prices, since this indicates a requirement for international machinery or arrangements capable of carrying out functions within the world market similar to those carried out in the markets of the developed countries by policies to support or guarantee domestic prices. This agreement on a set of general principles is reflected in part A of resolution 73 (X) of the Trade and Development Board, where mention is made of "pricing policy", but without any reference to fixing or guaranteeing prices. Actually, this set of general principles is worded in such a way that it reflects both the interest of the developing countries in price levels which will help to improve the rate of growth of their export earnings, and the concern of the developed countries that this policy should not lead to increased import costs for them and should take account of the effect of prices on demand: prices should not be such as to encourage oversupply, nor stimulate the use of substitute products.

At all events, it appears essential that UNCTAD III should formulate explicitly in the course of its discussions the procedures, arrangements or mechanisms through which an attempt will be made to achieve the aims indicated in the pricing policy of resolution 73 (X). Two of these aims are particularly relevant, namely, those stating that "efforts toward the elimination of excessive short-term fluctuations should be actively pursued" and that "where the prices of commodities of particular export interest to developing countries stand at a level which is not considered remunerative to producers, appropiate efforts should be made at an international level to improve prices" 18/. The elimination of the high degree of instability generally found in the prices of basic commodities on the international market and the maintenance (or re-establishment, if necessary) of prices which are remunerative to producers implies the adoption of a set of national and international measures and the establishment of the necessary institutional machinery for centralizing the decision-making process and supervise its execution. In general terms, the implementation of a pricing policy for basic commodities would have to be based on the negotiation of some type of international arrangements or agreements for individual products or groups of products.

The Declaration of Lima reiterates once again the traditional position of the developing countries with regard to the role of international agreements on basic commodities as instruments for stabilizing the international market.

18/ Report of the Trade and Development Board on the first part of its tenth session, TD/B/327, Annex I.

/The experience

The experience of the past in this respect is analysed below, but it is worth pointing out here that the developing countries have reaffirmed their intention of making the most strenuous efforts to secure the negotiation of agreements on commodities, particularly those enumerated in UNCTAD resolution 16 (II), and have shown a renewed desire for the formulation at the next Conference of a general set of principles and guidelines for the implementation of an international policy on basic commodities, as well as for the preparation of a general convention on commodity agreements. These objectives have been a subject of discussion in UNCTAD and its subsidiary bodies since their first session, without getting any further than recommendations of a general nature: it is therefore to be hoped that the phase of implementing these recommendations can now be initiated. This is why the developing countries have affirmed the need to give the Secretary-General of UNCTAD greater scope for arranging intergovernmental consultations on basic commodities.

At the recent meeting of CECLA in Bogotá, the Latin American countries reaffirmed the need for commodity prices to maintain a just and equitable relation to the prices of the developing countries' manufactured imports, and the need to ensure that commodities of special export interest to Latin America enjoy suitable sales and marketing conditions in world markets.

D. INTERNATIONAL COMMODITY AGREEMENTS

The general approval which has been expressed regarding international commodity agreements for more than two decades and the countless occasions on which recommendations have been adopted advocating an increase in their number bear little relation to the meagre results actually achieved in this field. Judging from experience, it may be concluded that the number of products on which the negotiation of international agreements is feasible in practice is very small indeed. This raises the question of whether a real effort was ever made to initiate new rounds of negotiations or to conclude successfully those that had originally been started. There is perhaps no more telling example than the tortuous and still uncompleted path that negotiations on an international cocoa agreement have followed since 1958.

Though the actual number of agreements negotiated presents a fairly dismal picture, there are other factors that justify a certain amount of optimism with regard to future prospects. The operation of existing agreements, for example, has produced some positive results and has made it possible steadily to improve and refine the techniques and methods of achieving the objectives of each agreement. The greater the detail and the precision with which the objectives of the agreements are defined, the greater the possibility of including in the agreements provisions relating to the production policies of exporting countries, conditions of access to the markets of importing

/countries, formulation

countries, formulation of a policy designed to secure prices that are remunerative for the producers and equitable for the consumers (including the fixing of floor and ceiling prices to reduce short-term fluctuations), regulation of the international market in the event of a serious or persistent imbalance between production and consumption, execution of consumption promotion programmes, diversification of production and exports and, finally, establishment of procedures and norms regarding marketing and distribution on external markets. This list, which does not pretend to be exhaustive, shows that international commodity agreements can be the appropriate institutional machinery for formulating and executing an international policy designed to achieve certain objectives that are in the interest of the international community as a whole and the developing countries in particular.

Recently there have been signs that some developed countries are changing their attitude towards commodity agreements. For example, when resolution 73 (X) of the Trade and Development Board on pricing policy and liberalization of trade was adopted, the United States formulated the following reservation:

> "The United States representative explained that his delegation had associated itself with the resolution so that the UNCTAD Committee on Commodities could be relieved of the further necessity of trying to negotiate policy guidelines on those two subjects and could concentrate on new and more practical areas of activity, such as the proposed diversification studies and surveys of research and development needs. The compromise text did not precisely or fully reflect his country's position, particularly with regard to pricing policy: in that connexion, his Government did not wish to emphasize international agreements directly influencing prices, but domestic policies that promoted healthy, stable and expanding commercial markets. Having gained considerable experience of the results of domestic price intervention, the United States Government was becoming increasingly sceptical about the merits of direct price regulation as a means of income support, since that policy too often resulted in production for storage rather than production for consumption.
> ... The United States did not interpret the reference to international action, "national action", or "international arrangements" (paragraphs 3 (b), (c), and (d)) as implying encouragement for international commodity agreements. It believed that technical and economic factors limited the scope for formal agreements and that consultative arrangements or other informal types of international co-operation were indicated in most cases." 19/

19/ See "Report of the Trade and Development Board on the first part of its tenth session", op.cit., Annex II, p.3.

This new conception by the United States of the function of commodity pricing agreements had already become apparent in the course of the renewal of the 1971 International Wheat Agreement, which for the first time included no provisions governing prices 20/.

More than anything, this omission reflected the disagreement among the main exporters of wheat as to the floor and ceiling prices that should be established under the Agreement, particularly since some of them were unaware of the relevant obligations contained in the previous agreement. Obviously, an agreement that includes no commitments regarding prices and no statements of the rights and obligations of participants in respect of trade in the commodity in question can be no more than an arrangement for the exchange of information and, possibly, a forum for consultations between countries. Such an arrangement is neither in the interests of developing countries nor is it conducive to solving the problems of international trade in products on which it is proposed to negotiate agreements.

Certain developing countries, too, seem to be somewhat dissatisfied with the operation of commodity agreements, as can be seen from the final part of resolution 86 (XI) of the Trade and Development Board, which reads:

> "Requests the Secretary-General of UNCTAD to prepare, for submission to the third session of the Conference, in co-operation with the international bodies concerned, and in particular with the governing councils and the secretariats of the Agreement, and in the light of the experience of the operation of existing international commodity agreements, a study on their effectiveness, seeking the views and suggestions of these bodies in connexion with measures designed to maximize possible benefits therefrom to all participating countries, especially the developing countries, which would facilitate the negotiation of entirely new commodity agreements."21/

20/ Article 21 of the Agreement states: "In order to assure supplies of wheat and wheat-flour to importing members and markets for wheat and wheat-flour to exporting members at equitable and stable prices, the Council shall at an appropriate time examine the questions of prices and related rights and obligations. When it is judged that these matters are capable of successful negotiation with the objective of bringing them into effect within the life of this Convention, the Council shall request the Secretary-General of UNCTAD to convene a negotiating conference". See "United Nations Wheat Conference, 1971" (TD/WHEAT.5/7) (23 February 1971).

21/ See "Report of the Trade and Development Board on its eleventh session" (TD/B/385, Annex 1, p.8) (29 September 1971).

/Though the

Though the Declaration of Lima reflects this approach and reiterates the request to the secretariat of UNCTAD, there is a striking difference between the attitude of the United States and that of the developing countries. Whereas the former plays down the negotiation of agreements and tends towards the suppression of all provisions on pricing, the developing countries stress the urgency of carrying out the programme laid down in resolution 16 (II) of the second session of UNCTAD on international action on the group of commodities listed therein, while at the same time pointing to the need to assess the effectiveness of existing agreements and to study measures designed to maximize possible benefits to participating countries, especially developing countries.

It is therefore useful to take a brief look at the operation of the actual agreements concluded on sugar, coffee, tin and wheat, which are of particular importance for Latin American exports, to try to see how far they have achieved their objectives.

1. The International Sugar Agreement, 1968

This agreement only covers part of the world trade in sugar, namely, those transactions that are not covered by the following special arrangements: (i) exports under the British Commonwealth Sugar Agreement; (ii) the United States import quota system; (iii) exports by Cuba to the Soviet Union and other socialist countries, and (iv) exports under the African and Malagasy Sugar Agreement. Out of an annual average of 20 million tons of world sugar exports for the period 1968-1970, some 7 million tons were not covered by one or other of the special arrangements listed above, and this quantity therefore represents the volume of world trade in sugar governed by the 1968 international agreement.

Among other things, its objectives include: maintaining stable prices for sugar which are reasonably remunerative for producers but do not stimulate a growth in production in the developed countries; achieving a more satisfactory balance between production and consumption; facilitating the co-ordination of marketing policies, and allowing the sugar exported from developing countries a fair share of, and easier access to, the markets of developed countries. The price objective was undoubtedly of greatest immediate interest, because of the prolonged period of depressed international prices for sugar that had existed since the middle of 1964. When the agreement came into effect early in 1969, prices began to recover and continued to do so throughout 1970 and 1971, partly because of the export controls that were adopted and partly as a result of an increase in the import requirements of several countries. It can therefore be asserted that the Sugar Agreement has at least achieved one of its objectives, that of more stable prices, since they remained within

/the specified

the specified limits of 3.25 and 5.25 United States cents per pound, f.o.b. Caribbean ports. As to gaining easier access to the markets of developed countries and increasing the developing countries' share in them, no progress has been made except for the undertakings contained in Annex A of the Agreement whereby certain importing countries agreed not to expand their sugar production and to meet part or all of their increased consumption through imports. Although the undertakings were made by only very few countries, their inclusion in the 1968 agreement was something that no previous international agreements on this commodity had provided for.

2. The International Coffee Agreement

This agreement came into effect at a time when world prices had been steadily declining and production surpluses, particularly in Brazil, had been running at a high level for several years. The introduction of the first export regulations towards the end of 1963 coincided with the forecast of a very bad Brazilian crop for 1964/1965. The two factors therefore combined to provoke a recovery of world prices, which, from an average of 34.1 United States cents per pound in 1963 22/ (the lowest price since 1950), jumped to 46.7 cents in 1964. Big fluctuations in Brazil's coffee output have only a very short-term influence on price levels, however, so that although the export quotas were maintained, prices again declined from 1965 to 1968, when they made a fresh recovery as a result of the severe drop in Brazilian coffee production in 1968/1969 and 1970/1971.

The Agreement regulates the world coffee market through a system of export quotas that are adjusted on a selective basis in accordance with the price fluctuations of certain standard qualities. Naturally, the problem of forecasting consumption requirements, on the basis of which the export quotas and their distribution among the various countries are determined, is one of the problems that frequently make it difficult to maintain co-operation among the signatories to the agreement, owing to the disagreements that arise regarding the size of the quotas allocated to certain members or their proportion to the original volume of the overall quota. There is no denying, however, that the agreement has introduced a semblance of order into the world coffee market and that without it prices would probably have fallen disastrously - a situation which would not even suit the importing countries in so far as it would mean a sharp reduction in the external purchasing power of the exporting countries.

22/ In accordance with the series of figures published in the United Nations Monthly Bulletin of Statistics, all coffee prices listed in this section refer to Santos Nº 4 coffee, ex-dock New York.

/Besides greater

Besides greater stability and a relative improvement in world coffee prices, another major objective of the agreement is to bring about a reasonable balance between world supply and demand, to which end the producing countries undertook to set themselves production targets. Under the programme outlined by the administrative council of the agreement, the producing countries are supposed to adjust to these production targets by 1972/1973, when the present agreement expires. The chances of their doing so entirely, however, seem somewhat remote since, except in Brazil, the progress made by the production diversification programmes is extremely limited owing to the insufficient financial resources available to the Diversification Fund established under the agreement. In these two fields - diversification and production targets - the fulfilment of the agreement's objectives has not been altogether satisfactory, though it would be a mistake to underestimate the significance of the progress that has been made in the face of the tremendous problems confronting the coffee market.

3. The International Wheat Agreement

The most recent international wheat agreement came into effect in the middle of 1971. Its provisions, which differ substantially from all preceding international agreements on the commodity, do no more than keep in being administrative machinery for compiling and exchanging statistical information and for conducting consultations in the face of an unstable or potentially unstable situation in the wheat market. The fact that all the undertakings included in previous agreements regarding the volume of supply by the exporting countries and the volume of purchases by the importing countries have been omitted from this new agreement, together with all undertakings regarding pricing policy, gives this new agreement a very special character which, as pointed out above, reflects a fundamental change in the attitude of certain developed countries towards commodity agreements. In the specific case of wheat, most of the world exports of which come from developed countries, this new conception of what commodity agreements are for may signal the end, for the developing countries, of any hope of competing on the wheat market, as they are in no position to match the kind of Government assistance (subsidies, credits, etc.,) that developed countries grant their exporters. The price war that certain developed countries waged while the previous agreement was still in force, despite the fact that it included undertakings regarding minimum prices, is a precedent that cannot be ignored when assessing market prospects under the new agreement.

/4. The

4. The International Tin Agreement

The current tin agreement, which has been in force since July 1971, is the fourth of its kind. As in the past, the whole arrangement revolves around an international buffer stock and fixed floor and ceiling prices, with provision for fixing export control periods when market conditions so require. The first agreement, which was signed in 1956, coincided with an accumulation of production surpluses and a sharp drop in metal prices, so that export restrictions had to be imposed, while at the same time tin had to be purchased on the open market for the buffer stock until the resources were exhausted. The effect of these restrictions was to cut the volume of production - which had averaged 180,000 tons annually over the three preceding years - to 134,000 in 1958. From then on, and especially after 1960, when world consumption of tin exceeded that of previous years, the operation of the buffer stock and the imposition of export controls whenever prices flagged wrought a steady improvement in tin prices, whose minimum and maximum levels, since October 1970, have been the highest ever recorded. By and large, prices have remained in the intermediate range between the floor and ceiling prices established under the agreement.

The success of this agreement is due not only to its operational methods (involving direct intervention in the market by means of purchases and sales of the metal and export restrictions when needed), but also to the particular conditions of the world market, where there has been a deficit in production for the major part of the period during which the agreements have been in force.

/Chapter II

Chapter II

TRADE IN MANUFACTURES AND SEMI-MANUFACTURES

1. The development of world trade

(a) Recent trends and characteristics

Analysis of the evolution of world trade in manufactures and semi-manufactures 1/ over the last decade brings out some basic facts and trends, among the most noteworthy of which are:

(i) The growing share of industrial products of more complex manufacture in the world market for goods;

(ii) The growing importance of the developed countries in the trade in manufactures;

(iii) The market intra-area nature of exports of manufactures from the developed countries with a market economy and the socialist countries of Eastern Europe, in contrast to the trade trends in the same commodities in the developing countries, with the exception of Latin America;

(iv) The change in the attitude of the socialist countries of Eastern Europe to the international market, with a pronounced trend towards intensifying trade with the countries of Western Europe;

(v) The emergence or strengthening of some dynamic centres of world trade (Japan and the European Common Market) and the weakening of the trade position of others (United States and United Kingdom);

(vi) The emergence and consolidation of regional groupings of developed and developing countries.

Table 1, which shows some of the most important quantifiable aspects of world trade in manufactures, illustrates the above-mentioned structural changes which have taken place over the past decade.

1/ SITC Sections 5, 6, 7 and 8, excluding division 68.

/Table 1

Table 1

TRENDS AND CHARACTERISTICS OF WORLD TRADE IN MANUFACTURES a/

		World total	Developed countries	Developing countries	Socialist countries	Latin America
(A) World trade in manufactures						
(i) World exports of manufactures,						
Millions of dollars f.o.b.	1960	65 608	55 046	2 519	7 321	269
	1961-1965	84 593	70 211	3 460	...	392
	1966-1969	133 361	114 296	6 545	...	855
	1968	140 720	118 400	6 920	...	900
	1969	165 120	139 670	8 380	16 040	1 080
(ii) Percentage share in world exports	1960	100.0	83.9	3.8	11.2	0.4
	1969	100.0	84.6	5.1	9.7	0.7
(iii) Cumulative annual growth rates 1960-1969						
Manufactures		10.8	10.9	14.3	9.1	16.7
Primary commodities		5.7	5.9	5.8	8.1	4.5
(iv) Percentage share of exports of manufactures in total exports of goods	1960	51.3	64.4	9.2	56.4	3.1
	1969	60.5	72.3	16.8	58.3	8.0
(B) Intra-area trade in manufactures						
(i) Intra-area exports of manufactures						
Millions of dollars f.o.b.	1960		35 316	1 075	4 794	58
	1969		103 530	2 755	11 015	500
(ii) Percentage share of total exports	1960		64.2	42.7	65.5	21.7
	1969		74.1	32.9	68.7	46.3
(iii) Growth rate 1960-1969						
Inter-area exports			12.7	11.0	9.7	27.5
Exports to countries outside the region			5.8	16.3	7.9	10.7

Source: ECLA, based on the United Nations Monthly Bulletin of Statistics.

a/ SITC sections 5, 6, 7 and 8, excluding division 68.

/Between 1960

Between 1960 and 1969, world exports of goods increased at an average annual rate of 8.8 per cent. Exports of primary commodities increased at the rate of 5.7 per cent, but exports of manufactures increased at the rate of 10.8 per cent per year. This advance brought up the share of manufactures from 51 per cent in 1960 to 61 per cent of world trade in 1969. These trends are equally clear in the developed and the developing countries. In the developing countries in general and Latin America in particular, manufactures account for considerably less of the total trade in goods than in the developed market economy countries and the socialist countries. Thus, in 1969, 72 per cent of the trade of the developed countries was in manufactures, while this percentage was only 17 per cent in the developing countries as a whole, and barely 8 per cent in Latin America.

The above percentages bring out another basic feature of the market in manufactures, namely, the very considerable share of the developed world, which has tended to increase over the last decade. In 1960, 84 per cent of exports of manufactures came from developed countries; this share rose to 85 per cent in 1969.

In the exports of the developed countries, the most dynamic trade is that between countries in the same area (intra-area) rather than that between countries in different areas (inter-area). Between 1960 and 1969, exports of manufactured products within the same area rose at the rate of 12.7 per cent, while exports to other areas rose at the rate of 5.8 per cent. This result indicates the growing integration being achieved by the developed countries. In addition to this, both the developed market-economy countries and the socialist countries display a high degreee of self-supply in manufactures. In 1969, 74 per cent of the exports of manufactures from developed countries remained within their own area, while in the case of the socialist countries, 69 per cent of exports were of the intra-area type. The reverse situation, however, prevailed in the developing countries, where only 33 per cent of exports of manufactures were sold within the same grouping. The corresponding proportion for Latin America was 46 per cent. The bulk of exports of manufactures from these countries was to the developed countries (67 per cent), with only a small percentage to the socialist countries (2 per cent).

/With regard

With regard to the changes in the behaviour of the socialist countries towards the international market, it may be mentioned that the economic reforms taking place in these countries as a result of the process of scientific and technological progress tend to create conditions which will certainly continue to lend to closer trade relations with the developed countries and to some extent with the developing countries too 2/.

Analysis of the evolution of international trade over the last decade shows a weakening in the position of the United States; this is important for Latin America because it indicates: (1) the appearance of new, more dynamic centres of world trade, (2) a weakening of the North American market, which is still the main customer for Latin American manufactures and (3) the modus operandi of the outward expansion of the big United States enterprises.

In the same connexion it is interesting to note that in addition to their slow growth, the industrial exports of the United States made up a smaller fraction of industrial exports as a whole than the exports of other developed countries and showed a tendency to decrease. In 1968, primary commodities made up 38 per cent of United States exports; in the same year the corresponding proportions were 29 per cent in France, 13 per cent in the Federal Republic of Germany, 21 per cent in Italy and 9 per cent in Japan. In all these countries the above percentages are tending to decrease, whereas for the United States there are some indications that the percentage could increase.

In addition to the above, there has been a strengthening of the relative position of Japan and a change in the nature of its external trade. At the end of the war, the main market for Japan's exports of manufactures, which were not generally characterized by an advanced technological content, were the developing countries, especially in Asia. Through a strategy whose main aim was the increase of the country's competitive capacity in the international market, however, Japanese exports have reached a point where they can enter the markets of the developed countries with equipment and final products of high technological content. Finally, brief mention should be made of another characteristic aspect of international trade relations and the rise and consolidation of various regional groupings. Generally speaking,

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2/ See Review of trade relations among countries having different economic and social systems, UNCTAD TD/128, 1968.

/considerable increases

considerable increases are to be observed in intra-area exports as far as total exports are concerned between the EEC countries, the AELI countries (although to a lesser degree), the United States and Canada, and the countries belonging to the Council for Mutual Economic Assistance (CMEA). In the developing regions, on the other hand, perhaps with the sole exception of Latin America, intra-area exports achieve much lower levels than in the above-mentioned groupings.

(b) The share of Latin America

The most distinctive features of Latin America's external trade in manufactures and its share in the world market are as follows:

(i) marginal supplier of little importance;
(ii) high degree of concentration of Latin American trade with regard to geographical areas;
(iii) sharp diferences between the structure of exports of manufactures within the region and that of exports to developed countries;
(iv) little diversification of exports of manufactures;
(v) little dynamism in exports of traditional manufactures;
(vi) loss of established markets for some traditional Latin American products in developed countries, and
(vii) rare development on a permanent basis of new lines of products sold outside the region.

Latin America continues to play a very small role in the world manufactures market, its main activity being that of a marginal supplier, with a trade balance in manufactures with the developed countries that has traditionally been in deficit and is tending to increase. Another important feature of Latin American exports of manufactures to the rest of the world is their heavy geographical concentration, although this has lessened over the last few years (see table 2).

In 1960, 73 per cent of Latin American sales of manufactures were to developed countries and 22 per cent were intra-area, with practically no trade at all with other developing areas and with the socialist countries. In 1969, sales to the developed countries dropped to 50 per cent of the total, which trade between the Latin American countries increased to 45 per cent; the situation regarding the socialist countries and other developing areas did not change, as in 1969 exports to these markets continued to be practically non-existent.

/Table 2

Table 2

LATIN AMERICA: EXPORTS OF MANUFACTURES a/ ACCORDING TO DESTINATION

Periods or years	World total	Developed countries	Developing countries	Socialist countries	Latin America	United States	Western Europe	Japan
				A. Millions of dollars f.o.b.				
1960	269	197	68	4	58	-	-	-
1961-1965	392	215	163	9	150	149	52	10
1966-1969	855	418	420	19	399	266	120	14
1968	900	414	462	22	439	298	102	14
1969	1 080	536	520	24	500	328	177	22
				B. Percentage shares in total of each area of destination				
1960	100	73	26	1	22	-	-	-
1961-1965	100	55	42	2	38	38	13	3
1969	100	50	48	2	46	30	16	2
				C. Cumulative annual growth rates				
Period 1960-1969	16.7	11.8	25.2	22.0	27.5	14.1 b/	22.2 b/	14.1 b/

Source: Monthly Bulletin of Statistics, March and May 1967, 1971 and June 1971.

a/ SITC sections 5, 6, 7 and 8, excluding division 68.

b/ 1961-1969.

/It is

It is clear from the above that the developed countries constitute a very important market for purchasing Latin American manufactures and that although the share of the region in the developed countries' imports of manufactures is almost insignificant (in 1969 barely 1.2 per cent of imports came from Latin America), any change in the percentage of these imports would have marked repercussions on the volume of Latin American exports.

An analysis of the types of manufactures exported to the developed countries and of those exported to the developing countries of Latin America brings out some sharp differences.

Sales to the developed countries, although on a larger scale, are mainly of traditional manufactures, mostly with a low degree of processing (canned fruit, sawn wood, tinned meat, etc.) while the region itself absorbs the more finished manufactures or those of greater added value, such as synthetic rubber, polyethylene, cellulose acetate, sodium tripolyphosphate, carbon black, mechanical and metal manufacturing products, calculating machines and typewriters, lathes, sewing machines, etc.

The above shows how little diversification there is in Latin American exports, especially those destined for developed countries. Sales with large individual values are still few in number and even fewer at the individual country level, for with the exception of Mexico, Argentina and Brazil, the sales of the other Latin American countries are based on 10 or less manufactured products of any significant value. The three countries mentioned account for about 70 per cent of total sales of manufactures for the whole region (see table 3).

The lack of dynamism of Latin American exports to the rest of the world may be attributed to a combination of different factors, including the high proportion of traditional manufactures, the demand for which in the world market is growing more slowly, indeed, scarcely any faster than that for primary commodities; the small proportion of total exports accounted for by those manufactures for which there is more active international demand; displacement by other suppliers of developed markets in items which were traditionally part of Latin American sales (iron and steel products, textiles, wood, furniture, beverages, tobacco, etc.).

/Table 3

Table 3

LATIN AMERICA: EXPORTS OF MANUFACTURES a/ BY COUNTRIES OF ORIGIN

Country	Millions of dollars f.o.b.				Percentages of total		Cumulative annual growth rate, 1960-1969
	1955	1960	1965	1969	1960	1969	
Latin America	185	269	544	1 080	100.0	100.0	16.7
Argentina	33	30	84	220	11.2	20.4	25.0
Brazil	16	21	123	223	7.8	20.6	30.0
Mexico	76	92	164	302	34.2	28.0	14.1
Colombia	8	7	34	60	2.6	5.6	27.0
Chile	15	26	23	38	9.7	3.5	4.3
Peru	2	6	6	11	2.2	1.0	7.0
Venezuela	13	24	21	30	8.9	2.8	2.5
Ecuador	3	1	3	3b/	-	-b/	14.8c/
Paraguay	7	4	5	4b/	1.5	-b/	0.0c/
Uruguay	4	9	11	28	3.3	2.6	
Costa Rica	-	-	16	32b/	-	3.6b/	13.5c/
El Salvador	2	6	32	68b/	2.2	7.6b/	35.0c/
Guatemala	2	4	26	41b/	1.5	4.6b/	30.0c/
Honduras	1	1	6	15b/	-	1.7b/	40.0c/
Nicaragua	-	2	13	19	0.8	1.8	28.0
Dominic Republic	1	5	3	5b/	1.9	0.6b/	0.0c/

Source: ECLA, based on official statistics from the countries and issues of the United Nations International Financial Statistics.

a/ SITC sections 5, 6, 7 and 8, excluding division 68.

b/ 1968.

c/ 1960-1968.

/2. Recent

2. Recent evolution and experience in Latin America

(a) Concerning exports to the markets of developed countries 3/

Among the developed countries (see table 4), the United States stands out as the most important purchasing market, both in terms of volume and variety of purchases (in 1968 the United States purchased 55 per cent of all Latin American manufactures exported to developed countries). The United States constitutes the main market for almost all groups of manufactures: thus, in 1968 it purchased between 70 and 90 per cent of Latin American sales of articles of clothing, textiles, iron and steel products and mechanical and metal manufacturing products; between 50 and 69 per cent of various light manufactures, leather and footwear and food products, and between 30 and 49 per cent of wood products, furniture and chemical products.

The United Kingdom, which in 1968 purchased 15 per cent of Latin American exports of manufactures, comes in second place. Its purchases, in decreasing order of importance, were food products, worked non-ferrous metals, beverages and tabacco products, chemical products, wood products and furniture, in percentages between 16 and 23 per cent of the total exported by the region.

West Germany is less important as a market, although its purchases of Latin American manufactures have increased more sharply than those of the other developed countries (at a cumulative annual rate of 16.9 per cent). The German market is second in size for leather and footwear (10 per cent) and for products of the mechanical and metal manufacturing industries (6 per cent).

The purchases made by France and the Netherlands (3.5 per cent of the total) are also sizeable, although there are marked differences between them. France has been losing ground as a purchaser, with a decrease in purchases from 5.1 per cent in 1963 to only 3.5 per cent in 1968, and it purchases only a limited number of commodities such as processed tabacco (29 per cent), products of the mechanical and metal manufacturing industry (6 per cent) and leather and footwear (5 per cent). The Netherlands, however, has opened up its market to Latin American manufactures with great dynamism, and its purchases include chemicals, wood and furniture. The Japanese market, whose purchases of Latin American manufactures have decreased in relative importance, mainly purchases worked nonferrous metals (15 per cent), chemicals (6 per cent) and iron and steel products (2 per cent).

3/ See El mercado de los países desarrollados para productos manufacturados americanos (ST/ECLA/Conf.37/L.24).

/Table 4

Table 4

TRADE IN MANUFACTURES FROM AMERICA (EXCLUDING THE UNITED STATES AND CANADA) DESTINED FOR DEVELOPED COUNTRIES, 1968

Groups of products	Main selling countries and participation in total sales for America (excluing the United States and Canada) to the OECD in each group of commodities								Main purchasing countries in the OECD and share in total purchases for America (excluding the United States and Canada), for each group of commodities									
	Name	%	Name	%	Name	%	Name	%	Name	%	Name	%	Name	%	Name	%	Name	%
Food products	Argentina	45	Brazil	26	Mexico	11	Paraguay	5	United States	53	United Kingdom	23	Germany	6	France	2	Netherlands	2
Beberages and tobacco products	French Antilles	29	Cuba	18	Jamaica	18	British Territories in America	15	France	29	United Kingdom	21	United States	18	Spain	6	Canada	6
Wood products and furniture	Brazil	42	Mexico	21	Honduras	8	Jamaica	7	United States	48	United Kingdom	17	Germany	15	Netherlands	3	Denmark	3
Rubber products	-		-		-		-		-		-		-		-		-	
Leather and footwear	Argentina	33	Uruguay	15	Brazil	13	Mexico	13	United States	56	Germany	10	Italy	10	France	5	United Kingdom	3
Textiles	Mexico	57	Colombia	21	Brazil	11	Haiti	4	United States	86	Canada	7	-		-		-	
Articles of clothing	Mexico	40	Jamaica	33	Trinidad-Tobago	13	-		United States	87	United Kingdom	7	-		-		-	
Chemicals	Mexico	24	Bermuda	17	Trinidad-Tobago	14	Argentina	14	United States	42	United Kingdom	20	Netherlands	7	Japan	6	Germany	4
Pulp, paper and paperboard	-		-		-		-		-		-		-		-		-	
Non-metallic mineral products	-		-		-		-		-		-		-		-		-	
Iron and steel	Brazil	34	Mexico	34	Argentina	20	Venezuela	7	United States	86	Japan	2	Germany	2	Sweden	2	-	
Worked non-ferrous metals	Netherlands Antilles and Surinam	67	Chile	5	Mexico	7	Venezuela	7	Germany	37	United States	22	Italy	19	Japan	15	Norway	4
Products of mechanical and metal manufacturing industry	Mexico	52	Argentina	23	Brazil	17	Netherlands Antilles and Surinam	4	United States	73	Germany	6	France	6	-		-	
Miscellaneous light manufactures	Mexico	69	Argentina	8	Venezuela	8	-		United States	69	Spain	12	-		-		-	
Total	Mexico	24	Argentina	24	Brazil	21	Trinidad-Tobago	4	United States	54	United Kingdom	15	Germany	7	France	3	Netherlands	3

Source: ECLA, based on official data.

/Argentina, Brazil

Argentina, Brazil and Mexico together account for 69 per cent of Latin American exports of manufactures and show a certain degree of diversification. In Mexico there are 35 export lines each with a value of more than five million dollars, and an even greater number of lines of lower value. Mexico is therefore the leading exporter of the region for several groups of manufactures, accounting for between 50 and 70 per cent of all sales to the developed countries of mechanical and metal manufacturing industry products and textiles and between 20 and 49 per cent of exports of articles of clothing, chemicals and wood products and furniture (see again table 4). Argentina is the leading seller of processed foodstuffs (45 per cent) and leather and footwear (33 per cent), while its sales of iron and steel products and chemicals are also considerable. Brazil is the main exporter of wood products and furniture (42 per cent), and of iron and steel products (34 per cent), while it also has an important share in foodstuffs, leather and footwear, articles of clothing and products of the mechanical industries (in percentages varying from 11 to 26 per cent).

Among the newer exports can be mentioned some chemical products such as hydrocarbons from Argentina and Trinidad-Tobago for the United Kingdom and West Germany; ammonia, anhydrons or in aqueous solution from Trinidad-Tobago for the United States; antibiotics (penicillin, streptomycin, etc.) from Brazil and Argentina for the Netherlands and Ireland; iron and steel plates, bars, rods and tubing for the North American market from Argentina, Brazil and Mexico; calculating and accounting machines from Argentina; thermionic valves and tubes (hot cathode), photocells, transistors, etc., from Mexico, and electrical machinery and apparatus from Mexico and Brazil, all for the United States (see table 5).

/Table 5

Table 5

LATIN AMERICA: RECENT EXPORTS OF MANUFACTURES TO DEVELOPED COUNTRIES, 1968

(Value in millions of dollars)

SITC classification	Name of product	Total value of exports	Main selling countries		Main purchasing countries	
			Name	Value	Name	Value
651.4	Cotton yarn and thread, bleached, dyed, mercerized, etc.	10	Mexico	5	U.S.A.	9
			Colombia	3	Canada	1
			Brazil	2		
841.2	Women's, girls' and infants' outer garments, not knitted or crocheted	9	Mexico	5	U.S.A.	7
			Jamaica	1		
			Trinidad-Tobago	1		
512.12	Hydrocarbons and their derivatives (excluding styrene)	6	Trinidad-Tobago	4	United Kingdom	2
			Argentina	1	Germany	2
512.85	Heterocyclic compounds (including nuclei acids)	2	Mexico	2	United Kingdom	1
513.61	Ammonia, anhydrous or in aqueous solution	17	Trinidad-Tobago	17	U.S.A.	13
					Denmark	3
					United Kingdom	1
541.3	Penicillin, streptomycin, tyrocidine and other antibiotics	5	Brazil	3	Netherlands	2
			Argentina	2	Ireland	1
671.5	Ferro-alloys	5	Brazil	4	U.S.A.	1
			Dominican Republic	1	Germany	1
					Sweden	1
673.21	Bars and rods (excluding wire rod)	7	Argentina	7	U.S.A.	7
678.3	Tubes and pipes of iron (other than of cast iron)	6	Mexico	4	U.S.A.	4
			Argentina	2	U.S.A.	2
714.2	Calculating machines, accounting machines and similar machines incorporating a calculating device Argentina.	9	Argentina	9	U.S.A.	9
729.3	Thermionic valves and tubes (hot cathode, etc.) excluding photocells, transistors, etc.	18	Mexico	16	U.S.A.	17
729.9	Electric machinery and apparatus, n.e.s.	7	Mexico	5	U.S.A.	6
			Brazil	2		

Source: IDB, *La proyección externa de la industria en América Latina*, Regional report, Study Series N° 1, 1969.

a/ Items exported as from 1964 of a value of more than one million dollars.

(b)/ Concerning

(b) Concerning exports to other countries of the region

For the countries of Latin America, the regional market is of prime importance for exports of manufactures of greater added value; indeed, for some countries and products this is the only market available.

The biggest exporters, in decreasing order of importance, are Argentina, Brazil and Mexico, which together accounted for more than 45 per cent of total sales of Latin American manufactures to the region in 1968. Argentina is not only the leading exporter but also the biggest market for exports from the other countries; Mexico's imports of Latin American manufactures, in contrast, are rather small, as may be seen from Mexico's growing credit balances in its balance of trade in manufactures with the other countries of Latin America.

In the year in question, the main markets for Argentinian exports were Brazil, Chile and Peru, which together purchased nearly 70 per cent of Argentina's total exports to the region. The main purchasers of Brazilian manufactures were Argentina, Chile and Mexico (75 per cent of the total), while Mexico, for its part, sold to a large number of countries, and this can be seen from the smaller share accounted for by its first three markets (Argentina, Venezuela and Chile, with a share of less than 40 per cent).

Table 6 indicates the main sales of manufactures by the Latin American countries to their own region.

/Table 6

Table 6

LATIN AMERICA: MAIN EXPORTS OF MANUFACTURES TO THE REGION, 1967

(Millions of dollars)

NABALALC classification	Name of product	Total value of exports	Main purchasing countries: Name	Main purchasing countries: value
	Exports from:			
	Argentina			
20.02.2.01	Prepared olives	3.9	Brazil	3.8
49.01.1.01	Printed books, booklets, brochures, pamphlets and leaflets	7.5	All countries	
84.06	Internal combustion piston engines	3.8	Chile	3.7
84.52.01	Calculating machines	2.2	Brazil	1.7
84.53.0.01	Statistical machines	2.5	All countries	
87.06	Parts and accessories for motor vehicles	2.8	Chile	2.7
	Brazil			
73.13.1	Sheets and plates, of iron and steel, of different thicknesses	11.0	Argentina	9.9
84.51.1	Typewriters	3.1	Argentina	2.4
89.03.01	Special vessels	2.0	Trinidad-Tobago	2.0
	Mexico			
28.40.3.05	Sodium polyphosphate	2.3	Chile	2.1
29.39	Hormones, natural or reproduced by synthesis	4.4	Panama	3.1
30.03	Medicaments for internal use	2.0	Central America	1.4
38.19	Chemical products for use in industry	2.5	Argentina	1.4
49.01.9.01	Printed books and pamphlets	9.3	All countries	
	Colombia			
68.12.0.01	Pipes of asbestos cement	2.1	Venezuela	1.9
	Chile			
48.01.1.01	Newsprint	8.3	All countries except Bolivia and Central America	
48.01.9.05	Paper and paperboard	2.9	Argentina	1.0
			Brazil	0.9
74.04	Copper wire	4.2	Venezuela	2.7
	Venezuela			
73.18.2	Seamless tubes and pipes of iron or steel	4.8	Colombia	4.2
	Costa Rica			
31	Chemical fertilizers	2.8	Panama	1.2
			Nicaragua	1.0

/Table 6 (concl.)

Table 6 (concl.)

NABALALC classi-fication	Name of product	Total value of exports	Main purchasing countries	
			Name	Value
	El Salvador			
38.11	Insecticides	3.7	Guatemala	1.6
			Honduras	1.0
			Nicaragua	0.9
48.16.0.01	Paper bags	3.4	Guatemala	2.1
55	Cotton fabrics	4.4	Guatemala	1.7
			Honduras	1.4
55.05.0.01	Cotton yarns and threads	4.3	Costa Rica	3.1
64.02.0.98	Footwear	2.8	Honduras	1.2
85	Electrical machinery and equipment	3.5	Costa Rica	1.2
			Guatemala	1.0
31	Chemical fertilizers	2.2	Guatemala	2.0
	Guatemala			
34.05.0.99	Soaps	2.0	Costa Rica	0.6
			El Salvador	0.6
40.11.2	Rubber tyres and inner tubes	2.7	El Salvador	1.2
55	Cotton fabrics	3.0	El Salvador	1.6
58.04.099	Other fabrics, n.e.s.	4.3	Nicaragua	1.2
			Costa Rica	1.0
	Honduras			
243.02.00	Wood, sawn, planed, tongued, of coniferous species	3.6	Jamaica	1.6
			El Salvador	1.0
	Trinidad-Tobago			
31.02.0.04	Ammonium sulphate	3.0	Jamaica	0.8
			Dominican Republic	0.6

Source: ECLA, based on INTAL La proyección externa de la industria en América Latina.

Note: Only includes items of a value of more than 2 million dollars.

/3. Improving

3. Improving access to markets

In the Declaration of Lima, the Group of 77 set forth in the form of four points the objectives that should be achieved at the third session of UNCTAD with respect to exports of manufactures and semi-manufactures: (a) all schemes of generalized preferences should be brought fully into effect before the end of 1971 and such schemes should be expanded to include concessions to producers currently excluded grom them; (b) consultations and negotiations on the elimination of non-tariff restrictions on products of interest to developing countries should be promoted and held; (c) measures of assistance should be adopted for the conversion of industries in the developed countries that may be adversely affected by imports from developing countries, and (d) restrictive business practices adversely affecting the trade of developing countries should be identified, with a view to applying the necessary corrective measures.

(a) Schemes of generalized preferences

The negotiating phase for systems of generalized non-reciprocal, non-discriminatory preferences in favour of the manufactures and semi-manufactures of the developing countries concluded at the end of 1970 in the UNCTAD Special Committee on Preferences. In accordance with Decision 75 (S-IV) of the Trade and Development Board, "preference-giving countries are determined to seek as rapidly as possible the necessary legislative or oth sanction with the aim of implementing the preferential arrangements as early as possible in 1971" 4/. Three of the arrangements entered into force in the second half of 1971: that of the European Economic Community on 1 July; that of Japan on 1 August and that of Norway on 1 October. The arrangements of Czechoslovakia, Denmark, Finland, Hungary, New Zealand, the United Kingdom and Sweden began to be applied from 1 January 1972, while Switzerland announced that its arrangements would enter into force on 1 March 1972. Austria's arrangements are scheduled to come into effect about the same time. No information is available on when Canada, the United States and Ireland, among the market economy countries, will put their arrangements into effect, nor when Bulgaria, Poland and the Soviet Union, among the socialist countries of Eastern Europe, will do likewise. This delay in the implementati of preferential arrangements by certain countries should not, however, continue to postpone a decision on appropriate machinery within UNCTAD for supervising the arrangements, since this would in turn delay the examination

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4/ Official Records of the Trade and Development Board, Fourth Special Session, Supplement Nº1, 12-13 October 1970.

/of their

of their operation and thus defer the opportunity of making such modifications or additions as are necessary to ensure that these arrangements achieve their objectives. Among the issues to be considered are measures to enable the less developed among the developing countries to take full advantage of preferential arrangements, and the urgent need to evaluate the equivalent arrangements to be applied by the socialist countries, in view of the fact that the role of customs tariffs is somewhat different in a system of state trade. In Decision 75 (S-IV), the Trade and Development Board also recognized the need to improve the initial concessions granted by preference-giving countries, noting that "efforts for further improvement of these preferential arrangements will be pursued in a dynamic context in the light of the objectives of resolution 21 (II) of the United Nations Conference on Trade and Development" 5/.

The initiation of action to expand or improve concessions is thus a task that should be given priority attention. Among the aspects worth considering are the following 6/:

Although it is recognized that the preferences granted are temporary (initially for a period of ten years), the fact that they can be withdrawn in whole or in part at any time creates a situation of uncertainty that has an inhibiting effect on activities or forms of production requiring relatively long lead times. It would therefore be advisable to establish some kind of procedure (perhaps within the standing machinery for supervision) to be followed in the event of the suspension or withdrawal of concessions, with the developing countries likely to be affected being given an opportunity to propose alternative measures.

5/ The commitments alluded to, namely implementation of arrangements before the end of 1971 and efforts for the further improvement of concessions, were also incorporated in paragraph 32 of the International Development Strategy.

6/ The UNCTAD secretariat has prepared a report summarizing the characteristics and modus operandi of preferential arrangements, on the basis of the regulations adopted by the countries that have already implemented such arrangements or the offers communicated to the Special Committee on Preferences by countries that have not yet implemented them. See "The Generalized System of Preferences" (TD/B/124), dated 12 November 1971.

Although the tariff exemptions or reductions granted to the developing countries should not hamper further progress in liberalizing world trade on the basis of most-favoured-nation treatment, it is essential to maintain a margin of tariff preference in favour of the developing countries vis-à-vis the developed countries. Accordingly, whenever developed countries reduce or eliminate the duties applicable under the most-favoured-nation clause, they should adopt measures to maintain a margin of preference in favour of the developing countries or adopt other measures to compensate for the elimination of this margin.

Saving clauses should be applied only in the last resort by the developed countries, and should be invoked only when all other possibilities for action have been exhausted. The main objective of preferential tariff arrangements is to step up the flow of imports of manufactures and semi-manufactures from the developing countries, and if this increased trade flow gives rise to the suspension or withdrawal of concessions, or to the application of additional restrictive measures, this objective is automatically nullified. Generally speaking, the difficulties that a greater flow of imports may cause to industries or enterprises in the developed countries should be solved by governmental assistance programmes, as agreed in paragraph 35 of the International Development Strategy.

During the discussions leading up to the negotiation of the system of preferences - and even more afterwards, when the exceptions, limitations and saving clauses included in each scheme were made known - it was frequently said that the system would benefit only a few developing countries. This view was based, on the one hand, on general recognition of the fact that only a small number of developing countries are genuinely in a position to export manufactures and semi-manufactures and, on the other, on the reluctance demonstrated by the developed countries from the outset to include processed agricultural products in their preferential arrangements. To be sure, one of the objectives of preferential treatment in favour of the developing countries is to create incentives for the export of manufactures and semi-manufactures, but manufacturing activity in the majority of developing countries consists mainly or virtually exclusively of the processing of agricultural products or other raw materials - that is to say, exactly the kind of products with respect to which the developed countries are afraid to expose themselves to competition from more efficient producers. By way of illustration, it may be useful to look at the number of products - in Chapters 1-24 of the BTN - that are included in the preferential system of the European Economic Community. According to its official statement, the EEC granted concessions covering the importation of some 150 processed agricultural products (coming under Chapters 1-24 of the BTN) to the value

/of approximately

of approximately 30 million dollars from the developing countries 7/. If it is also borne in mind that the preference consists of the reduction rather than the elimination of customs duties, it can be concluded that the preferential treatment granted to the products of interest to most of the developing countries is really of very limited scope.

In the case of the EEC it is relevant to consider that the shortcomings of the preferential treatment offered for processed agricultural products are due not only to the need to maintain a degree of protection for domestic production, but also to the need to maintain a margin of preference in favour of the Associated States of the Community. It is stated in this connexion in the EEC paper already referred to 8/ that the Community's offer does not seem to be particularly bold as regards processed agricultural products, mainly because, while the concept of generalized preferences for manufactures is unanimously recognized at the international level, there is still far from unanimous acceptance at the moment of the concept of generalized preferences for processed agricultural products. The paper goes on to give other reasons for this that are more specific to the European Community and restrict its room for manoeuvre. First of all, the way in which the agricultural markets are organized in the Community results in a substantial reduction in the possibilities of reducing customs duties or charges. Secondly, since processed agricultural products are of real and growing importance for the Associated African and Malagasy States and for the other States associated with the Community, providing generalized preferences for such products would represent an unacceptable dilution of the advantages which these countries enjoy within the markets of the European Community.

Another indication of the shortcomings of the EEC's preferential scheme may well be the fact that the quotas established for a number of products and countries were completely taken up within the first two months that the scheme was in effect 9/. The exhaustion of a country's quota

7/ See Documento de la Comunidad Europea, Nº13, "La Comunidad Europea y los países del tercer mundo", September 1971, p.8.

8/ "La Comunidad Europea y los países del tercer mundo", op.cit., p.9.

9/ According to information published in "Europe", issues of 5 and 21 Octobe and 4 November 1971.

/in itself

in itself is perfectly reasonable, since it is a means of ensuring that a single country does not take up the entire preferential quota allocated to a particular product. Nevertheless, it is worth examining in detail whether the exhaustion of the quotas for certain products and countries is due, as may well be the case, to the fact that the quotas are too small. Another point that requires more detailed study is the question of the regulations regarding origin, some of which specify that the imported component of certain manufactures eligible for preferential treatment must not be greater than 5 per cent, which is an excessively small proportion.

It should be noted that the above comments on certain aspects of the EEC preferential scheme are not made in a critical spirit but are simply to illustrate the issues that will have to be examined and evaluated by the standing machinery for the supervision of preferential schemes, so as to ensure that such schemes really fulfil the objectives for which they were designed. It must be acknowledged, in this connexion, that the European Economic Community was the first trading area to put into effect a system of generalized preferences, and that months later many other developed market economy and socialist countries have not yet announced the starting date or coverage of their respective schemes.

Annex I lists the products in BTN Chapters 1-24 which the Latin American countries requested to be included in preferential systems, and indicates the countries that agreed to inlcude them. The list, of course, only notes the countries in which the products were not already included in the preferential system, and it gives no indication of the effective coverage of the concessions granted (customs tariff exemptions, reductions, free tariff quotas, etc.) by some countries.

(b) Reduction and elimination of non-tariff barriers

Activities in the field of non-tariff barriers by the UNCTAD Committee on Manufactures and the GATT Committee on Trade in Industrial Products have led to a great deal of progress in the identification, classification and evaluation of the impact of such barriers on the developing countries' exports The studies presented by the UNCTAD secretariat on a list of products considered to be of current or potential export interest to the developing countries describe a number of different non-tariff barriers standing in the way of each of them, while the compilation made by the GATT secretariat is based on approximately 800 notifications by its members, classified initially in five groups: (i) state trade; (ii) customs and administrative formalities in respect of imports; (iii) standards applicable to imported and domestically produced goods; (iv) quantitative restrictions and similar measures, and (v) restrictions on imports and exports through the pricing mechanism.

/An initial

An initial examination of the notifications made to GATT revealed that non-tariff barriers were a generalized and multilateral problem for which either there were no suitable international standards, or in respect of which existing standards were not interpreted uniformly for all countries or were not fully applied. Other restrictions related to measures that, in the view of one or more countries, contradicted existing commitments. With a view to undertaking a more detailed analysis, the GATT Committee on Trade in Industrial Products agreed to prepare a selective list of the different types of barriers and to set up five working groups to explore the possibilities of adopting specific measures to eliminate or reduce them and formulating rules of conduct in the matter. Three types of restrictions were chosen from the selective list of measures and given priority for examination and study, namely (i) customs valuations systems and practices; (ii) international standards, with particular reference to packaging, labelling and marking, and (iii) import licensing systems. The fact that priority has been assigned to the study of these three types of restrictions does not mean that work will not continue on the other types.

This brief outline of the work that is being carried out in relation to non-tariff barriers shows that, within the standing machinery of UNCTAD and GATT, serious attention is being given to studying the kind of action that might be agreed upon to achieve progress in a field that has been virtually ignored in trade negotiations over the past twenty years. The two methods being used to study the issue (product-by-product in UNCTAD and by type of restrictions in GATT) are not mutually exclusive, although the former method would seem to offer the developing countries solutions over the short term since it concentrates efforts on a selective list of products of major export interest to them. The work of the UNCTAD Committee on Manufactures has been hindered, however, by the position adopted by some developed countries, namely that there should be no duplication of work being done by other bodies, which was the reason given for opposing the creation of an inter-governmental group to formulate specific proposals on the elimination and reduction of non-tariff barriers. A draft resolution presented by the developing countries, which did not obtain the support of the developed countries, was referred to the third session of UNCTAD. Action by the developing countries at this forthcoming session could be focused on two objectives:

- The creation of an inter-governmental group of non-tariff barriers with a sufficiently flexible mandate to enable it to formulate specific proposals for the elimination or reduction of such barriers;

/- Agreement on

- Agreement on a clearly defined programme of multilateral negotiations in respect of products of major export interest to the developing countries that are subject to non-tariff barriers, the removal of which would be assigned top priority 10/.

(c) Adjustment assistance measures

The effect of international measures designed to achieve a greater liberalization of trade and improved access to markets, in order to promote the expansion of the developing countries' exports, may well be seriously curtailed if the growth of such exports leads the developed countries to apply restrictions based on general saving clauses or on a criterion such as "market disruption". The recommendation in annex A.III.6 of the Final Act of the first session of UNCTAD noted that the developed countries should adopt programmes and measures designed to facilitate the adaption and adjustment of industries and workers where these might be adversely affected by increased imports from the developing countries, as a prerequisite for ensuring that the measures recommended in favour of the expansion of exports of manufactures and semi-manufactures by developing countries were fully effective. This recommendation took account of GATT experience in studying the application of restrictions based on the concept of "market disruption". At the time it did not prove possible to reach a solution acceptable to all the members of GATT, and consequently efforts to lay down rules in the matter were abandoned. Subsequently, the GATT Committee on Trade and Development set up a Group of Experts on Adjustment Assistance Measures with the task of analysing information on the measures the developed countries were applying or intended to apply to promote adjustments in their production structures so as to favour the expansion of trade in products of export interest to the developing countries and increase their imports from them. This implied a substantial change in the approach to the issue since, instead of trying to establish principles or rules for the application of restrictions

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10/ The UNCTAD secretariat has prepared a number of studies on non-tariff barriers which have been examined in the Committee on Manufactures. See in particular "An analysis of the effects of non-tariff barriers in developed market economy countries on selected product groups of export interest to developing countries" (TD/B/C.2/R.2), dated 5 February 1971, and "Products or product groups of export interest to developing countries subject to non-tariff barriers in developed market economy countries" (TD/B/C.2/R.3), dated 30 December 1970.

on the grounds of alleged "market disruption", it was recognized that the solution lay in promoting the necessary structural adjustments in the industries or enterprises affected by competition from imports from the developing countries.

In this connexion, a distinction should be made between the problems that derive from an increase in imports of a product or product group and those that stem from an overall disequilibrium in the balance-of-payments. In the former case, priority should go to measures for the adaptation and adjustment of the industries or enterprises affected and for the retaining of workers and their reorientation towards other activities; in the latter, although a balance-of-payments disequilibrium may be identified with an increase in imports, corrective measures should be directed, in the first instance, towards the monetary and financial aspects of domestic and international policy, and recourse should be had to existing international machinery to promote the restoration of equilibrium. In no event should restrictions be applied to imports from the developing countries for balance-of-payments reasons.

The International Development Strategy (paragraph 35) reiterated the undertaking of the developed countries to adopt measures and evolve programmes for assisting the adaptation and adjustment of industries and workers in situations where they are or may be adversely affected by increased imports of manufactures and semi-manufactures from developing countries. The UNCTAD Committee on Manufactures, when it examined the measures applied by some developed countries, noted that the measures adopted so far had been marginal in nature and that it was important to evolve programmes of broader scope, bearing in mind the prospects opened up by systems of tariff preferences for the exports of manufactures and semi-manufactures from developing countries.

(d) Restrictive trade practices

The UNCTAD secretariat has only relatively recently begun to look into the effect of restrictive trade practices on the trade of the developing countries. This issue, however, has been the subject of a great deal of discussion in the past. Chapter V of the Havana Charter was in fact the first attempt to establish standards on restrictive trade practices, which were defined as measures adopted by public or private enterpirses that restrict competition, limit access to markets, or foster monopoly control. Around 1955, several developed GATT member countries proposed a revision of the General Agreement with a view to incorporating provisions to cover restrictive practices. Since it proved impossible to secure agreement on the revision,

/the Contracting

the Contracting Parties took a decision on Arrangements for Consultations on Restrictive Business Practices, under which any member country may request bilateral or multilateral consultations for the purpose of reaching a solution satisfactory to the interested parties.

This system of consultations has not proved to be a satisfactory procedure, as far as the interests of the developing countries are concerned, for in practice it is confined to trying to solve disputes between countries, when what is really needed is to identify the nature and form of restrictive trade practices and their effect on the trade of the developing countries. The study prepared by the UNCTAD secretariat 11/ has this aim, and although it is preliminary in nature it contains a wealth of information on import cartels, agreements on regulations and contracts for the granting of licenses for the use of trade marks, patents and non-patented know-how, and also an analysis of information supplied by a number of developing countries.

Action by the developing countries in this field could therefore be directed primarily towards providing firm support for the UNCTAD secretariat's work programme, co-operating more closely in such research as is required, and collaborating in the application of the domestic or international measures that are agreed upon.

4. Supply factors and the operational framework

In recent years, while world trade in manufactures has been growing at a rapid pace, Latin America has failed to penetrate the market to any great extent and has remained a marginal supplier of little importance 12/. This is attributable, *inter alia*, to the following:

(i) Latin America's exports of manufactures to markets in the developed countries consist of a small range of traditional products that have not gone through much more than the first stages of processing and for which world demand in the developed countries has grown at a significanly slower pace than for manufactures as a whole;

11/ See "Restrictive trade practices", a preliminary report prepared by the UNCTAD secretariat (TD/B/C.2/104).

12/ In 1968, the developed countries as a whole purchased manufactures to the value of about 100,000 million dollars, of which Latin America supplied 1.2 per cent (1.1 per cent in 1963). See El mercado de los países desarrollados para productos manufacturados latinoamericanos (ST/ECLA/Conf.37/L.24).

/(ii) The

(ii) The Latin American countries have lost ground with some of their traditional exports to the developed countries which are continuing to be displaced by goods from other suppliers (iron and steel products, textiles, worked wood, beverages and tobacco, etc.);

(iii) The increase in demand from the developed countries has been far the more complex manufactures or those with a high degree of added value, for which Latin America does not possess either installed capacity of the right scale or cost and quality levels that would enable it to compete in world markets.

In view of the above, it is urgently necessary to orient Latin American supply, having regard to the resources available, towards those manufactures for which world demand is most dynamic, without of course neglecting those manufactures that have traditionally accounted for the bulk of its exports.

There is another set of obstacles, inherent in the structure of production, that limit the ability of Latin American industry to compete in world markets, such as:

(i) An industrial development strategy based on import substitution and using often indiscriminate and permanent protectionist measures has brought about imbalances in prices and productive systems;

(ii) Small productive units, with outdated or unsuitable equipment and insufficient technical, financial and management capability, are a dominant feature of industry;

(iii) Autonomous technological development is lacking and there are insufficient efforts to adapt and improve on imported technology;

(iv) Both monopolies and oligopolies exist in industry, which generally has a large amount of idle capacity and is unconcerned about the problems of industrial productivity and efficiency;

(v) The potential of international enterprises - which are in the most dynamic sectors of industrial activity - as export agents has now been fully utilized. These enterprises dispose of sufficient financial resources to enable them to take full advantage of economies of scale in production and distribution, as well as to undertake research to improve products and processes.

/Added to

Added to the structural problems that have affected Latin American industry's ability to establish stable and significant export flows of manufactures there are also other obstacles hampering the transport, distribution and marketing of manufactures. Domestic transport is costly, port facilities are inadequate, there are problems in handling and deliveries are irregular, all of which makes it difficult to co-ordinate the potential supply with effective export programmes. In some countries of the region, export financing and the lack of proper insurance facilities are key problems in expanding exports of manufactures, and these problems are intensified as a result of the terms that exporters in other regions are able to offer and the preferences of consumers for those sources of supply that offer the most advantageous terms for payment 13/.

5. Lines of action concerning industrial supply

The Latin American countries are initiating a number of programmes and activities to reorient industry with a view to supplying the world market. The success of these over the short and medium term will depend, *inter alia*, on the degree of development and efficiency achieved by the various branches of industrial activity, the size of the domestic market and the availability of natural resources in each country. In some countries, expanding export potential requires the partial or total restructuring of certain sectors or branches of industry; in others, where industrial activity is still at an early stage, the problem is how to create an industrial supply for the future. In order to modify the structure of industry, action is necessary in such areas as the following:

(i) Level of protection: In order to determine what modifications are required, it is necessary to gain a more detailed idea of the structure of industry, if necessary at the individual enterprise level.

(ii) Legislation covering foreign enterprises: In order to encourage foreign enterprises to start exporting or to expand their exports, particularly to the developed countries, to plan their future export activities and to allocate to plants established in the region the production of goods which will help to disseminate technology to local industry, a number of formulas may be considered, including linking the facilities given for the remittance of profits by such enterprises to their export performance.

13/ See Chapter III on export promotion.

/(iii) Priority

(iii) Priority sectors: In selecting the sectors of industry with the best export prospects, the Latin American countries should take into account: (a) the short-term demand prospects; (b) the degree to which each sector is connected with the rest of the productive structure; (c) the relative share of national and foreign enterprises in each sector, and (d) labour, capital and foreign exchange requirements.

(iv) Financing of projects: The possibilities of exporting manufactures are usually determined at the time when investment projects are formulated. It will be of little use establishing a system of export incentives and setting up specialized bodies if industrial supply remains bound to the patterns of the domestic market. Hence, in the criteria used in evaluating projects, export considerations should receive just as much weight as is assigned to them in development plans and programmes.

/Annex

ANNEX

PRODUCTS CORRESPONDING TO CHAPTERS 1 TO 24 OF THE BTN THAT HAVE BEEN INCLUDED IN THE GENERALIZED SYSTEMS OF PREFERENCES a/

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
				Norway	Sweden						
Section I. Live animals; animal products											
Chapter 2 - Meat and edible meat offals											
02.01 Meat and edible offals of the animals falling within heading No 01.01, 01.02, 01.03 or 01.04, fresh, chilled or frozen								x			
02.02 Dead poultry and edible offals thereof (except liver), fresh, chilled or frozen											
02.04 Other meat and edible meat offals, fresh, chilled or frozen								x			
02.06 Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked			x				x	x			
Chapter 3 - Fish, crustaceans and molluscs											
03.01 Fish, fresh (live or dead), chilled or frozen								x		x	
03.02 Fish, salted, in brine, dried or smoked						x		x		x	
03.03 Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, frozen, salted, in brine or dried; crustaceans, in shell, simply boiled in water				x	x	x		x		x	
Chapter 4 - Dairy produce; birds' eggs; natural honey											
04.03 Butter											
04.04 Cheese and curd											
04.05 Birds' eggs and egg yolks, fresh, dried or otherwise preserved, sweetened or not											
04.06 Natural honey								x			

/Annex (Cont. 1)

Annex (Cont. 1)

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
				Norway	Sweden						
Chapter 5 - Products of animal origin, not elsewhere specified or included											
05.03 Horsehair and horsehair waste, whether or not put up on a layer or between two layers of other material				x	x	x				x	x
05.04 Guts, bladders and stomachs of animals (ohter than fish), whole and pieces thereof										x	
05.09 Horns, antlers, hooves, nails, claws and beaks of animals, unworked or simply prepared but not cut to shape, and waste and powder of these products; whalebone and the like, unworked or simply prepared but not cut to shape, and hair and waste of these products										x	x
05.15 Animal products not elsewhere specified or included; dead animals of chapter 1 or chapter 3, unfit for human consumption				x		x		x		x	
Section II. Vegetable products											
Chapter 6 - Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage											
06.01 Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower								x			
06.02 Other live plants, including trees, shrubs, bushes, roots, cuttings and slips								x			x
06.03 Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared		x									x
Chapter 7 - Edible vegetables and certain roots and tubers											
07.01 Vegetables, fresh or chilled				x	x			x			x

/Annex (Cont. 2)

Annex (Cont. 2)

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
				Norway	Sweden						
07.02 Vegetables (whether or not cooked), preserved by freezing								x			
07.03 Vegetables provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption			x	x	x			x			
07.04 Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder, but not furhter prepared	x	x	x	x	x			x		x	
07.05 Dried leguminous vegetables, shelled, whether or not skinned or split			x					x			x
07.06 Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith			x	x	x			x			
Chapter 8 - Edible fruit and nuts; peel of melons or citrus fruit											
08.01 Dates, bananas, coconuts, Brazil nuts, cashew nuts, pineapples, avocados, mangoes, guavas and mangosteens, fresh or dried, shelled or not		x	x	x		x	x	x		x	x
08.02 Citrus fruit, fresh or dried dried			x	x		x		x			
08.03 Figs, fresh or dried		x	x	x		x					
08.04 Grapes, fresh or dried		x	x	x				x			x
08.05 Nuts other than those falling within heading Nº 08.01, fresh or dried, shelled or not				x		x					
08.06 Apples, pears and quinces, fresh				x	x						
08.07 Stone fruit, fresh				x	x			x			
08.08 Berries, fresh				x							
08.09 Other fruit, fresh				x	x			x			
08.10 Fruit (whether or not cooked), preserved by freezing, not containing added sugar	x	x		x	x	x		x			
08.11 Fruit provisionally preserved in brine, in sulphur water or in other presergative solutions, but not specially prepared for immediate consumption	x	x	x	x	x			x		x	

/Annex (Cont. 3)

Annex (Cont. 3)

	EEC	Japan	United Kingdom	Scandinavian countries Norway	Sweden	Austria	Canada	United States	Ireland b/	Switzerland	New Zealand
08.12 Fruit, dried, other than that falling within heading Nº 08.01, 08.02, 08.03, 08.04 or 08.05	x	x	x					x			x
08.13 Peel of melons and citrus fruit, fresh, frozen, dried, or provisionally preserved in brine, in sulphur water or in other preservative solutions	x					x		x			
Chapter 9 - Coffee, tea, maté and spices											
09.01 Coffee, whether or not roasted or freed of caffeine; coffee husks and skins; coffee substitutes containing coffee in any proportion			x			x					x
09.04 Pepper of the genus Piper; pimento of the genus Capsicum or the genus Pimenta	x	x				x	x			x	x
09.05 Vanilla										x	x
09.06 Cinnamon and cinnamon-tree flowers						x	x	x		x	x
09.07 Cloves (whole fruit, cloves and stems)		x				x	x			x	x
09.08 Nutmeg, mace and cardamoms		x				x	x			x	x
09.09 Seeds of anise, badian, fennel, coriander, cumin, caraway and juniper		x		x		x				x	x
09.10 Thyme, saffron and bay leaves; other spices	x	x	x	x		x	x	x		x	x
Chapter 10 - Cereals											
10.05 Maize											
10.06 Rice A. In the husk or husked but not further prepared B. Other				x							
10.07 Buckwheat, millet, canary seed and grain sorghum; other cereals								x			
Chapter 11 - Products of the milling industry; malt and starches; gluten; inulin											
11.01 Cereal flours			x					x		x	x

/Annex (Cont. 4)

Annex (Cont. 4)

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
				Norway	Sweden						
11.02 Cereal groats and cereal meal; other worked cereal grains (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice; germ of cereals, whole, rolled, flaked or ground			x					x			x
11.03 Flours of the leguminous vegetables falling within heading N° 07.05	x		x								
11.04 Flours of the fruits falling within any heading in chapter 8	x		x			x		x			x
11.05 Flour, meal and flakes of potato											
11.06 Flour and meal of sago and of manioc, arrowroot, salep and other roots and tubers falling within heading N° 07.06			x							x	
11.07 Malt, roasted or not			x								
11.08 Starches; inulin			x					x			x
11.09 Gluten and gluten flour, roasted or not			x					x			
Chapter 12 - Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder											
12.01 Oil seeds and oleaginous fruit, whole or broken A. Groundnuts B. Copra C. Palm nuts and kernels D. Soya beans E. Linseed F. Cotton seeds G. Castor oil seeds H. Other						x		x			
12.03 Seeds, fruit and spores, of a kind used for sowing								x			

/Annex (Cont. 5)

Annex (Cont. 5)

	EEC	Japan	United Kingdom	Scandinavian countries: Norway	Scandinavian countries: Sweden	Austria	Canada	United States	Ireland b/	Switzerland	New Zealand
12.07 Plants and parts (including seeds and fruit) of trees, bushes, Shrubs or other plants, being goods of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purposes, fresh or dried, whole, cut, crushed, ground or powdered	x	x								x	
12.09 Cereal straw and husks, unprepared, or chopped but not otherwise prepared											
12.10 Mangolds, swedes, fodder roots; hay, lucerne, clover, sairfoin, forage kale, lupines, vetches and similar forage products											
Chapter 13 - Raw vegetable materials of a kind suitable for use in dyeing or in tanning; lacs; gums, resins and other vegetable saps and extracts											
13.01 Raw vegetable materials of a kind used primarily in dyeing or in tanning										x	
13.02 Shellac, seed lac, stick lac and other lacs; natural gums, resins, gum-resins and balsams										x	
13.03 Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, derived from vegatable products	x		x	x	x			x		x	x
Chapter 14 - Vegetable plaiting and carving materials; vegetable products not elsewhere specified or included											
14.02 Vegetable materials, whether or not put up on a layer or between two layers of other material, of a kind used primarily as stuffing or as padding								x		x	

/Annex (Cont. 6)

Annex (Cont. 6)

	EEC	Japan	United Kingdom	Scandinavian countries: Norway	Scandinavian countries: Sweden	Austria	Canada	United States	Ireland b/	Switzerland	New Zealand
14.03 Vegetable materials of a kind used primarily in brushes or in brooms (for example, sorgho, piassava, couch-grass and istle), whether or not in bundles or hanks						x		x		x	
14.04 Hard seeds, pips, hulls and nuts, of a kind used for carving (for example, corozo and dom)										x	
14.05 Vegetable products not elsewhere specified or included						x				x	
Section III. Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes											
Chapter 15 - Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes											
15.01 Lard and other rendered pig fat; rendered poultry fat			x				x			x	
15.02 Unrendered fats of bovine cattle, sheep or goats; tallow (including "premier jus") produced from those fats		x					x			x	
15.04 Fats and oils, of fish and marine mammals, whether or not refined	x					x				x	
15.07 Fixed vegetable oils, fluid or solid, crude, refined or purified		x		x		x	x	x		x	
15.12 Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared		x								x	
15.13 Margarine, imitation lard and other prepared edible fats	x		x				x				
15.14 Spermaceti, crude, pressed or refined, whether or not coloured	x	x	x							x	
15.15 Beeswax and other insect waxes, whether or not coloured	x	x	x			x		x		x	
15.16 Vegetable waxes, whether or not coloured	x	x	x							x	

/Annex (Cont. 7)

Annex (Cont. 7)

	EEC	Japan	United Kingdom	Scandinavian countries: Norway	Scandinavian countries: Sweden	Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
Section IV. Prepared foodstuffs; beverages, spirits and vinegar; tobacco											
Chapter 16 - Preparations of meat, of fish, of crustaceans or molluscs											
16.01 Sausages and the like, of meat, meat offal or animal blood							x	x			
16.02 Other prepared or preserved meat or meat offal	x	x	x			x	x	x		x	x
16.03 Meat extracts and meat juices	x	x	x					x		x	
16.04 Prepared or preserved fish, including caviar and caviar substitutes	x	x	x	x	x	x		x		x	x
16.05 Crustaceans and molluscs, prepared or preserved	x	x		x	x	x		x		x	x
Chapter 17 - Sugars and sugar confectionery											
17.01 Beet sugar and cane sugar, solid A. Raw sugars B. Other											
17.02 Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel			x								
17.03 Molasses, whether or not decolourised								x			
17.04 Sugar confectionery, not containing cocoa	x		x				x	x		x	x
17.05 Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion			x								
Chapter 18 - Cocoa and cocoa preparations											
18.02 Cocoa shells, husks, skins and waste						x					
18.03 Cocoa paste (in bulk or in block), whether or not deflatted		x			x	x	x	x		x	

Annex (Cont. 8)

Annex (Cont. 8)

	EEC	Japan	United Kingdom	Scandinavian countries Norway	Scandinavian countries Sweden	Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
18.04 Cocoa butter (fat or oil)		x			x	x		x		x	
18.05 Cocoa powder, unsweetened		x		x	x	x	x	x		x	
18.06 Chocolate and other food preparations containing cocoa	x	x	x				x	x			
Chapter 19 - Preparations of cereals, flour or starch; pastrycooks' products											
19.02 Preparations of flour, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes, containing less than fifty per cent by weight of cocoa	x		x				x	x			
19.03 Macaroni, spaghetti and similar products			x								x
19.04 Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches	x		x				x	x		x	x
19.05 Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products)	x		x					x		x	
19.08 Pastry, biscuits, cakes and other fine bakers' wares, whether or not containing cocoa in any proportion	x	x	x				x	x			
Chapter 20 - Preparations of vegetables, fruit or other parts of plants											
20.01 Vegetables and fruit, prepared or preserved by vinegar or acetic acid, with or without sugar, whether or not containing salt, spices or mustard	x	x	x	x	x	x		x		x	
20.02 Vegetables prepared or preserved otherwise than by vinegar or acetic acid	x	x	x	x	x	x		x		x	x
20.03 Fruit preserved by freezing, containing added sugar	x	x		x	x			x		x	
20.04 Fruit, fruit-peel and parts of plants, preserved by sugar (drained, glacé or crystallised)	x	x	x	x	x		x	x		x	

/Annex (Cont. 9)

Annex (Cont. 9)

	EEC	Japan	United Kingdom	Scandinavian countries: Norway	Scandinavian countries: Sweden	Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
20.05 Jams, fruit jellies, marmalades, fruit purée and fruit pastes, being cooked preparations, whether or not containing added sugar	x		x					x		x	
20.06 Fruit otherwise prepared or preserved, whether or not containing adde sugar or spirit	x	x	x	x	x	x	x	x		x	
20.07 Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit	x	x	x	x	x	x	x	x		x	
Chapter 21 - Miscellaneous edible preparations											
21.02 Extracts, essences or concentrates, of coffee, tea or maté; preparations with a basis of these extracts, essences or concentrates	x	x	x	x		x		x		x	
21.03 Mustard flour and prepared mustard	x		x	x	x	x	x			x	x
21.04 Sauces; mixed condiments and mixed seasonings	x	x	x	x	x	x		x		x	
21.05 Soups and broths, in liquid, solid or powder form	x	x	x	x	x	x				x	
21.06 Natural yeasts (active or inactive); prepared baking powders	x	x	x	x	x	x		x		x	
21.07 Food preparations not elsewhere specified or included	x	x	x			x	x	x		x	
Chapter 22 - Beverages, spirits and vinegar											
22.03 Beer made from malt		x						x			
22.05 Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol		x									
22.06 Vermouths, and other wines of fresh grapes flavoured with aromatic extracts		x									
22.07 Other fermented beverages (for example, cider, perry and mead)		x						x			
22.08 Ethyl alcohol or neutral spirits, undenatured, of a strength of eighty degrees or higher; denatured spirits (including ethyl alcohol and neutral spirits) of any strength											

Annex (Cont.10)

Annex (Cont. 10)

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switz-erland	New Zealand
				Norway	Sweden						
22.09 Spirits (other than those of heading No 22.08); liqueurs and other spirituous beverages; compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages		x		x	x		x	x			
22.10 Vinegar and substitutes for vinegar		x	x	x	x			x			
Chapter 23 - Residues and waste from the food industries; prepared animal folder											
23.01 Flours and meals, of meat, offals, fish, crustaceans or molluscs, unfit for human consumption; greaves			x								
23.02 Bran, sharps and other residues derived from the siftin, milling or working of cereals or of leguminous vegetables			x				x				
23.03 Beet-pulp, bagasse and other waste of sugar manufacture; brewing and distilling dregs and waste; residues of starch manufacture and similar residues											
23.04 Oil-cake and other residues (except dregs) resulting from the extraction of vegetable oils											
23.07 Sweetened forage; other preparations of a kind used in animal feeding	x	x	x							x	

/Annex (Conc.)

Annex (Conc.)

	EEC	Japan	United Kingdom	Scandinavian countries		Austria	Canada	United States	Ireland b/	Switzerland	New Zealand
				Norway	Sweden						
Chapter 24 - Tobacco											
24.01 Unmanufactured tobacco; tobacco refuse											
24.02 Manufactured tobacco; tobacco extracts and essences											

a/ The table lists the products contained in Chapters 1 to 24 of the Brussels Tariff Nomenclature (BTN) in respect of which Latin American countries requested preferential treatment: see UNCTAD, "Report of the Special Committee on Preferences on the first part of its fourth session" (TD/B/300, Annex 1), and "Report of the Special Committee on Preferences on the second part of its fourth session" (TD/B/329/Add.5). In the case of the EEC, Japanese and Norwegian schemes, the products listed and those enumerated in the officially approved lists that have been in effect since 1 July, 1 August and 1 October 1971, respectively: see UNCTAD, "Generalized System of Preferences" (TD/B/373/Add.1, 7 and 2 (Annex: Norway), respectively). In the case of the United Kingdom and Sweden, the products are likewise those enumerated in the officially approved lists scheduled to come into effect on 1 January 1972: see UNCTAD, "Generalized System of Preferences" (TD/B/373/Add.8 and 2 (Sweden) respectively). For the remaining countries, the list is based on the offers made in the Special Committee on Preferences: see UNCTAD, "Substantive documentation on the generalized system of preferences" (TD/B/AC.5/24 and Add. and TD/B/AC.5/34 and Add., revised).

b/ Ireland has no plants to grant any preferences on agricultural products contained in Chapters 1 to 24 of the BTN. The importation of a large number of such products that are of interest to developing countries is already exempt from duty: see UNCTAD, "Substantive documentation on the generalized system of preferences" (TD/B/AC.5/24/Add.6).

Chapter III

EXPORT PROMOTION

1. Main aspects of the problem and a comprehensive approach to its solution

There is a clear awareness in Latin America of the need to promote exports, above all of manufactures and semi-manufactures. The objective is to diversify the export structure so that it is less vulnerable to the kind of fluctuations that affect primary products and to promote an industrial output that will make competition on the world markets possible, so that productive capacity can be utilized more rationally and the industrial sector can be provided with a wider field than just the domestic market in which to develop.

It is also desired to promote traditional exports so as to take advantage of the opportunities presented by the world market. The changes taking place in the production and marketing of certain basic products as a result of programmes for the nationalization or State control of productive enterprises or as a result of the effect of international agreements governing the production of and trade in such goods, make it necessary to adapt marketing and promotional techniques accordingly.

As far as exports of non-traditional goods are concerned, most countries in the region have adopted measures and set up institutions to promote such new exports. International agencies belonging to the inter-American and United Nations systems have also devoted special attention to providing the countries of the region with export promotion assistance. There is perhaps reason, however, to question whether the success achieved in expanding these exports is in any way commensurate with the efforts expended and to make a critical analysis of the factors that inhibit the faster growth of non-traditional exports, which continue to represent a mere fraction of the region's total exports.

It would also be useful to study the nature of the measures and national institutions whose task it is to boost exports and distinguish between essentially promotional institutions, operating within the framework of the current economic, industrial and trade policy, and those that are in a position to modify such policies in keeping with the objective of speeding-up the growth of exports. The same applies to

/incentives, which

incentives, which, in isolation, generally afford no more than temporary solutions. Indeed, in the absence of production efficiency and a capacity to compete on world markets, the use of incentives could give rise to "protected" export industries, as occurred in Latin America in the case of import substitution.

The Latin American countries that have been most successful in developing their industrial exports are those which have been steadily improving the efficiency of their industrial sector and, because of the size of their domestic markets, possess and industrial base of adequate scale (Argentina, Brazil, Mexico).

There is, then, a close connexion between the promotion of exports of manufactures and industrial development. If a country wishes to study markets and participate in industrial trade fairs the product it hopes to export must be able to compete on terms that are acceptable to the world market. Though some Latin American countries are in this happy position, the vast majority still have a long way to go. ECLA has therefore taken a wider view of the export problem, which it sees as a development process calling for an integral and coherent approach. It has accordingly concentrated on the factors affecting the supply of exportable manufactured goods and on the industrial structure on which their production depends. The economic development plans of Latin American countries must assign suitable priority and adequate resources to the development of exports of manufactures and semi-manufactures within the framework of a strategy which has been formulated at the highest economic decision-making level and which ties in with the International Development Strategy for the Second Development Decade.

Latin American countries possess various instruments that are quite suitable for orienting their industries towards the export market. The international community, too, can help either by providing technical and financial assistance through international agencies or by means of the concerted action of the developed countries which can collaborate in the various fields connected with export promotion and provide easier access to their markets.

The picture is rather different if the objective is a sustained increase in exports of primary products - an area where the region's efficiency is guaranteed by its natural resources. Though it has not matched the growth rate of the demand for manufactures, world demand for primary products continues to be very large; even so, however, it has not had the effect of stimulating an increase in Latin American exports of

/basic commodities.

basic commodities. It would be useful to find out why it is that, for various reasons, the policies of the major industrialized nations have had the effect of diminishing the region's role as an exporter of primary products. Discriminatory preferences, unlimited support of local agricultural producers and the attendant policies governing prices and stocks, the non-participation of large producing or purchasing countries in international agreements, the uncertainty caused by the accumulation of surpluses and stocks and the general ignorance of the purchasing policy of the large consumer countries of the socialist area are just some of the problems that Latin American countries cannot hope to resolve on their own and which therefore require a concerted effort at the international level.

In the following pages, an attempt is made to define the concept of a strategy for the promotion of exports of manufactures, the background of the region's institutional framework at the national and international level is examined, and possible courses that Latin American countries, the developed countries and the appropriate international agencies could follow are suggested.

(a) A strategy for the export of manufactures

In view of the high growth rates of world consumption of manufactures, the call for a strategy 1/ derives basically from the fact that the expansion of Latin American exports requires conditions that are conducive to the establishment of an industrial supply which, at least in certain sectors, will be competitive in international terms and comprised in a system of economic relations which will incite industry to be forever striving to improve its levels of efficiency. As has already been pointed out in several ECLA studies on particular countries, sectors or industrial branches, these conditions are far from being fulfilled in the present situation of industrial activity in Latin America. Accordingly, the problems to be analysed and resolved are those implicit in the transition from the present relatively inefficient state of Latin American industry to a situation consistent with the aim of joining the circle of countries that supply the world market for manufactures. And it is not piecemeal measures that will achieve this objective.

At the same time, it seems unrealistic to contemplate increasing the efficiency of industrial activity in all sectors and in every enterprise at once; it will therefore be necessary to establish sectoral and regional

1/ See document ST/ECLA/Conf.37/L.28.

/priorities, take

priorities, take action with regard to exchange, tax, credit and tariff policies, design instruments of industrial policy, set up institutions capable of co-ordinating the whole set of measures bearing on export capacity, determine the steps to be taken directly by the public sector in the field of infrastructure (transport, communications, energy, etc.) and take export criteria into consideration in the treatment accorded to foreign capital and in the legal regulations governing the purchase of technology from abroad.

The integrated system of measures to be adopted by the public sector in the areas listed above, together with the establishment of priorities, constitutes what is termed the strategy for the export of manufactures. The strategy will have to take into account the changes that have come about at the international level with regard to the relative importance of the various regions and countries, trends in trade in the various types of goods, and new patterns of entrepreneurial organization which, as they spread from one country to another, modify the basic characteristics of world trade. Nor can it disregard the decisive effects on national and sectoral competitiveness produced by the various mechanisms and procedures for the transfer of technology. In addition, it must be based on an analysis of the relationship between the financing arrangements that link Latin America to the developed world and the Latin American countries' chances of exporting manufactured products.

Hitherto, the Latin American countries' export promotion programmes for the most part, stressed incentives to existing industry and the marketing problems that are involved in gaining a foothold for its products on the world market. A comprehensive approach, however, means introducing significant changes in the "industrial development model" in respect both of international relations and also of those established within the individual countries. This approach does not mean that the export possibilities of existing industry should be disregarded, but simply that the difficulties with which that industry is faced should be approached in the right perspective to ensure that its expansion is achieved on the basis of a lasting solution of its problems. In view of the fundamental differences observable between the various countries of the region, it could scarcely be sought to recommend a single strategy for all of them. All the same, there are some problems which all the Latin American countries will have to tackle, albeit with greater or lesser degrees of vigour and urgency.

/Official export

Official export promotion programmes often suffer from ill-defined objectives, poor co-ordination of incentives and other promotional instruments by the Government and inadequate support of the export sector of industry. In most Latin American countries, this raises the need for changes in: (a) the characteristics of the industrial structure; (b) the instruments used by the public sector to guide the activities of enterprises; (c) the bases for determining international economic relations, and (d) the agencies responsible for working out and applying the instruments that direct international policy.

The nature of the export strategy adopted depends basically on certain characteristics that are peculiar to each country, such as the size of the market, the level of industrialization, balance-of-payments problems, the availability of natural resources within the country, the presence or absence of international enterprises, and the share of the public sector in the economy.

A decisive factor in the application of the strategy is systematic collaboration between the Government and the entrepreneurial sector in such areas as quality control, standardization and technological research, which serve to determine the export potential and the obstacles to the realization of that potential.

(b) Comparative situation of primary products and manufactures

For a long time now, the world market in primary products has been governed not just by economic factors but also by political considerations, negotiating capacity and, in certain cases, by specific agreements between producing countries and consumers.

There are several differences 2/ between world trade in raw materials and in manufactures. Unlike the latter, raw materials are easily defined, are generally sold on the basis of specifications and do not as a rule require trademarks, save in exceptional cases (wool, for example) where sales need to be boosted to compete with synthetic substitutes. Marketing techniques differ, too, as does the degree to which the supply can be forecasted, particularly in view of the seasonal factors to which agricultural raw materials and food products are subject. Moreover, unlike manufactures and semi-manufactures, the perishable nature of many primary products affects their pattern of production, storage and sale for domestic and external consumption.

2/ See ECLA, "International organizations in export promotion in Latin America", Economic Bulletin for Latin America, vol. XIV, Nº 1, 1969.

/As regards

As regards external demand, the existence of surpluses or stocks and the lack of knowledge of the requirements of large potential buyers, such as the countries of the socialist area, are factors that add to the unpredictability of the market in primary products, and make it more difficult to plan exports of such products.

The marketing of artisanal products raises its own special problems. As the potential output of each producer is quite low, the exporting countries must have marketing channels that can combine the output of a large number of suppliers and cut down the delays between the placing of an order and the delivery of the goods that are inherent in the nature of the products and the conditions of their supply. The secretariats of UNCTAD and of the Customs Co-operation Council have prepared a study on the need for special tariff treatment of artisanal products to give them an advantage over equivalent machine-made goods 3/.

2. The institutional structure in Latin America

(a) At the national level

Latin American Governments have employed the following methods to promote exports, particularly of non-traditional products: (a) export incentives, special customs procedures, tax incentives, credits and credit insurance, special exchange rates; (b) improvement of the physical infrastructure; and (c) organization and dissemination of information, provision of technical assistance, promotion and training services and publication of guides and handbooks.

Most Latin American Governments have set up institutions and passed laws on important matters having a direct or indirect bearing on export promotion policy. The Latin American Free Trade Association (LAFTA) has carried out extensive studies on the nature of these institutions and on the legislation that each of its member countries has introduced 4/. The institutional structure varies from country to country. That of Venezuela, for example, whose economic development was less affected by the pressure of external problems than other Latin American countries,

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3/ See UNCTAD, "Tariff Reclassification, Note by the UNCTAD secretariat on the work being done in the field of tariff reclassification" (TD/B/C.2/103, Annex I).

4/ See LAFTA, Recopilación de normas sobre estímulos a las exportaciones vigentes en los países de la ALALC (volumes by countries).

/is ill-equipped

is ill-equipped for promoting and diversifying exports. Others countries, like Brazil and Argentina, where for years the opposite has been the case, have greater experience in the matter and possess machinery and institutions specifically designed to increase and diversify non-traditional exports, the effects of which have been particularly noticeable in recent years 5/.

Generally speaking, it is worth stressing the value of standardizing and harmonizing the various incentives at the national level, making them as permanent as possible, co-ordinating the work of the agencies implementing them, and simplifying paper-work and administrative procedures.

(b) At the international level

A number of international agencies have been engaged in various kinds of export development activities in Latin America, including UNCTAD, the UNCTAD/GATT International Trade Centre, UNIDO, FAO, ILO, ECLA and the Inter-American Centre for Export Promotion and the Inter-American Marketing Centre, both of OAS. The work done in this field by the agencies belonging to the United Nations system is described in a report by the Secretary-General 6/.

ECLA has collaborated with UNCTAD in the preparation of a series of country studies (Argentina, Brazil, Chile, Colombia, Venezuela and Central America) on the possibilities of exporting manufactured products, and it co-sponsored with UNIDO a Latin American symposium on industrialization in 1966. From 1967, its work in this field came under the United Nations Export Promotion Programme, which was established to ensure proper co-ordination of the activities of the various United Nations offices and agencies involved in this work. At its thirteenth session, the Commission recommended that the ECLA secretariat should intensify its work in the field of export promotion 7/. This work is carried out under an interdisciplinary programme designed to provide advisory and technical assistance services, organize courses and seminars and prepare studies on specific problems. The Programme provides regional advisory services on:

5/ See Chapter II.

6/ See Economic and Social Council, United Nations export promotion efforts, (E/4940), 23 March 1971.

7/ ECLA resolution 291 (XIII).

/(a) general

(a) general export promotion policy; (b) aspects of supply of manufactures for export; (c) export financing; (d) marketing; (e) institutional and administrative aspects, and (f) programming of exports of manufactures. By the end of 1971, ECLA had carried out 34 advisory missions and technical assistance missions in various Latin American countries at the request of their Governments.

ECLA collaborates with the UNCTAD/GATT International Trade Centre in the training of Government officials. It has organized courses in several countries and has taken part in international seminars and other meetings on the subject.

In Santiago, Chile, the ECLA secretariat recently organized a meeting of experts on the formulation and implementation of strategies for the export of manufactures 8/ which was attended by representatives of the private and public sectors of Latin American countries and some countries of other regions, as well as by representatives of various international organizations. Several studies and special reports were prepared for the meeting 9/, including the country monographs referred to above.

For the past three years, the Inter-American Centre for Export Promotion of OAS has been providing the region with valuable services in its own particular fields: (a) technical collaboration in the form of institutional support and advice on the solution of specific problems; (b) training, including the organization of seminars, courses and round table meetings; (c) information services; and (d) promotional activities, mainly involving publications and the organization of international meetings 10/. The Inter-American Marketing Centre (CICOM), which is attached to OAS, is mostly concerned with training managers of enterprises, Government officials and officials of other institutions (LAFTA) in national and international marketing.

8/ See "Draft Report" (ST/ECLA/Conf.37/L.37) dated 14 October 1971.

9/ See "La exportación como perspectiva del desarrollo siderúrgico latinoamericano" (ST/ECLA/Conf.23/L.49); "Fiscal incentives for export", Economic Bulletin for Latin America, vol. XII, Nº 1 (May 1967); "The transfer of technology and its relation to trade policy and export promotion in Latin America", and "International organizations in export promotion in Latin America", Economic Bulletin for Latin America, vol. XIV, Nº 1, first half of 1969; Guía del Exportador Latinoamericano (E/CN.12/869) with bibliographical annex.

10/ See the annual report of the Executive Director of the Inter-American Centre for Export Promotion to the Inter-American Economic and Social Council (IA-ECOSOC), (CIES/1586) dated 1 March 1971.

/3. Action

3. Action to be taken by exporting countries

To achieve the desired increase and diversification of exports, Latin American countries must take steps to make the best possible use of their exportable potential and of their available material and human resources.

(a) The transformation of international relations

The improvement of Latin America's trading position calls for a deliberate and well-planned effort to bring about a change in international relations, in which the trade in goods plays a substantial but only partial role. The flow of exports does not depend solely on trade policy, as has been explained in some detail elsewhere in this document 11/; it may be determined, or at least influenced, by the flows of technology and financial resources.

In view of the growing importance of international enterprises in these three fields (trade, technology and financing), it is to be assumed that transformations in international economic relations would have to be accompanied by far-reaching changes in the status and operations of such enterprises 12/. Governments could, for example, introduce measures or sign agreements ensuring that an increasing volume and share of manufactured goods exported by international enterprises should go to countries outside the region. It will likewise be necessary to modify the present situation of technological dependency on foreign initiative and encourage or induce enterprises established in Latin America to carry out major scientific and technical research work locally and keep the benefits of that research for the region. A study should also be made of the cost to a country's economy of utilizing foreign investments, so as to ensure that such cost is in reasonable relation to the benefits derived. Steps should accordingly be taken to ensure that: (1) the percentage of profits remitted is acceptable from the standpoint of the country and in comparison with other investment alternatives;

11/ The problem of access and prices, as well as of tariff preferences, trade and payments agreements, financing and economic integration are dealt with in chapters I, II and V.

12/ See United Nations, "The expansion of international enterprises and their influence on development in Latin America", Economic Survey of Latin America, 1970 (United Nations publication, Sales Nº: E.72.II.G.I) and ECLA, "Reflections on the international company and its role in the development of Latin American exports of manufactured products" (ST/ECLA/Conf.37/L.5).

/(2) the

(2) the cost of importing machinery and inputs is not unduly high and these goods are obtained on the best available terms, and (3) the cost of importing the technology is justifiable and unavoidable 13/.

(b) Realistic export incentive programmes

The formulation of realistic export incentive programmes, especially those designed for manufactured and semi-manufactured products, is a task that must be tackled systematically if such programmes are to be effective and are not to incur unnecessary fiscol costs. The following are some of the aspects that require attention in preparing and executing such programmes:

(a) Establishment of specific short-, medium- and long-term targets for the export sector. As far as possible, the targets should be quantitative should refer to specific products and should be formulated jointly by the public and private sectors;

(b) Definition and analysis of the obstacles standing in the way of the exports and of the nature and scope of direct and indirect stimuli required such as tax and customs incentives, credit terms, exchange rates and special Government services for exporters;

(c) Assessment of the probable advantages and disadvantages of the incentives proposed and of the effect they are likely to have on each other;

(d) Formulation and implementation of an incentive programme which is sufficiently flexible to be able to adapt to the changing conditions of international trade;

(e) Execution and periodic appraisal of the programme and introduction of appropriate modifications, bearing in mind, however, the advisability of maintaining a certain continuity in the policies and systems followed, so as to win the confidence of the entrepreneurs.

(c) Industrial aspects

(i) Reorganization of production. If they wish to promote their exports of manufactures and semi-manufactures, Latin American countries should determine what action is necessary to help to neutralize or correct certain

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13/ See United Nations, "The expansion of international enterprises and their influence on development in Latin America", op.cit.

/structural shortcomings

structural shortcomings that may be limiting the capacity of their industries to compete on the world markets 14/. A distinction should be made between measures that are designed to raise the general efficiency of existing industries and those that are intended to create a future supply of goods. The former are more directly relevant to countries with a relatively higher level of industrial development. In these, the development of national enterprises of a size that is compatible with the requirements of world markets often raises the question of mergers or, in the case of international enterprises, of reorganizing the sector by calling for international tenders. Increasing the size of enterprises might also mean exploring the possibilities of integrating them with the agents that serve as their financial intermediaries 15/.

Another question raised by the expansion of Latin American companies is the creation of multinational enterprises by combining the capital and markets of several countries of the region. In this respect, Governments should examine the motives for such action, the effect the creation of such enterprises might have on regional and subregional integration agreements, and the importance to the country of their expanding within the framework of sectoral development programmes.

A second aspect of industrial policy is the choice of the appropriate level of protection, which is intimately linked with the question of the policy to be followed in respect of exchange rates and fiscal incentives.

Thirdly, there is a problem of selecting project evaluation criteria. It is safe to say that the future export potential of Latin American industry will depend largely on decisions taken while the projects are actually being formulated, especially as regards size and location of plant, products, inputs, technical processes, etc.

14/ See Elementos para la formulación de estrategias de exportación de manufacturas (ST/ECLA/Conf.37/L.21).

15/ In this connexion, it would be useful to analyse the behaviour of "conglomerates" and to compare their role in Japan with the part they might possibly play in Latin America.

/(ii) Reduction

(ii) Reduction of technological dependence. In most Latin American countries, the terms on which the transfer of technology is effected, have restricted those countries' export potential in respect of certain goods or markets and kept down the degree of complexity of the products exported 16/. The fact that some major decisions affecting the technological development of Latin American countries neither conform to their interests nor have been taken at the national level makes it quite clear that more resources must be allotted to research and development work, so as to increase the supply of technology and improve the efficiency of its utilization 17/. To this end, the countries importing technology could lower customs barriers, introduce export incentives, apply technological criteria to the granting of import licences or credits for financing projects, offer tax exemptions and other inducements, or facilitate the establishment of mixed enterprises that would contribute to national technological research, while in collaboration with other countries they could set up regional technological institutes for specialized research.

(d) Institutional infrastructure

While certain shortcomings in the physical infrastructure that constitute hindrances to the export trade are common to most Latin American countries, some of the problems connected with promotional activities still await a satisfactory solution because of inadequacies in the institutional infrastructure, both at the regional and at the subregional or national level. This is so, for example, in the case of the need to co-ordinate external trade policy with general economic policy, with the programming and financing of industrial investment, with the transport infrastructure and transport policy, with the marketing techniques for manufactures and semi-manufactures, and with the training of personnel involved in foreign trade activities. Though many Latin American countries have set up departments for regulating and stimulating the export of manufactures, much remains to be done in respect of complementary services and the standardization and simplification of operating methods and procedures.

Little action has yet been taken at the regional and subregional level in Latin America, although several international agencies are providing assistance in export promotion activities and strong encouragement is being given for intra-regional collaboration in exchanging information, co-ordinating services, establishing a multinational infrastructure, introducing a standard system of licences, etc.

16/ See also chapter II.

17/ See chapter XIII.

Generally speaking, far too many Government bodies seem to be involved in foreign trade activities in many Latin American countries, and their co-ordination and fields of competence are not always particularly well-arranged. Lately, some countries seem to be tending to centralize these functions. The efficiency of the central bodies would be improved if they could manage to maintain a flexible relationship with the planning system, industrial development agencies, industrial and export enterprises and their trade associations, enterprises providing allied services (transport and international insurance), financial institutions and the various bodies responsible for the country's external policies.

Furthermore, it is important to stress the prime responsibility of the public sector in formulating and executing measures designed to raise the efficiency of export-oriented production activities and to improve the competitiveness of national industries on the world market. State enterprises and the public sector above all could centralize their purchasing power and use it so as to raise technological standards and production efficiency, as well as to negotiate counterpart deals involving exports of non-traditional products.

(e) <u>Selection of priority sectors</u>

It would be somewhat unrealistic to suggest that the countries of Latin America must step up the efficiency of all their productive sectors at the same time; they must therefore think in terms of selecting priority export sectors on which to concentrate their efforts. The criteria for this should include the following:

(a) Short-, medium- and long-term demand prospects in the various external markets;

(b) Degree of interconnexion with the other aspects of national economic activity;

(c) Respective involvement of national and foreign enterprises;

(d) Nature and extent of manpower, investment and foreign currency requirements.

The degree of interconnexion refers to the effects of the sector's expansion on allied activities. Investigation of this aspect may well reveal bottlenecks outside the sector itself that could hinder efforts to improve its efficiency.

/The need

The need to determine whether particular sectors are dominated by national enterprises or by foreign enterprises derives from the fact that the public sector may need to adopt a different approach in these two cases. With regard to national enterprises, Governments should provide them with technical assistance, encourage the merger of enterprises that are too small, promote the recruitment of technicians, etc., while in the case of foreign enterprises, the most effective method would be direct negotiation.

The first sectors to be selected could be those that carry on "autonomous" activities (processing of local natural resources and assembly of imported inputs), gradually incorporating products (mainly machinery and equipment) that are more intimately connected with the rest of the local production structure and have a greater multiplier effect on associated activities.

Once the products whose export is to be promoted have been selected, detailed studies should be made of their technical specifications, existing and planned facilities for their production, specific measures that the public sector would have to take, and the time sequence for such measures.

4. Action by the developed countries

The Declaration of Lima points out that in addition to eliminating tariff and non-tariff barriers which limit the access of commodities originating from the developing countries to their markets (see chapters II and III), the developed countries should grant such countries technical and financial assistance to: (a) carry out studies and research including the exchange of commercial information on a continuous basis regarding the export prospects for products from developing countries; (b) formulate appropriate schemes for the standardization, packaging, design and quality control of exports from developing countries; (c) organize and participate in international trade fairs, and (d) formulate and implement programmes for the training of executives and experts at all levels in the field of export trade promotion.

The Declaration also recommended the adoption of positive measures to establish in the developed countries national centres for the promotion of imports from developing countries.

(a) Greater collaboration from the international organizations

In its resolution 1620 (LI), the United Nations Economic and Social Council recognized that the increasing requirements of developing countries

/for technical

for technical assistance in the field of export promotion made it necessary that the level of resources from budgetary and extra-budgetary sources for that purpose be increased 18/. The resolution notes that the lack of financial resources has impeded the efficient working of the regional export promotion centres of the United Nations regional economic commissions, and urges developed countries to give their full support to those centres as well as to the UNCTAD/GATT International Trade Centre and other agencies and organizations participating in the United Nations export promotion programme.

The resolution further requests the Secretary-General of the United Nations to study, in consultation with the Secretary-General of the United Nations Conference on Trade and Development, the feasibility of establishing a United Nations export development fund, in order to assist all the developing countries in their export promotion efforts and also in taking full advantage of the generalized system of preferences. The establishment of such a fund with resources on a continuing basis, or the increase of the resources destined to the same ends within the framework of the United Nations Development Programme, would make possible large-scale continuing action in the field of export promotion.

The Declaration of Lima, for its part, maintains that the developed countries and international organizations concerned should lend their technical and financial support to the work programmes of regional and sub-regional trade promotion centres to enable them, in co-operation with other agencies, to collect and disseminate commercial information on a continuing basis, and to assist and supplement export efforts of developing countries to promote trade with developed countries and among themselves. Where necessary, it continues, developed countries and international organizations concerned should also assist in creating national centres and associations thereof to achieve these objectives.

18/ The International Development Strategy states (paragraph 36): "Developing countries will intensify their efforts to make greater use of trade promotion as an instrument for the expansion of their exports both to developed countries and to other developing countries. For this purpose, effective international assistance will be provided", while paragraph 28 states: "Developed countries will give increased attention within the framework of bilateral and multilateral programmes to supplement the resources of the developing countries in their endeavour to accelerate the diversification of their economies with a view to the expansion of the production and exports of semi-manufactures and manufactures, as well as of semi-processed and processed commodities...".

/The Declaration

The Declaration goes on to state that UNCTAD, in co-operation with UNIDO and the UNCTAD/GATT International Trade Centre, should set up a full and co-ordinated programme of technical assistance in the field of export promotion. Moreover, the UNDP Special Fund Project on the Generalized System of Preferences should direct its special attention to the needs of the least developed among the developing countries. Regional trade promotion centres should assist developing countries in actively participating in schemes for regional trade and monetary co-operation to enable these countries to take advantage of export opportunities resulting from untying of aid. Lastly, in view of the limited financing facilities at the disposal of developing countries, regional development banks should assist these countries in financing exports and re-financing export credits.

(b) Conditions of financing

Latin American exports of manufactures and semi-manufactures have to face an international market which is highly competitive not only as regards prices and quality, but also as regards repayment periods, rates of interest and other terms. Competition in this "buyers' market" has been getting keener, despite efforts on the part of the developed countries to avoid a trade war 19/.

The developed countries could provide the Latin American countries with financial and technical assistance with regard to export credit insurance. The United Nations has also taken up this question, which was studied at a seminar on export credit insurance and financing held at Belgrade at the end of 1970.

Financial assistance could take the form of improving and increasing the resources allocated to the regional machinery for refinancing exports set up by IDB and building up regional or sub-regional reinsurance funds. Improving the regional machinery for refinancing exports would mean removing existing restrictions regarding the countries of destination of goods and the types of goods covered by the system, and this in turn would require more resources in order to increase the number of operations that the system could handle.

The developed countries could set up a regional or sub-regional unit for centralizing information available on the buyers in each country and at the same time promoting and developing an efficient reinsurance system between

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19/ Thus the Union of Berne fixes by consensus the normal maximum conditions of financing.

member States, without prejudice to any other forms of financial assistance designed to solve the difficulties raised by an insufficient volume of insurable exports, particularly in the medium and long term.

The transfer of the experience and know-how of the finance and credit insurance bodies, the international insurance associations in the developed countries, and institutions such as the EEC, OECD and the Union of Berne, is another extremely important form of assistance, the more so since exporters in the developing countries lack experience in the export of manufactures. The finance and credit insurance bodies cannot rely on them as in the developed countries, with the result that consideration of buyers and markets, additional guarantees and other operating arrangements becomes an awkward matter and this tends to diminish the efficiency of the system. The problem does not arise, perhaps, in the case of the multinational enterprises, but it does in that of the local entrepreneurs.

(c) Guarantees in respect of investments in export industries

(i) Guarantees. Although the promotion of private investment in export industries is primarily a matter for the recipient country, the developed countries can - as some of them have done - adopt appropriate legislation for granting guarantees to their investors and covering the risks inherent in transactions in the developing countries. Direct guarantees are normally granted in respect of investments of capital and loans for high priority projects, and may cover both trading risks (economic viability of the project) and political risks (government action on investments or dividends). The advantage of these guarantees for a foreign investor is that he can discuss the coverage of the risk with his own authorities in his own country, passing over to them, in the final reckoning, responsibility for negotiating a settlement in the event of any dispute.

(ii) Double taxation. The problems arising from the application of different tax systems to investors constitute another area where the developed countries can assist. Theoretically, the investor must take into account the fiscal burden arising from the payment of taxes in his own country and in that in which he plans to invest, while the recipient country should bear the same considerations in mind when preparing its programmes for promoting foreign private investment. The action of the developed countries in this matter may be unilateral, or it may be based on double taxation agreements.

Unilateral measures generally consist of tax exemptions or reductions, or authorization to deduct taxes paid in the recipient State or sums which had to be paid because there was no preferential treatment.

/These measures

These measures may be complemented by joint action on the part of the States concerned. The very fact of drawing up a bilateral agreement on double taxation may be considered from the start to imply a favourable attitude towards foreign investment. When one of the parties is almost exclusively a recipient of capital, however, it is no use taking agreements concluded between European countries of an equal stage of development as a model, since these agreements normally provide for the elimination or reduction of taxes levied on earnings from investment at their source.

In this context it might be appropriate for the new concepts and principles being developed in the area of international co-operation also to be applied to double taxation, in such a way that the interest of the developing countries prevail on the basis of the principle that the source of earnings is the element which determines by whom or in what country taxation should be applied.

It would also be worthwhile analysing the advantage for the developing countries of levying a standard rate of tax on foreign capital, instead, as has frequently happened in the past, of engaging in a tax liberalization race which generally only leads to a geographical redistribution of foreign capital, without increasing the total amount available, but with adverse effects on the revenue of the developing countries.

(d) Import promotion in the developed countries

Some developed countries have worked to promote imports from the developing countries. In 1971 the Netherlands set up a centre in Rotterdam designed to help to solve import problems throughout Western Europe by supplying information on markets and promoting closer relations between buyers and sellers. The activities of the centre are being carried out in conjunction with the UNCTAD/GATT International Trade Centre and the Rotterdam Institute of Economics.

The Federal Republic of Germany has also collaborated with the developing countries with a view to increasing their exports to West Germany. For example, an exhibition of imports from the developing countries was organized in Berlin under the title of the "Partners in Progress Fair". Other forms of collaboration have been the allocation of free space in West German fairs and the promoting of visits to Latin America by representatives of major industrial and distribution enterprises from the developed countries.

/(e) Establishment

(e) Establishment of free zones

The comparative advantages enjoyed by the developing countries for the export of their natural resources are frequently diminished when it comes to the marketing of their semi-finished and finished products. The lack or high cost of transport facilities, especially for non-traditional goods, customs charges which charge at very short notice, the different features of the demand in a single consumer market, or variations in supply which affect prices, all create difficulties of distribution which are sometimes insurmountable.

It would therefore be of considerable advantage if the developed countries granted duty-free areas so placed as best to serve the interests of the beneficiary countries. The possibility of importing finished and semi-finished products into these areas and the existence in them of suitable facilities for the assembly, dividing up and subsequent dispatch of imported products would give the exporting countries an opportunity to adapt rapidly and easily to the changing conditions of the consumer market and make the best of favourable trends in it.

(f) Co-operation of international companies

The international company has become a specialist in the transfer of products, technology, capital and managerial enterprise among nations 20/. Experience seems to indicate that the exporting sectors with most dynamism and with the highest level of technology are headed by these big business groupings which are obviously best equipped for making the most of economies of scale in all company operations (research and development, production, marketing, finance and management).

The international companies have the technology, managerial capacity, organization and market connexions that Latin America needs in order to give a sharper boost to its exports. The use of these companies as marketing channels offers a possible area for collaboration. International companies marketing products of other companies would be of particular interest to small and medium-sized Latin American industry, either in the traditional role of representatives, or in the form of modern marketing enterprises, like those in Japan, which have a network of branches and a wide knowledge of foreign markets.

20/ Reflections on the international company and its role in the development of Latin American exports of manufactured products (ST/ECLA/Conf.37/L.5).

/There are

There are many reasons why the international companies operating in Latin America could provide an effective means of transferring technology, if the recipient countries 21/ follow an intelligent policy to this end. The countries granting concessions, for their part, can consider arrangements for reducing the cost of licensing rights and technical know-how and eliminating restrictions on exports of finished products made by their affiliate companies or by companies holding production licences or licences to use imported processes.

(g) Other measures

(i) Supply contracts. The Latin American countries would have to reform their structure of production in order to reach the standard necessary to compete in the international market, and this would involve a high social and economic cost. Medium-term supply contracts could, however, ensure the profitability of such reforms, since they would guarantee continuity of production and this would lead to full use being made of installed capacity and would stimulate investment. Countries with a centrally-planned economy are in the best position to conclude this type of contract with exporters in developing countries, since their economies are planned on a medium-term basis and their foreign trading companies are State-controlled.

(ii) Sub-contracting. International sub-contracting has been defined as an agreement between a foreign client, usually an international company, and a local company in a developing country for the manufacture of parts and components by the latter company or the application by it of specific processes or finishes to the products of the client. This type of agreement could be entered into directly by developed countries with a centrally-planned economy or promoted by developed market-economy countries through tax or tariff reductions.

(iii) Assistance for adjustment. In order for the Latin American countries to be able to modify their structures of production and abandon a system of development which is autarkic and distinctly protectionist, the developed countries should make a similar effort to assist the readaptation of their own industries where these are sensitive to competition from Latin American products. In order to achieve the goal of liberalizing trade with the developing countries, which the international community has set itself, the developed countries should make arrangements for the readaptation of industries which might be affected by these measures. Recent experience has shown that the effect of tariff reductions with reciprocal benefits has been the adoption of protectionist measures which have neutralized, or been on the point of neutralizing, the trade generated by such negotiations.

21/ The example of Japan is revealing.

/Chapter IV

Chapter IV

IMPACT OF ECONOMIC GROUPINGS OF DEVELOPED COUNTRIES

The impact of economic groupings of developed countries on trade has been one of the main concerns of developing countries in recent years and has been given great attention by UNCTAD. At its first session, UNCTAD stressed the importance of this problem and recommended that "Developed countries participating in regional economic groupings should do their utmost to ensure that their economic integration does not cause injury to, or otherwise adversely affect, the expansion of their imports from third countries, and in particular from developing countries, either individually or collectively" 1/.

The Charter of Algiers adopted by the developing countries just before the second session of UNCTAD again stressed this question, highlighting the following points:

(a) Regional economic groupings of developed countries should avoid discriminating against developing countries' exports of manufactures, semi-manufactures and primary products (particularly temperate and tropical agricultural commodities);

(b) The expansion of such groupings should not increase the incidence of any discrimination;

(c) Regional economic groupings of developed countries should take measures to ensure freer access for the exports of developing countries.

The Trade and Developed Board also analysed the problem at its last two sessions (tenth and eleventh) and decided to include it in the agenda of the third session of UNCTAD.

1/ General Principle Nine of Recommendation A.I.1.

Lastly, in the Declaration of Lima, the three geographical groupings of developing countries expressed the regional views of this question, some of the Latin American countries insisting that the regional groupings of developed countries should base their policies vis-à-vis the developing countries on the principles of non-reciprocal and non-discriminatory preferential treatment, and such developed countries as had not already done so should acceed to the commodity agreements in view of the generally adverse effects of the expansion of regional groupings of developed countries on the world markets for commodities.

The content of the present chapter goes a little beyond the scope of the item to be discussed at the third session of UNCTAD, since in addition to analysing the effects of the European Economic Community on Latin American trade - particularly the impact of the expansion of the EEC through the entry of the United Kingdom and other European countries - it also examines the evolution of trade and financial relations between the region and the United States and Japan, thus completing the picture of Latin America's relations with the main developed market-economy countries. Latin America's relations with the socialist countries are discussed separately in chapter VIII.

A. RELATIONS WITH THE EUROPEAN ECONOMIC COMMUNITY

1. General considerations

Since the signing of the Treaty of Rome, Latin America has paid constant attention to its relations with the countries of the European Economic Community, endeavouring to ensure that its interests are not adversely affected as a result of the integration policies and machinery. Its concern is fully justified when it is considered that the Latin American countries currently sell over 20 per cent of their exports to the Community and that with the entry of the United Kingdom and other European countries it will be as important a market for Latin America as the United States.

The Latin American countries are at present concerned about three basic problems in their future trade relations with the Community:

(a) The common agricultural policy, which, by increasing EEC's self-sufficiency in many agricultural commodities, is likely to restrict imports from third countries;

/(b) The

(b) The EEC's preferential agreements concluded with nearly all the Mediterranean countries and many African States. Most of these agreements are incompatible with the provisions of GATT, discriminate against third countries, and are in direct conflict with the desire for multilateralization of world trade; and

(c) The accession of new members, particularly the United Kingdom, which may affect Latin American agricultural exports if the basic principles of the common agricultural policy are extended to the expanded Community and the preference area spreads.

Prospects for more effective co-operation between Latin America and the Community have improved considerably in the last few months with the establishment of machinery for a continuing dialogue oriented on the basis of the objectives set forth in the Declaration of Buenos Aires 2/ and Brussels. As stated in the the joint document approved on 18 June 1971, the purpose of this machinery is to explore possible solutions to problems connected with their economic and trade relations with a view to working out non-preferential formulas for the expansion and diversification of reciprocal trade. The two meetings which have taken place thus far have made possible an exchange of views regarding future co-operation between the two regions and the identification of specific problems for discussion and solution. It is hoped that a joint meeting at the ministerial level can be held in 1972 to decide on specific measures concerning those points on which the consultation machinery has reached sufficient agreement.

After the first meeting of Ambassadors (June 1971) a joint Declaration was issued which stated, *inter alia*, that the dialogue initiated would serve to:

2/ In the Declaration of Buenos Aires, adopted by CECLA in July 1970, measures are proposed for "placing on an institutional status at a high political level the dialogue between Latin America and the European Communities" in order to "study and make decisions on matters related to their relations, thus making possible the achievement of the mutually agreed objectives of the system to be adopted" and "agree on solutions, including the conclusion of sectoral or global agreements in the fields of commerce, financing, transportation and scientific and technological co-operation".

/- Explore the

- Explore the possibilities of solving problems connected with their economic and trade relations;

- Find non-preferential formulas for the expansion and diversification of their trade, without prejudice to the benefits that might be accorded by the Communities under the generalized system of preferences;

- Examine questions related to the defence of their own interests, without questioning their respective policies;

- Provide a frame of reference to facilitate the development of relations between the Latin American countries and the Communities so that the dialogue would supplement, without impairing, the bilateral relations between one or more Latin American countries and one or more member States or the Community itself;

- Examine certain questions discussed at international meetings and consider each party's responsibilities at the international level so as to make a positive contribution to the work of the organizations concerned without interfering in their activities.

The second meeting at the same level was held in December 1971, and at it the Latin American representatives summarized their views in a memorandum requesting the Community to define a global development assistance policy which would take particular account of the problem of the relatively less developed countries and the basic principles of the EEC's trade policy with respect to Latin America 3/.

As regards specific problems, the memorandum stresses the need to study measures for remedying the potentially adverse effects of the United Kingdom's entry into the EEC on Latin American exports and to examine the problems connected with the implementation of the generalized system of preferences.

3/ In September 1971 the Commission transmitted to the Council, the European Parliament and the Economic and Social Committee a memorandum on Community policy regarding co-operation in the development of the third world, which is expected to open a far-reaching debate in the Community institutions on guidelines and mechanisms for a policy of co-operation with the developing countries.

/In the

In the field of financial assistance, the Latin American countries proposed that a study should be made of the possible role of the European Investment Bank in the technical study and financing of development projects in Latin America, and of the possible establishment of a fund for Latin America. Lastly, the document refers to the preparation of scientific co-operation agreements between the Community and one or more Latin American countries.

In addition to the bilateral contacts being maintained between Latin America and the European Economic Community in order to define the elements of co-operation between the two regions within a multilateral context, negotiations are being carried on at the bilateral level with one or more Latin American countries in respect of special agreements to cover their specific requirements in terms of trade or technical and financial assistance. Examples of such activity are the non-preferential agreement recently concluded with Argentina, the opening of negotiations with Uruguay and initial contacts with Brazil and the Andean Group.

The agreement with Argentina, covering a period of three years, provides for the elimination of the variable levies on Argentine frozen meat for EEC processing industries, the calculation of the quota under the General Agreement on Tariffs and Trade in terms of boneless meat and the announcement well in advance of the terms of the variable levy on chilled meat. Argentina undertook to maintain and steadily increase its regular meat shipments to the Community. A joint committee will continue to discuss possible tariff concessions for products of interest to Argentina and action which Argentina could take to encourage imports and promote investment from the EEC.

The Community is currently negotiating a non-preferential trade agreement with Uruguay under article 113 of the Treaty of Rome, which covers not only questions connected with reciprocal trade relations, but also questions concerning financial and technical assistance. The Community is also expected shortly to initiate the negotiation of a non-preferential agreement with Brazil to facilitate Brazilian exports to the EEC and solve some financial and technical co-operation problems.

As regards the contacts between the EEC and the Andean Group in the past few months, it is felt that a joint committee would be a suitable forum for the discussion of problems of common interest and would permit a continuing dialogue between the Andean countries and the Community.

/2. Recent

2. Recent evolution of trade relations

Latin America's exports to the European Economic Community increased by 7.1 per cent annually between 1961-1965 and 1966-1969: i.e., at approximately the same rate as the region's total exports during that period and considerably faster than its exports to other developed regions (United States 4.1 per cent, EFTA 3.2 per cent, and the socialist countries 5.3 per cent) except Japan (see table 1). In 1969 and 1970 Latin America's exports to the Community grew even more repidly, so that such exports ranked second after those to Japan in rate of expansion, since intra-regional trade lost some of its dynamism in these two years, particularly 1970.

In spite of its considerably increased purchases from Latin America over the past decade, the EEC did not substantially increase its share in the region's exports, which merely rose from 20 per cent in the years 1961-1965 to 21.2 per cent in 1966-1969, owing to the great strides made by the Japanese market and intra-regional trade during that period 4/. The United Kingdom's entry into the Community in 1973 will have the effect of substantially increasing the relative importance of this market for Latin America, since, on the basis of the 1970 figures, the expanded Common Market is expected to absorb 26.6 per cent of region's total exports. If trade continues to increase in volume as it has done in the past decade, in a few years' time the expanded Community might well constitute a market for Latin America as big as or even bigger than the United States market. Hence the importance attached to the probable effects of the expansion of the European Economic Community on Latin America's future trade flows.

The region's imports from the EEC rose by 8.7 per cent annually in the period 1961-1965 to 1966-1969, which was higher than the rate for Latin American imports from the United States (7.5 per cent) and EFTA (8.2 per cent). It was lower, however, than the growth rate for imports from new suppliers, i.e., Japan, the socialist countries and the Latin American countries themselves (see table 2).

4/ Although its share in Latin American exports dropped from 34.3 to 30.1 per cent, the United States is still the main foreign market for the region.

/Table 1

Table 1

LATIN AMERICA: EXPORTS, BY MAJOR AREAS OF DESTINATION

(Millions of dollars f.o.b)

Country or area	1961-1965	Percentage of total	1966-1969	1968	1969	1970	Percentage of total	Annual growth rate 1966-1969 / 1961-1965	Annual growth rate 1969 / 1968	Annual growth rate 1970 / 1969
United States	3 386	34.3	3 958	4 070	4 100	4 440	30.1	4.1	0.7	8.3
EEC	1 976	20.0	2 458	2 310	2 770	3 130	21.2	7.1	19.9	13.0
EFTA	1 035	10.5	1 148	1 133	1 250	1 300	8.8	3.2	10.3	4.0
United Kingdom	698	7.1	718	720	750	790	5.4	0.9	4.2	5.3
Japan	418	4.2	630	615	790	1 020	6.9	13.6	28.5	29.1
Latin America	810	8.2	1 355	1 440	1 600	1 700	11.5	17.5	11.1	6.3
Socialist countries	683	6.9	806	757	785	790	5.4	5.3	3.7	0.6
Others	1 552	15.7	1 968	1 385	2 215	2 370	16.1	7.7	59.9	...
World	9 856	100.0	12 323	12 430	13 510	14 750	100.0	7.2	8.7	9.2

Source: United Nations, *Monthly Bulletin of Statistics*, various issues.

/Table 2

Table 2

LATIN AMERICA: IMPORTS, BY MAJOR AREA OF DESTINATION

(Millions of dollars f.o.b.)

Country or area	Percentage of total	1961-1965	1966-1969	1968	1969	1970	Percentage of total	Annual growth rate 1966-1969 / 1961-1965	1969 / 1968	1970 / 1969
United States	40.6	3 502	4 430	4 660	4 810	5 650	37.4	7.5	3.2	17.5
EEC	18.8	1 620	2 118	2 230	2 440	2 810	18.6	8.7	9.4	15.2
EFTA	9.9	852	1 098	1 150	1 300	1 400	9.3	8.2	13.0	7.7
United Kingdom	5.0	436	506	540	580	680	4.5	4.8	7.4	17.2
Japan	4.1	352	591	600	800	990	6.6	17.5	33.3	23.8
Latin America	9.4	810	1 355	1 440	1 600	1 700	11.4	17.4	11.1	6.3
Socialist countries	8.0	690	919	965	1 020	1 045	6.9	9.3	5.7	2.5
Others	9.4	810	1 104	1 115	1 320	1 514	10.0	10.1	18.4	14.7
World	100.0	8 636	11 615	12 160	13 290	15 109	100.0	9.7	9.3	13.6

Source: United Nations, Monthly Bulletin of Statistics, June 1963 to June 1971.

/Despite the

Despite the appreciable growth of its sales to Latin America in 1961-1970, the EEC's share in the region's total imports actually declined slightly (from 18.8 per cent in 1961-1965 to 18.6 per cent in 1970). The trade balance between Latin America and the EEC is still very much in favour of the former, although the situation varies from country to country (see table 3).

A review of the trend of Latin America's sales of its main export commodities to the Community (see table 4) completes the picture of the overall expansion which has taken place over the past decade.

Tropical products must be considered in the light of the growth of similar exports from the African States associated with the Community, which are direct and preferential competitors in that market. Latin America's coffee sales increased steadily between 1958 and 1969, when they accounted for 60.8 per cent of the Community's total imports compared with 53.1 per cent in 1958. Latin American banana exports also showed a satisfactory trend, their share of the EEC market increasing from 47.5 per cent in 1958 to 55.6 per cent in 1969. In both coffee and bananas the associated African States lost ground in the EEC market during the period under review. In contrast, Latin America's supplies of cocoa have taken a severe downturn owing to the steady decline in the production of some countries, notably Brazil. The share of Latin American suppliers in EEC's total imports of cocoa shrank from 13.8 per cent in 1958 to 5.3 per cent in 1969, while the share of African producers rose from 13.8 per cent to 40.8 per cent over the same period. It may be inferred from these figures that so far the preferences in favour of the African States which are members of the Yaoundé Convention have been no obstacle to the expansion of Latin America's sales of tropical commodities to the Community.

The situation is quite different in the case of temperate-zone agricultural commodities, particularly beef, wheat and maize. In spite of some appreciable increases in individual cases in the period 1958-1969, exports of these items suffered a net deterioration as regards their share in the EEC market. Thus Latin American sales of beef, which represented 30.8 per cent of the Community's total imports in 1958, dropped to only 18.6 per cent in 1969, although they increased by 174.6 per cent in value between the two years concerned. This product encountered its strongest competition from the meat produced in the Community itself, as a result of regulations stimulating internal supply and restricting imports from third countries.

/Table 3

Table 3

LATIN AMERICA: TRADE WITH EEC (EXPORTS, IMPORTS AND TRADE BALANCE)

(Millions of dollars)

		1961-1965	1966-1969	1968	1969
ALALC	Total: E a/	1 716.44	2 191.38	2 041.3	2 410.4 b/
	I c/	1 488.30	1 835.25	1 899.7	1 998.8 b/
	B	228.14	356.13	141.6	411.6
Argentina	E	547.10	576.33	505.3	588.9
	I	345.74	299.08	275.7	393.4
	B	201.36	277.25	229.6	205.5
Bolivia	E	9.04	11.90 d/	11.3	...
	I	20.36	29.10 d/	30.8	...
	B	-11.32	-17.20	-19.5	...
Brazil	E	356.50	511.50	479.9	683.1
	I	251.96	382.05	447.1	503.7
	B	104.54	129.45	32.8	179.4
Colombia	E	102.82	126.95	138.3	140.1
	I	98.80	100.08	94.3	100.7
	B	4.02	26.87	44.0	39.4
Chile	E	166.50	341.80	299.4	393.8
	I	122.54	148.73	138.8	173.2
	B	43.96	193.07	160.6	220.6
Ecuador	E	30.78	56.63 d/	48.4	...
	I	35.28	49.77 d/	57.4	...
	B	-4.50	6.86	-9.0	...
Mexico	E	-49.02	78.68	60.8	80.3
	I	187.88	300.23	321.9	336.9
	B	-138.86	-221.55	-261.1	-256.6
Paraguay	E	5.36	8.68	9.1	10.4
	I	7.78	17.75	17.6	18.2
	B	-2.42	-9.07	-8.5	-7.8

/Table 3 (Cont.)

Table 3 (Cont.)

		1961-1965	1966-1969	1968	1969
Peru	E	181.50	227.08	232.2	254.8
	I	126.82	156.60	134.7	128.1
	B	54.68	70.48	97.5	126.7
Uruguay	E	61.14	53.48	46.1	68.3
	I	47.84	33.48	32.2	37.6
	B	13.30	20.00	13.9	30.7
Venezuela	E	206.68	198.35	210.5	190.7
	I	243.30	318.38	349.2	317.0
	B	-36.62	-120.03	-138.7	-126.3
CACM Total:	E	147.64	199.45	193.9	164.2 e/
	I	121.82	147.61	140.8	136.8 e/
	B	25.82	51.84	53.1	27.4
Costa Rica	E	27.18	27.90	24.2	33.8
	I	26.16	30.10	28.5	34.3
	B	1.02	-2.20	-4.3	-0.5
El Salvador	E	46.00	51.18	47.1	51.6
	I	34.02	37.15	33.8	36.7
	B	11.98	14.03	13.3	14.9
Guatemala	E	36.42	43.30	35.2	49.7
	I	32.42	39.13	42.2	41.6
	B	4.00	3.17	-7.0	8.1
Honduras	E	12.54	47.87 d/	59.4	...
	I	10.72	15.60 d/	13.5	...
	B	1.82	32.27	45.9	
Nicaragua	E	25.50	29.20	28.0	29.1
	I	18.50	25.63	22.8	24.2
	B	7.00	3.57	5.2	4.9
Other countries	E	24.28	12.20	12.8	8.8
	I	60.19	54.40	58.1	...
	B	-35.91	-42.20	-45.3	
Panama	E	3.48	4.30 d/	6.8	...
	I	17.42	22.70 d/	25.2	...
	B	-13.94	-18.40	-18.4	

/Table 3 (Cont.)

Table 3 (Cont.)

		1961-1965	1966-1969	1968	1969
Dominican Republic	E	15.82	7.90	6.0	8.8
	I	27.42	31.70 d/	32.9	...
	B	-11.60	-23.80	-26.9	
Cuba	E	4.98	...	...	...
	I	15.35 f/	...	...	...
	B	-10.37			
Total 19 countries (excluding Haiti)	E	1 888.36	2 403.03	2 248.0	2 583.4
	I	1 670.31	2 037.26	2 098.6	2 135.6
	B	218.05	365.77	149.4	447.8
Caribbean countries Total:	E	61.54	33.26	22.3	27.7
	I	53.14	63.68	62.9	62.9
	B	8.40	-30.42	-40.6	-35.2
Barbados	E	...	...	...	...
	I	...	...	...	...
	B	...	...	...	...
Guyana	E	2.98	4.78	4.4	4.7
	I	7.86	13.35	11.8	11.5
	B	-4.88	-8.57	-7.4	-6.8
Jamaica	E	4.46	4.60	3.8	5.8
	I	29.28	33.65	36.7	33.4
	B	-24.82	-29.05	-32.9	-27.6
Trinidad and Tobago	E	54.10	23.88	14.1	17.2
	I	16.00	16.68	14.4	18.0
	B	38.10	7.20	-0.3	-0.8
Overall total	E	1 949.90	2 436.29	2 270.3	2 611.1
	I	1 723.45	2 100.94	2 161.5	2 198.5
	B	226.45	335.35	108.8	412.6

Source: Direction of Trade Annual.

a/ Exports, f.o.b.
b/ Excluding exports and imports of Bolivia and Ecuador.
c/ Imports, c.i.f.
d/ Average for 1966-1967 and 1968.
e/ Excluding exports and imports of Honduras.
f/ Average for 1961-1964.

/Table 4

Table 4

EUROPEAN ECONOMIC COMMUNITY: SHARES OF LATIN AMERICA AND THE ASSOCIATED AFRICAN AND MALAGASY STATES IN PRINCIPAL IMPORTS

(Millions of dollars)

	071 Coffee	072 Cocoa	051.3 Bananas a/	011.1 Beef a/	041 Wheat	044 Maize	081.4 Meat meal and fish meal	331 Petro-leum	263 Cotton	681 Silver	682.1 Copper for re-fining	Refined copper	281 Iron ore	121 Tobacco	262.01 Wool	Total
1958																
World	563.0	232.9	140.7	125.6	281.9	190.5	53.9	1 830.6	659.4	66.1	487.8		423.2	215.5	455.4	5 727.0
Latin America (value)	299.2	32.0	66.8	38.7	30.9	66.9	16.3	178.3	132.2	18.9	80.0		181.2	18.8	28.7	1 189.5
(percentage)	53.1	13.8	47.5	30.8	11.0	35.1	30.2	9.7	20.0	28.7	16.4		42.8	8.7	6.3	20.8
AAMS (value)	161.2	75.6	48.5	1.0	-	1.1	-	10.3	53.0	-	119.4		-	9.8	-	480.6
(percentage)	28.6	32.5	34.5	0.8	-	0.6	0.1	0.6	8.0		24.5		0.1	4.6	-	8.4
1962																
World	517.0	195.4	164.3	148.8	396.4	375.4	95.0	2 459.8	642.1	120.6	779.5		520.7	317.6	583.2	7 316.1
Latin America (value)	313.2	17.2	66.7	44.3	81.3	122.2	73.6	197.4	216.9	19.5	49.2	105.2	101.9	28.3	63.0	1 500.7
(percentage)	60.6	8.8	40.6	29.8	20.5	32.6	77.5	8.0	33.8	16.2	6.3	13.5	19.6	8.9	10.8	20.5
AAMS (value)	119.3	59.8	28.7	.6	-	-	-	15.2	34.6	-	113.7	44.9	-	7.5	-	424.9
(percentage)	23.1	30.6	17.5	0.5	-	-	-	0.6	5.4		14.6	5.8		2.4	-	5.8
1966																
World	703.5	205.4	258.2	421.5	368.6	764.9	141.2	3 871.3	647.3	224.2	1 519.5		613.6	349.8	558.6	10 648.3
Latin America (value)	407.1	11.9	126.8	118.1	45.6	235.2	96.6	143.2	217.3	39.6	74.8	169.2	109.5	33.6	51.7	1 881.0
(percentage)	57.9	5.8	49.1	28.0	12.4	30.8	68.4	3.7	33.6	17.7	4.9	11.1	17.8	9.6	9.3	17.7
AAMS (value)	152.5	76.1	56.2	1.6	-	-	.2	16.0	33.3	-	242.3	31.6	57.1	7.1	-	708.3
(percentage)	21.7	37.1	21.8	0.4		-	0.2	0.4	5.1		15.9	2.1	9.3	2.0	-	6.6
1968																
World	745.0	311.0	236.6	498.4	430.6	674.7	143.6	5 249.5	603.9	416.8	1 608.4		715.6	312.6	412.4	12 359.1
Latin America (value)	4 440.0	18.2	126.0	69.7	39.8	167.9	86.1	175.1	168.0	46.1	93.9	214.2	123.9	23.4	35.0	1 830.0
(percentage)	59.1	5.9	53.3	14.0	9.2	24.9	60.0	3.3	27.8	11.1	5.8	13.3	17.3	7.5	8.5	14.8
AAMS (value)	169.2	114.3	48.6	1.0	-	-	-	10.0	52.9	-	257.1	85.8	49.5	3.4	-	792.4
(percentage)	22.7	36.8	20.6	0.2		-	0.1	0.2	8.8	-	16.0	5.3	6.9	1.1	-	6.4
1969																
World	784.9	418.1	239.4	573.4	599.3	638.5	169.2	5 704.9	589.4	400.3	2 099.7		804.8	388.0	491.1	13 901.0
Latin America (value)	477.6	22.1	133.0	106.4	41.7	179.4	115.6	181.2	243.3	37.0	79.4	335.4	151.4	35.4	30.5	2 170.2
(percentage)	60.8	5.3	55.6	18.6	7.0	28.1	68.3	3.2	41.3	9.3	3.8	16.0	18.8	9.1	6.2	15.6
AAMS (value)	163.7	170.6	46.0	1.2	-	-	-	19.0	56.4	-	156.1	294.9	55.6	5.0	-	971.1
(percentage)	20.8	40.8	19.2	0.2	-	-	0.1	0.3	9.6	-	7.4	14.0	6.9	1.3	-	7.0
Percentage increase 1958-1969																
World	39.4	79.5	70.1	356.5	112.5	235.0	213.7	211.6	-10.6	505.4	330.4		90.1	80.0	7.8	
Latin America	59.6	-31.0	99.0	174.8	34.7	168.2	608.9	1.6	84.0	95.1	418.3		-17.4	87.9	6.0	
AAMS	1.5	125.6	-5.1	24.3	-	-	475.8	84.1	6.4	-	277.6		19 340.0	-49.1	-51.5	

Source: OECD, Foreign Trade, Series B and C, 1958, 1962, 1966 and 1969.
Note: World figures include intra-Community trade.
a/ 1959.

/Wheat and

Wheat and maize followed a similar trend. Latin America's share of EEC wheat imports dropped from 11 to 7 per cent between 1958 and 1969 and its share of maize imports fell from 35.1 to 28.1 per cent. In both cases the Community has achived an increasing degree of self-sufficiency under the common agricultural policy to the detriment of its traditional suppliers, particularly Argentina in cereals and Argentina and Uruguay in beef.

Imports of raw materials for industrial use from Latin America followed a highly irregular course in the decade under review: petroleum sales virtually stagnated, causing a severe setback in Latin America's share of the Community market (3.2 per cent in 1969 compared with 9.7 per cent in 1958), while cotton sales rose substantially and the value of copper sales increased rapidly, mainly as a result of the spectacular rise in prices. Exports of iron ore to the EEC registered a steadily downward trend, Latin America's share in the Community's total imports dropping from 42.8 to 18.8 per cent between 1958 and 1969.

Latin America has obtained an annual surplus of some 300 million dollars in its trade with the Community but this is considerably reduced and in practice even disappears altogether if account is taken of the region's deficits in respect of freight and insurance for its foreign trade activities (see table 5).

3. EEC agricultural policy

As the Community is the main world importer of agriculutral products, the orientation and form of its agricultural policy have had and continue to have a substantial impact on world trade in such products and on Latin America's exports. The EEC absorbs 24 per cent of Latin America's exports of foodstuffs, beverages and tobacco and 25 per cent of its exports of agricultural raw materials. Looking at the figures for individual countries, the EEC market absorbs 40 per cent of Argentina's total exports, the corresponding figures for other countries being Chile 36 per cent, Ecuador, Honduras and Uruguay each 28 per cent, Peru 27 per cent, Brazil 26 per cent, El Salvador 25 per cent and Colombia 23 per cent 5/.

5/ Only the exports of Argentina and Uruguay consist mainly of products coming under the common agricultural policy, although this policy does also have an impact on the exports of other Latin American countries.

/Table 5

Table 5

LATIN AMERICA: TRADE WITH MAJOR AREAS OR COUNTRIES
(EXPORTS, IMPORTS AND TRADE BALANCE)

(Millions of dollars f.o.b.)

Country or area		1961-1965	1966-1969	1968	1969	1970
United States	Exports	3 382	3 958	4 070	4 100	4 440
	Imports	3 502	4 430	4 660	4 810	5 650
	Trade balance	-120	-472	-590	-710	-1 210
EEC	Exports	1 976	2 458	2 310	2 770	3 130
	Imports	1 620	2 118	2 230	2 440	2 810
	Trade balance	+356	+340	+80	+330	+320
EFTA	Exports	1 035	1 148	1 133	1 250	1 300
	Imports	852	1 098	1 150	1 300	1 400
	Trade balance	+183	+50	-17	-50	-100
United Kingdom	Exports	698	718	720	750	790
	Imports	436	506	540	580	680
	Trade balance	+262	+212	+180	+170	+110
Japan	Exports	418	630	615	790	1 020
	Imports	352	591	600	800	990
	Trade balance	+66	+39	+15	-10	+30
Latin America	Exports	810	1 355	1 440	1 600	1 700
	Imports	810	1 355	1 440	1 600	1 700
	Trade balance	-	-	-	-	-
Socialist countries	Exports	683	806	757	785	790
	Imports	690	919	965	1 020	1 045
	Trade balance	-7	-113	-208	-235	-255
Others	Exports	1 552	1 968	1 385	2 215	2 370
	Imports	810	1 104	1 115	1 320	1 514
	Trade balance	+742	+864	+270	+895	+856
World	Exports	9 856	12 323	12 430	13 510	14 750
	Imports	8 636	11 615	12 160	13 290	15 109
	Trade balance	+1 220	+708	+270	+220	-359

Source: United Nations, Monthly Bulletin of Statistics, June 1963 to June 1971.

/The common

The common organization laid down under the Treaty of Rome for agricultural markets is designed to achieve certain internal objectives of the Common Market 6/, in particular the objective of raising the standard of living of the agricultural population in the EEC countries. The concern of the Latin American countries derives essentially from the fact that, because there is a protectionist barrier, these objectives are achieved at the expense of foreign producers. The level of protection given to EEC production is excessively high, for support prices are high and the EEC market is isolated from the world market by means of the system of variable levies. According to official information 7/, the level of protection in the Community in 1967 ranged from 60 per cent for maize through 100 per cent for durum wheat and 288 per cent for butter, to 338 per cent for cane sugar.

The policy of high domestic prices, strenghened by measures to assit exports and control imports, has led to a steady increase over the past few years in EEC production of a number of important items, such as sugar, cereals and milk products, at a much faster pace than the rise in consumption. This has led to the generation of sizeable surpluses, part of which has been exported with the help of high subsidies, thus exerting a depressive effect on the world market and creating artificial competition for exports of similar products from Latin American countries. Over the past two years the EEC has endeavoured to resolve the problem of agricultural surpluses through more effective measures than simple subsidies, and it has managed to achieve some success with milk products, but this is no guarantee that there will not be a reassurance of what happened between 1966 and 1969 with milk products, particularly in view of the strong pressure exerted by agricultural circles in the Community for a steady increase in the guaranteed prices 8/.

6/ Article 39 of the Treaty states that the objectives of the common agricultural policy are to increase agricultural productivity, to ensure a fair standard of living for the agricultural population, to stabilize markets, to guarantee regular supplies, and to ensure reasonable prices in supplies to consumers.

7/ Société d'Edisions des Coopératives La Fayette (SECLAF), Le Plan Mansholt, (Paris, 1969).

8/ Farmers in the Community are endeavouring to obtain increase in agricultural prices ranging between 9.5 and 10.5 per cent over the next two years, with demands going as high as 15 per cent for beef.

/The most

The most direct and alarming consequence of the common agricultural policy is the considerable rise in the Community's level of self-sufficiency Between 1958 and 1968, the level of self-sufficiency for the agricultural sector as a whole rose from 83 to 90 per cent in terms of value, so that imports over the same period fell from 17 to 10 per cent of Community consumption. The most notable increases in the level of self-sufficiency were in wheat (from 91.3 per cent in 1958/1959 to 112 per cent in 1968/1969), cereals in general (from 84 to 94 per cent) and butter (from 99.3 to 113 per cent). With beef the trend was extremely irregular, the level of self-sufficiency rising between 1958/1959 and 1961/1962 (from 91.2 to 94.4 per cent), falling between 1962/1963 and 1965/1966 (from 92.2 to 83.5 per cent) and then rising again between 1966/1967 and 1968/1969, when it reached 89.0 per cent. The Community has also become a net exporter of such agricultural products as sugar, butter and powdered milk, and is a keen competitor of Latin American exporters in world markets.

For some time now within the EEC there has been recognition of the urgent need to revise and reorient the common agricultural policy, both because of its financial implications and also because of the fact that it has only partially achieved its social goals. Indeed, the system of guaranteed prices and subsidies seems to have favoured the large modern farms rather than the family-type low-yield farms which still make up the bulk of the agricultural sector in Europe. Because of this, several EEC members began in 1970 to link decisions on prices to the adoption of structural measures.

In April 1971, the EEC Council approved a programme of structural reforms which contains a set of technical and financial assistance measures designed to promote farms capable of achieving an adequate level of profitability, with assistance measures for farmers who give up farming. In the reorganization and modernization of the EEC agricultural sector, due regard will have to be paid to the specific interests of foreign producers, particularly those in the developing countries, that are traditional suppliers of agricultural pruducts. In order to claim special consideration of their interests, the developing countries could invoke a number of legal, political and moral commitments undertaken jointly or individually, by the international community and the developed countries, including the EEC countries. In the section of the present document on commodities 9/, some of these commitments were referred to, including the Standstill or status quo commitment, the abolition or reduction of tariffs

9/ See Chapter I.

/and non-tariff

and non-tariff barriers, priority for products of special interest of the developing countries, etc. These commitments, which are contained in many UNCTAD resolutions, in Part IV of the General Agreement on Trade and Tariffs and in GATT resolutions, and also in the International Development Strategy, have generally elicited three types of reservation from some countries of the Community: (a) that an overall solution must be sought within the framework of a scheme for the world-wide organization of markets, the scope and content of which have not yet been sufficiently well defined; (b) that the commitments range only up to the limit of what is possible; and (c) that the dates given are simply indicative targets and not formal obligations.

It should, however, be pointed out that the Treaty of Rome itself contains certain provisions that reflect the aim of the EEC countries to further the liberalization of world trade 10/. This principle has been taken up in the various agricultural regulations, which include provisions noting that they will be applied with all due regard to the objectives laid down in both article 39 and article 110. Furthermore, from the outset the Community maintained that the common agricultural policy should take account of the fact that agriculture had a bearing on relations with third countries and emphasized that it was in the political and economic interest of the Community to maintain such relations, which led to a great deal of trade with the world as a whole. This fact alone prevents the Community from becoming a completely self-sufficient unit 11/.

10/ The Preamble expresses the desire to contribute "by means of a common commercial policy to the progressive abolition of restrictions on international trade", while article 110 states that "by establishing a customs union between themselves the Member States intend to contribute, in conformity with the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges and the lowering of customs barriers".

11/ See first report of the EEC Council on the common agricultural policy.

The above points, which are only too well known, lead to the conclusion that it would be wise to avoid repeating discussions on general issues and instead put stress on specific proposal for the Latin American products affected by the common agricultural policy, either as a result of the Community's increasing level of self-sufficiency or as a result of its commercial action to dispose of surpluses on world markets. In the former case, as well as seeking internationally agreed formulas to limit the expansion of production or to discourage production (ceilings for support prices, guaranteed prices for specified volumes of production, etc.), it would also be advisable to emphasize formulas or operational measures to enable the developing countries, in the case of products of special export interest to them, to have a fixed or increasing share of the consumption or increases in consumption by the Community of certain products for which demand is dynamic, such as beef, cereals, feed grains and oilseeds 12/. In return, the Latin American countries could undertake to establish effective controls over their minimum export prices to the Community and guarantee regular supplies 13/.

With respect to competition by the EEC and the depressive effect on the market resulting from subsidies to agricultural exports and the accumulation of huge reserves, special emphasis should be placed on the establishment or strengthening of bilateral or multilateral consultation machinery. In this connexion, the International Development Strategy provides that "the machinery for consultation on surplus disposal which existed during the 1960s will be widened and reinforced in order to avoid or minimize possible adverse effects of disposals of production surpluses... on...commercial trade".

12/ The Declaration of Lima refers to this issue in the following terms: "Where products of developing countries compete with the domestic production of developed countries, each developed country should allocate a defined percentage of its consumption of such products to exports from developing countries. This allocation should be arrived at on a commodity-by-commodity basis through multilateral negotiations. In any case, developed countries should allocate a substantial share of any increase in their domestic demand for primary commodities for the exports of developing countries".

13/ The Agreement concluded between the EEC and Yugoslavia (1970) included this type of arrangement. The Agreement concluded with Argentina (1971) is based on the same principle.

/Lastly, as

Lastly, as regard promoting the liberalization of world trade in agricultural products, the EEC should be induced to agree to or to promote a special round of negotiations on agricultural products, including temperate-zone products, covering all issues affecting world trade in such products. It may be recalled that at the ministerial meeting of GATT in February 1970, the EEC representatives, when referring to the holding of a non-tariff Kennedy round, said that the international community should make up for lost time as regards the liberalization of trade in agricultural products and the removal of non-tariff barriers, and that a new order would not be amiss in these two areas. Similarly, Mr. Mansholt, speaking on behalf of the EEC Commission at an FAO meeting in November 1971, noted that international commodity agreements would only be useful to the extent that they were accompanied by an overall reorganization of all the various agricultural policies. Acceptance of this principle should include the review of national policies for the protection and support of agriculture. Multilateral or bilateral agreements for liberalizing trade in agricultural products will be successful 14/ only in so far as a set of multilaterally accepted principles and commitments can influence or limit the scope of the agricultural support policies pursued by the developed countries.

14/ In a report discussing a programme for the liberalization of international trade (Vienna, April 1971), the International Chamber of Commerce presented a set of proposals designed to act as a basis for international negotiations on agricultural products.

4. The policy of preferential trade agreements

Since 1961, when an agreement of association was concluded with Greece, the EEC has been establishing preferential trade relations with a growing number of third countries. This policy, the most recent manifestations of which have been considered a violation of the Community's legal commitments, especially within GATT, has gradually broadened the area of trade discrimination that the Latin American countries have to face and has increased Latin America's concern about its future relations with the European Common Market. In actual fact, there are various types of situation that have arisen, affecting Latin America in different ways. The regime of association established in the Treaty of Rome for fifteen African States and Madagascar, subsequently expanded and extended by the Yaoundé Convention, difines the bases for close commercial and financial co-operation between a group of countries that enjoyed special relationships with EEC member countries which were their former metropolitan countries. On the commercial side, the EEC granted admission free of customs duties and quantitative restrictions to products from these countries, with the exception of the products coming under the common agricultural policy. In March 1970 preferential treatment was expanded to include a number of important agricultural products such as beef, oilseed products and processed fruit and vegetables, which had initially been excluded. Nevertheless, some of the margins of preference enjoyed by the Associated African and Malagasy States were reduced or cancelled out as a result of the reduction of duties on certain tropical-zone products 15/ in the Common External Tariff (CET) and the implementation by the Community in July 1971 of the generalized system of preferences in favour of the exports of manufactures and semi-manufactures of the developing countries.

Another group of African countries has entered or is about to enter into preferential relations with the Community. The Arusha Agreement, concluded in 1968 with Kenya, Tanzania and Uganda, provides for a substantial liberalization of mutual trade and allows free entry of the products of these three countries to the EEC, except for certain products which are subjects to tariff quotas. Although it is somewhat more limited in scope, because of the quota system which curtails imports of some of the major African exports, the preferential arrangement made under the Arusha Agreement has increased trade discrimination against Latin American products.

15/ From January 1971, the CET for coffee was reduced from 9.6 to 7 per cent, and that for coffee from 5.4 to 4 per cent.

/This situation

This situation might well deteriorate still further in the near future, when the regime of association is extended to other African countries, such as Ghana and Nigeria 16/, as a result of the United Kingdom's entry into the Community.

The EEC has also concluded preferential trade agreements with a number of European and African countries in the Mediterranean area (Spain, Israel, Yogoslavia, Malta, Morocco and Tunisia), and is about to conclude agreements with others (Egypt, Algeria, Lebanon and others). Table 6 shows the trend of Community imports from the Mediterranean countries since the entry into force of the Treaty of Rome. Some of the agreements concluded with countries of the Mediterranean area, such as the agreement with Yugoslavia, do not appear to be preferential in nature and even make mention of article I of the General Agreement on Tariffs and Trade, but in practice the details of the tariff concessions clearly show a discriminatory preference, inasmuch as it is well high impossible for a third country to take advantage of them.

The recent proliferation of preferential agreements concluded by the Community has been severely criticized and contested within GATT. At the meeting of the GATT Council in October 1971, Canada, the United States and other Contracting Parties stated emphatically that the preferential trade policy of the Community jeopardized the basic priciples of the General Agreement and stressed that agreements of the kind concluded by the EEC with Spain and Israel violated express provisions of the General Agreement and imperilled the multilateral nature of international trade. The United States announced its intention of proposing a thorough examination of the question of preferential agreements, with a view to determining the overall effect and trade policy implications resulting from what it considered to be an attach upon the most-favoured-nation clause.

Criticism of the EEC's trade policy is not confined to technical matters but is also concerned with the political implications. For example, the regionalization of Community trade policy to cover the Mediterranean basin and Africa by means of a network of preferential agreements that may eventually cover virtually all the countries in those areas would have the effect, because of the economic weight of the Community itself, of creating a number of spheres of influence, and this might well result in the division of the world into economic blocs, each subject to the influence of one or more developed countries.

16/ The agreement concluded between the Community and Nigeria in 1966, of similar scope to the Arusha Agreement, never entered into force because it was not ratified, and it was not renegotiated.

/Table 6

Table 6

EEC IMPORTS FROM COUNTIES OF THE MEDITERRANEAN AREA, 1958-1970

(Millions of dollars)

	1958	1960	1963	1967	1968	1969	1970	Annual growth rate 1958-1970	Percentage increase 1958-1970
Spain	234	343	370	500	520	700	903	11.9	286.6
Greece	111	88	112	221	269	300	344	9.9	209.9
Turkey	95	141	181	215	207	243	279	9.4	193.7
Israel	30	58	110	125	159	186	194	16.8	546.7
Egypt	70	87	110	89	98	133	173	7.8	147.1
Algeria	473	549	666	717	771	817	859	5.1	81.6
Tunisia	128	99	159	110	95	94	113	-1.0	-12.8
Morocco	318	301	313	309	295	328	358	1.0	12.6
Yugoslavia	134	159	280	401	418	544	618	13.6	361.2
Total	1 593	1 825	2 301	2 687	2 832	3 345	3 841	7.6	141.1

Source: Statistical Office of the European Communities: Statistique Mensuelle, Commerce Exterieur, 1971, Nº 2.

The /5.

5. The development of financial and technical co-operation

(a) Financial co-operation

During the 1960s, the bulk of financial flows from the EEC consisted of transfers of official funds to Africa and Asia, with Latin America receiving only a very small part of this flow of resources. Most of the bilateral credits received by the Latin American countries from the EEC countries were on much less favourable terms than those recommended for the developing countries in general by UNCTAD and the OECD Development Assistance Committee (DAC).

At the international level, the EEC is, after the United States, the largest source of financing for the developing countries, with a net outflow of official and private resources amounting to 5,262 million dollars in 1969 - 40.7 per cent of the total funds made available by the DAC member countries that year 17/. France and the Federal Republic of Germany provide 75 per cent of the EEC's assistance resources. At the beginning of the 1960s, France provided twice as much as the Federal Republic, but from 1969 onwards this situation was reversed and the Federal Republic, with a volume of 2,046 million dollars, began to provide a greater amount of assistance to the developing countries. Net assistance by France in 1969 amounted to 1,742 million dollars, much the same as in 1968 (1,720 million) as against the 1,663 million provided by the Federal Republic in 1968.

More than half (approximately 57.2 per cent in 1969) of the financial resources provided by the EEC countries, which have been a dynamic factor in assistance to the developing countries, are supplied by the private sector, except in the case of France, where the public sector provides 60 per cent of the resources for assistance.

The small flow of official funds from the EEC countries to Latin America does not bear any relation to the volume of assistance supplied to the developing regions as a whole, or to the growing trade relations between the EEC and Latin America. Between 1960 and 1967, only 17 per cent of the resources Latin America received from the Community came from official sources, while the remaining 83 per cent came from the private sector through direct investment and supplier credits.

17/ OECD, Efforts and Policies of the Members of the Development Assistance Committee, Development Assistance: 1970 Review (Paris, December 1970).

/With respect

With respect to the machinery used by the EEC to channel external financial assistance, it should be noted that the European Investment Bank (EIB), the initial objective of which was to facilitate the economic expansion of the Community through the creation of new resources 18/, was subsequently authorized to extend its activities to cover the Associated States and territories. In authorizing it to do so, the Board of Governors indicated that the Bank could finance projects situated in other countries, which seems to open up the possibility of operating with countries under specific financial agreements. The European Development Fund (EDF) is the instrument used by the Community to finance projects in the African and Malagasy States signatory to the Yaoundé Convention. The Fund derives its resources from budgetary contributions by the member countries and grants assistance essentially in the form of grants and special long-term loans at low interest rates. There is also a European Social Fund, whose objective is to improve opportunities of employment of workers in the Community.

Part of the Community's official assistance resources for the developing countries is channelled through a number of multilateral agencies, for example through contributions to international financing agencies (IBRD, IDA, etc.), contributions and grants to technical assistance programmmes (UNDP, World Food Programme, etc.), purchases by Government agencies of bonds issued by international and regional institutions (IBRD, IDB, ADB), funds-in-trust arrangements as in the case of IDB, etc.

Over the last ten years, most of the flow of resources from the Community to Latin America has been channelled through three financial mechanisms: (i) monetary stabilization credits, granted by European private banking groups to Latin American central banks to correct balance-of-payments disequilibria; (ii) credits for purchases of capital goods (supplier credits), often granted on the basis of credit lines opened by banking groups (public and private) or consortia in the seller country to State development agencies or banks in the purchaser country; and (iii) credits from financing or development agencies in Europe to similar agencies in Latin America to finance purchases of equipment and machinery for major development projects.

18/ Financing of projects for developing less developed areas of the Community, loans for modernizing or converting enterprises affected by the establishment of the Common Market, etc.

/In practice,

In practice, the most frequently used mechanisms have been normal supplier credits and inter-governmental credits for specific projects. The former are essentially a completely tied form of credit, with repayment periods ranging between two and seven years and interest rates of from 6 to 9 per cent. These terms impose a particularly heavy burden on the balance of payments of the recipient countries, and the tying of the credit frequently has an unfavourable effect on the actual price of the goods purchased with the credit. With inter-governmental credits, the credit may in exceptional cases be partially untied 19/.

To date, financial assistance by the EEC countries to Latin America has been circumscribed by the national measures and policies of the member countries. Co-ordinated action would make it possible to secure more efficient co-operation, to define the basic components of Community policy in the matter, and to establish specific terms and arrangements for credit more in line qith the recommendations of UNCTAD and the DAC. Moreover, it would be desirable to secure the allocation to Latin America of a minimum proportion of the official financial flows to the developing countries from the Community, is as a means of helping to reduce the cost of priority development projects. A co-ordinated effort should also make it possible to secure a reduction in the tying of aid, at least within the Community, and authorization for resources to be used to purchase products or services within the beneficiary country itself or in other developing countries, particularly within the same region, in the same way that the United States has agreed under certain conditions for this to be possible with US-AID loans or loans from the Special Operations Fund of the IDB. Partially untying aid in this way would greatly help domestic or regional supplies of goods and services and, as a result, would further policies for the promotion and diversification of Latin American exports 20/.

With respect to bilateral financing, it would be useful to review the current terms of supplier credits, with a view to promoting more widespread use of the purchaser's credit line system, under which a blanket loan is made by private banking consortia to a State agency in the recipient country, which is then in a better position to choose between suppliers.

19/ The Institute of Credit for Reconstruction (KFW) in the Federal Republic of Germany, for example, makes this type of loan.

20/ See Chapter III.

/One of

One of the formulas being considered for channelling multilateral financial assistance from the Community to the Latin American countries is to use the European Investment Bank (EIB) either to float bond issues to tap loan resources in European capital markets, or to establish an EEC fund for Latin America, to be administered by the Bank.

Other formulas for multilateral co-operation could be: the establishment, under the administration of the IDB, of a European investment fund for Latin America financed by contributions from the EEC countries; financial participation by the EEC in the IDB Pre-investment Fund 21/; or the allocation to IDB of resources to finance specific projects in the region 22/. Any of these three arrangements would help to expand and improve mutual trade and financial relations, since the IDB finances purchases by the Latin American countries in the industrialized countries only to the extent that the industrialized countries provide it with matching amounts of funds.

The establishment of a similar kind of relationship between the EEC and subregional financial organizations such as the Andean Development Corporation and the Central American Bank for Economic Integration could act as direct stimulus to integration movements, through the financing of multinational or national projects specifically designed to promote integration.

With respect to the future development of private investment in Latin America, it would be useful to develop information media giving potential European investors information on the economic, financial and technological characteristics of Latin American markets, and also analysing within a sufficiently broad framework the various terms that the Latin American countries would be prepared to apply to European investments (fiscal regimes, transfers, employment problems, guarantees, etc.) and the obligations that foreign companies would have to accept as regards achieving the development objectives of the recipient country (transfer of technology, training of labour force, etc.).

21/ The fund could be financed by means of a budgetary allocation transferring to the fund part of the customs duties charged on imports of certain commodities from Latin America and part of the domestic purchase taxes applied to such commodities. An arrangement of this kind was adopted by the Danish Government in 1967 when it established an industrialization fund for the developing countries.

22/ This formula has already been adopted by a number of European countries, such as Sweden, the United Kingdom and the Netherlands.

/(b) Technical

(b) Technical assistance

Stepping up the flow of technical assistance would offer extensive scope for co-operation between the EEC and Latin America, as well as for improving co-ordination and adapting European supply to the needs of the Latin American countries. The agreement concluded between the Community and Lebanon in 1965 is a useful example of the advantages of centralization in improving the efficiency of technical assistance 23/. The agreement gives some specific guidelines for participation by the Community in the training of specialists, the preparation of preliminary studies on the exploitation of natural resources, the co-operation of European experts, etc.

The Martino Report proposes that EEC technical assistance to Latin America should be adapted to suit the level of development of the recipient country. For the more advanced Latin American countries, it suggests co-operation with national agencies concerned with specific scientific fields, such as nuclear energy, oceanography, meteorology, etc., and points out that the results of such co-operation would be of use to both the Latin American and the EEC countries. Moreover, as the more advanced countries are probably in a better position to take advantage of the trade opportunities available under the generalized system of preferences, the Community might provide them with assistance in the promotion of their exports of manufactures and semi-manufactures at the production and marketing levels (market surveys, training of specialists, problems relating to quality and standards, etc.).

As the Latin American countries at an intermediate stage of development are for the most part members of the Andean Group, the Martino Report proposes that more assistance should be given to promote the integration of certain sectors, especially in connexion with the development of specific activities of particular interest within the framework of sub-regional integration, such as maritime transport and primary metal-processing.

With respect to the relatively less developed countries, the report suggests co-operation with regard to the infrastructure (telecommunications, transport, etc.), and in the case of the Central American countries assistance designed to help integration industries.

23/ The agreement established a mixed commission to examine Lebanon's requests for technical assistance and to determine the extent and terms of the EEC's co-operation.

/By adapting

By adapting the form of technical assistance to the specific conditions of the Latin American countries, bearing in mind their level of development, it should be possible to deal with the needs of each country or group of countries more efficiently. Furthermore, developing a wide range of assistance programmes would enable each member of the Community to participate in those sectors in which it has specialized knowledge and experience.

B. THE EXPANSION OF THE COMMUNITY

As a result of the successful conclusion in June 1971 of the negotiations resumed in 1970 to establish the terms for the United Kingdom's entry into the EEC, the United Kingdom will, provided the agreements concluded in Brussels are approved by the British Parliament, officially become a member of the Community on 1 January 1973. This will mark the beginning of a five-year transitional period during which the United Kingdom will gradually have to bring into force the regulations of the Community. The terms of EEC membership for Ireland, Norway and Denmark have also been approved, but at the time of writing ratification by the appropriate legislative authorities was still pending.

Given the terms under which the United Kingdom is to join the Community, its entry will have a special impact on the Latin American countries, especially those for which the United Kingdom is a major export market. One particular point worth emphasizing is that the United Kingdom has completely accepted the common agricultural policy and its basic regulations, and has undertaken to bring them gradually into force during a transitional period ending in 1975. Specifically, this will mean the adoption of the following basic principles: uniform prices throughout the expanded Community; absolute preference for Community agricultural production over imports from third countries; and responsibility of all Community members for financing the common agricultural policy. The main problem is how the United Kingdom will apply the price system prevailing in the Community, in view of the considerable differences at present existing between the levels of guaranteed prices in the EEC ountries and with United Kingdom. For example, for the crop year 1969/1970 the guaranteed price for wheat was 98.75 dollars per metric ton in the Common Market but only 68.50 dollars in the United Kingdom, while the difference was even greater in the case of milk products, the guaranteed price for butter being 1,735 dollars per ton in the Common Market as against 708 dollars in the United Kingdom.

/In order

In order to enable it gradually to bring its agricultural prices into line with those of the Community, the United Kingdom Government announced in November 1970 that it would begin to phase out the system of deficiency payments that has been in force since 1947, under which in essence producers were given a direct subsidy to make up the difference between the reference prices fixed each year by the Government and the prices on the domestic market in which imported products competed freely with domestic products. Under the United Kingdom system, consumers benefited from the best prevailing world prices, while under the EEC system consumers have to pay prices that are determined at the level of the Community producer.

The gradual equalization of United Kingdom agricultural prices with those of the Community during the period 1973-1976 is likely to have two main effects. First, the fact that the United Kingdom consumer will have to pay higher prices will probably depress domestic demand, especially for products whose consumption might otherwise have increased; and secondly, United Kingdom farmers will be encouraged to expand their output in order to take advantage of the new guaranteed prices. With regard to the first point, the marked rise in consumer prices for beef, cereals and milk products 24/ is likely to make demand contract, or at least check its current rate of growth, and cause consumers to turn to cheaper agricultural products. As regards incentives to production it may be reasonably assumed that British agriculture, which is already highly modern and productive, will expand its investment in production facilities in order to derive the maximum benefit from higher agricultural prices, and this in turn will raise the level of self-sufficiency and correspondingly reduce import needs 25/.

In addition to the impact of EEC membership on British consumption and production of such commodities as beef, which are of particular export interest to certain Latin American countries, there is growing concern in the region regarding the application by the United Kingdom of the prevailing EEC system governing imports of agricultural products from third countries. From 1973, the United Kingdom is to subject its

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24/ According to some estimates, the price of beef in the United Kingdom may rise by between 50 and 70 per cent as a result of the adoption of Community prices, while the price of wheat may rise by between 70 and 80 per cent.

25/ The United Kingdom national development plan for 1965-1970 provided for a steady increase in agricultural production as a means of helping, *inter alia*, to improve the balance-of-payments situation.

/agricultural imports

agricultural imports to the system of fixed customs duties and variable levies established by the Community regulations 26/. Moreover, the fact that the level of self-sufficiency will rise will have an impact not only on the British market but also, as a result of the preferences established within the Community on the surpluses generated by other EEC members.

Latin America's prospects appear very discouraging as regards cereals and milk products, for which the potential rise in United Kingdom output, coupled with the combined productive capacity of the rest of the Community, will leave scant possibility of access for third countries. As production surpluses will be absorbed within the expanded Community market without the need for paying out export subsidies, the financial resources available for the structural reforms of agriculture in the EEC countries will increase. In the case of products of which the supply is inadequate even at the level of the expanded Community, the impact on Latin America's exports will probably not be so severe, but ever so it is not easy to determine the impact that import controls may have.

Another problem which directly affects Latin America's trade relations with the expanded Community is that of the future links between the Community and the countries and territories that enjoyed special relationships with the United Kingdom under the Commonwealth imperial preferences system. Owing to the great diversity of such countries and territories as regards current level of development and international trade position, a number of different solutions are being evolved to meet the most pressing specific problems faced by some of these countries as a result of United Kingdom entry into the EEC.

Among the developed Commonwealth members (Canada, Australia and New Zealand), New Zealand is the only country for which, after lengthy and complicated negotiations, special measures which are a derogation of the principles of the common agricultural policy were agreed upon in respect of two products 27/. All New Zealand's other agricultural products, and those of Canada and Australia, will gradually become liable to the import duties and charges established in Community regulations.

26/ This will make it necessary to revise the concessions granted by the United Kingdom for such products within GATT, and also the counterpart arrangements negotiated by the countries benefitting from such concessions.

27/ At the end of the transitional period, the British market will continue to import on preferential terms 80 per cent of the volume of butter currently supplied by New Zealand and 20 per cent of cheese.

/The Community

The Community also agreed to special treatment for British imports of sugar from the Commonwealth Caribbean countries, which currently enjoy preferential treatment in the United Kingdom market 28/. The United Kingdom will be able to fulfil all its commitments under the International Sugar Agreement until the Agreement expires in 1974; subsequently the expanded Community will take measures to safeguard the interests of the Commonwealth Caribbean countries, whose economies depend to a large extent on exporting commodities, particularly sugar. The Commonwealth Caribbean countries do not have absolute assurances regarding the volume of sugar that will continue to enjoy preferential access to the British market after 1974, and this is why they have expressed concern at the possible expansion of beet sugar production in the expanded Community as a result of the high level of protection afforded by the Common External Tariff and the current amount of surplus production capacity. European producers may be expected to exert pressure on their Governments to restrict any special treatment for third countries to the minimum. On the other hand, there has been no mention of special treatment for bananas, which constitutes the basic export product of several Caribbean countries, such as Jamaica, Grenada, St. Vincent, St. Lucia and Dominica, and which currently enter the United Kingdom free of tariff and non-tariff restrictions. If the Common External Tariff - the current level is 20 per cent - were to be applied to bananas, it might have very serious effects on this sector of the export trade of these Caribbean countries.

Mention should also be made of the Commonwealth African countries, which currently enjoy preferential access to the British market at reduced rates of duty in respect of a wide variety of tropical-zone primary and semi-processed products. The major imports eligible for such treatment are coffee (Kenya, Uganda, Ghana, Nigeria); leaf tobacco (Tanzania); fresh bananas (Ghana and Nigeria); ground nuts (Nigeria, Zambia, Tanzania and Uganda); and palm oil (Nigeria). Some of these countries (Kenya, Uganda and Tanzania), as noted earlier, concluded a preferential trade agreement with the Community some time ago; however, the trade advantages granted under the Arusha Agreement, which came into force on 1 January 1971, are more limited than those granted to the African countries which are signatories to the Yaoundé Convention (for example, there are tariff quotas for Kenyan coffee). There is therefore a possibility that, during the discussions on special arrangements with the Commonwealth African countries, the three countries which have signed the Arusha Agreement will request that the preferences which they now enjoy should be expanded.

The general attitude within the Community has been in favour of establishing preferential arrangements similar to those in the Yaoundé Convention between the expanded Community and the Commonwealth African countries. However, the fact that some of the present EEC member Governments

28/ See chapter I.

/have insisted

have insisted that the admission of these countries to the regime of association should not jeopardize the interests of the existing African Associated States might mean that an intermediate type of system will be evolved under which the Commonwealth African countries would receive benefits within the expanded Community comparable to those they now enjoy in the British market. In any case, serious consideration should be given to the possibility that new and extended preferential treatment for African products in the expanded Common Market may have the effect of turning aside some of Latin America's current exports of tropical-zone products to the EEC.

The ECLA secretariat is continuing to expand and update its studies on the impact of the expanded Community on the development of Latin America's trade, on the basis of a number of alternative hypotheses regarding the result of the complex negotiations and talks under way between the EEC and a large number of developed and developing countries.

C. RELATIONS WITH THE UNITED STATES

1. Trade relations

During the period 1961-1965 - 1966-1969, Latin American exports to the United States grew at an average rate of 4.1 per cent per year, which is less than the growth rate of Latin American sales to the markets of other major developed countries (EEC, 7.1 per cent and Japan, 13.6 per cent) and to the region itself (17.5 per cent). Only exports to EFTA (increase of 3.2 per cent per year) grew more slowly (see table 7). Following a period of virtual stagnation in 1969 (increase of barely 0.7 per cent), the region's exports to the United States grew by 8.3 per cent in 1970 (EEC, 13 per cent and Japan, 29.1 per cent), compared with a growth rate of 9.2 per cent for total exports.

As a result of this trend, the relative share of the United States market in the total exports of the region fell from 34.3 per cent in 1961-1965 to 30.1 per cent in 1970. This decline becomes all the more obvious if account is taken of Latin America's share in the total imports of the United States, which dropped from 28 per cent in 1950 to 21 per cent in 1960 and only 12 per cent in 1969. The slump in Latin American exports to the United States market can be clearly appreciated if it is borne in mind that, while the total imports of the United States grew by 140 per cent between 1960 and 1969, its imports from Latin America rose by barely 33 per cent during the same period.

/Table 7

Table 7

LATIN AMERICAN TRADE WITH THE UNITED STATES

(Millions of dollars, f.o.b)

	1961-1965	Percentage of total	1966-1969	1968	1969	1970	Percentage of total	Annual growth rates 1965-1969 / 1961-1965	1969 / 1968	1970 / 1969
Exports										
United States	3 382	34.3	3 958	4 070	4 100	4 440	30.1	4.1	0.7	8.3
EEC	1 976	20.0	2 458	2 310	2 770	3 130	21.2	7.1	19.9	13.0
Japan	418	4.2	630	615	790	1 020	6.9	13.6	28.5	29.1
EFTA	1 035	10.5	1 148	1 133	1 250	1 300	8.8	3.2	10.3	4.0
Others										
Total	9 856	100.0	12 323	12 430	13 510	14 750	100.0	7.2	8.7	9.2
Imports										
United States	3 502	40.6	4 430	4 660	4 810	5 650	37.4	7.5	3.2	17.5
EEC	1 620	18.8	2 118	2 230	2 440	2 810	18.6	8.7	9.4	15.2
Japan	352	4.1	591	600	800	990	6.6	17.5	33.3	23.8
EFTA	852	9.9	1 098	1 150	1 300	1 400	9.3	8.2	13.0	7.7
Others										
Total	8 636	100.0	11 615	12 160	13 290	15 109	100.0	9.7	9.3	13.7
Trade balance										
United States	-120	-	-472	-590	-710	-1 210	-	-	-	-
EEC	+356	-	+340	+80	+330	+320				
Japan	+66	-	+39	+15	-10	+30				
EFTA	+183	-	+50	-17	-50	-100				
Others										
Total	+1 220	-	+708	+270	+220	-359				

Source: United Nations, Monthly Bulletin of Statistics, June 1963 to June 1971.

/Table 8

Table 8 shows Latin American exports to the United States by sections of the SITC. Analysis of the table reveals the structural importance of basic commodities (sections 0 to 4), whose share varied from 87.5 per cent in 1961-1965 to 84.2 per cent in 1966-1969. Food, beverages and tobacco (sections 0 and 1 of the SITC) accounted for the same proportion of overall exports (45.6 per cent in 1969 compared with 46.5 per cent in 1961-1965), while exports of fuel accounted for 25 per cent of total exports throughout the period under consideration. Latin American exports of basic commodities to the United States market over the periods 1961-1965 and 1966-1969 as a whole grew at the sluggish rate of 2.7 per cent per year.

Exports of manufactured goods (SITC sections 5 to 7) have increased much more quickly, reaching an annual average of 9.9 per cent for the decade considered, with an annual rate of 45 per cent for machinery and transport equipment, exports of which were negligible at the beginning of the period. However, there has been no great increase in the relative share of manufactures and semi-manufactures in total exports, despite the hint of dynamic growth contained in the figures cited: their share was 15.4 per cent in 1969, compared with 11.9 per cent in 1961-1965. Table 9 shows the evolution of Latin American exports to the United States for a group of selected products. The figures in the table show a relative and sometimes absolute decline for some products (coffee, petroleum and petroleum products, etc.) and a particularly marked drop in the case of certain raw materials for industrial use (copper, lead, iron, wool, etc.). Thus, the share of certain Latin American products in the total imports of the United States fell between 1961-1965 and 1966-1969 from 29.5 to 21.2 per cent in the case of iron ore, from 49.6 to 30.7 per cent in the case of petroleum, from 58.1 to 45.3 per cent in the case of copper and from 40.4 to 36.1 per cent in the case of lead. During the same period, Latin American exports of food, including tropical products (except coffee), remained steady or showed improvement.

The decline in Latin America's position as a supplier of the United States market is bound up to a significant extent with changes in the structure of consumption and, hence, of the imports of that country; industrial products have tended to account for an ever-increasing proportion of United States imports. A study on the subject 29/ indicates that over the period 1961-1962 - 1966-1967, one-third of the difference between the increase in total United States imports (+ 66.9 per cent)

29/ IA-ECOSOC, "Hacia una mayor participación latinoamericana en el mercado de los Estados Unidos" (CIES/1376, May 1969).

/Table 8

Table 8

UNITED STATES: IMPORTS FROM LATIN AMERICA,[a/] BY SITC SECTIONS

(Millions of dollars, f.o.b.)

SITC section	Products	1961-1965	Percentage	1966-1969	Percentage	1968	Percentage	1969	Percentage	Latin America average annual growth rates 1966-1969 / 1961-1965
0 and 1	Food, beverages and tobacco	1 568	46.5	1 830	46.2	1 960	48.2	1 870	45.6	3.5
2 and 4	Crude materials	514	15.2	515	13.0	440	10.8	560	13.7	0.1
3	Fuels	872	25.8	988	25.0	990	24.3	1 020	24.9	2.9
	Total commodities	2 954	87.5	3 333	84.2	3 390	83.3	3 450	84.2	2.7
5	Chemical	51	1.5	66	1.7	62	1.5	54	1.3	6.0
6 and 8	Miscellaneous manufactures goods and articles	345	10.2	505	12.8	560	13.8	500	12.2	9.0
7	Machinery and transport equipment	8	0.2	42	1.1	51	1.3	79	1.9	45.0
	Total manufactures	404	11.9	613	15.5	673	16.6	633	15.4	9.9
	Imports from Latin America	3 376	100.0	3 958	100.0	4 070	100.0	4 100	100.0	3.6

Source: United Nations, *Monthly Bulletin of Statistics*, March 1967-1971.

a/ Including Cuba.

b/ Including section 9 of the SITC.

/Table 9

Table 9

UNITED STATES: IMPORTS OF THE PRINCIPAL COMMODITIES FROM LATIN AMERICA AND THE WORLD a/

(Millions of dollars, f.o.b.)

SITC group	Commodities	1961-1965			1966-1970			1969			1970			Latin America, average annual growth rates 1966-1970 / 1961-1965
		Latin America	Percentage	World	Latin America	Percentage	World	Latin America	Percentage	World	Latin America	Percentage	World	
011	Meat, fresh, chilled or frozen	39.7	14.4	276.4	81.9	17.2	475.7	97.8	18.0	544.6	118.2	18.3	647.7	15.6
013	Meat in airtight containers, n.e.s. and meat preparations	40.6	26.5	153.3	77.3	26.4	293.2	87.4	27.8	314.1	95.4	26.3	362.6	13.8
051	Fruit and nuts, fresh	130.5	65.3	199.8	220.6	69.4	317.7	224.6	68.7	327.0	241.7	70.5	342.9	11.1
054	Vegetables, fresh, frozen or simply preserved	32.1	49.9	64.3	90.0	75.3	119.5	104.5	77.5	134.8	142.2	80.1	177.6	22.0
061	Sugar	265.7	49.7	534.7	385.3	57.7	668.1	401.5	58.6	685.6	445.1	56.9	782.0	7.7
071	Coffee	828.3	79.6	1 040.0	739.5	68.6	1 078.1	644.6	68.7	938.1	798.7	65.9	1 212.6	-2.3
072	Cocoa	50.1	32.2	155.4	75.1	40.4	185.7	92.3	45.6	202.4	89.2	36.0	248.0	8.5
262	Wool and other animal hair	61.5	23.6	260.6	39.1	21.4	183.0	26.3	17.0	154.6	25.2	21.7	116.3	-8.7
281	Iron ore	135.9	38.5	352.7	143.2	31.9	448.5	147.5	36.7	402.5	153.5	32.0	479.5	1.0
283	Ores of non-ferrous base metals	104.5	29.5	354.7	94.2	20.0	470.9	95.8	19.9	482.5	110.8	21.2	521.8	-2.1
331	Crude petroleum	547.4	49.6	1 104.7	496.0	37.6	1 319.8	471.6	32.6	1 445.1	444.6	30.7	1 449.2	-2.0
332	Petroleum products	358.1	50.3	711.5	474.6	44.9	1 058.2	444.5	39.9	1 114.8	567.2	42.9	1 320.9	5.8
682	Copper	182.5	58.1	314.4	255.8	40.8	627.4	235.0	48.3	486.4	239.5	45.3	528.9	7.0
685	Lead	21.5	40.4	53.2	30.5	38.6	79.1	30.0	40.9	73.4	26.8	36.1	74.2	7.2
	Total sample	2 798.4	50.2	5 575.5	3 203.2	43.7	7 325.0	3 103.4	42.5	7 305.7	3 498.1	42.3	8 264.1	2.7
	Total imports	3 496.4	19.9	17 572.6	4 216.4	13.1	32 299.0	4 213.6	11.7	36 051.8	4 779.2	12.0	39 963.2	3.8
	Total sample percentage	80.0		31.7	76.0		22.7	73.7		20.3	73.2		20.7	

Source: United Nations, Commodity Trade Statistics, 1961-1970.

a/ Latin America comprises the twenty republic, including Cuba.

/and the

and the increase in the value of United States imports from Latin America (+18 per cent) may be attributed to the region's relative loss of ground in the supply of products that it exported to the United States at the beginning of the period, while two-thirds of the difference may be put down to the shift in United States demand for imports towards manufactured goods which Latin America is not yet in a position to supply. In other words, the unfavourable trend of Latin American exports to the region's principal market must be attributed to growing competition from other suppliers or to inadequate expansion of the region's productive capacity as well as to failure to adapt its export component to meet changes in United States demand.

To these structural factors should be added the effects of certain protectionist barriers in force in the United States, which have helped to restrict imports of certain commodities from Latin America. Although the United States has time and time again made itself a party to international and regional agreements concerned with the improvement of the terms of trade with the developing countries in general or the Latin American countries in particular 30/, the latter have made no significant progress towards securing the actual implementation of those agreements and have had to continue contending with the effects of restrictive United States legislation, which in some cases has actually worsened the conditions of access for their products. By way of example, mention may be made of the 1965 sugar legislation, which provided for an increase in the share of United States producers in the total supply of the country 31/. The legislation introduced in 1964, fixing quotas

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30/ The removal of tariff and non-tariff barriers in favour of products of interest to the developing countries and the maintenance of the statu quo in favour of such countries, are dealt with, *inter alia*, in the following agreements: (a) at inter-American level: the Buenos Aires Protocol of 27 February 1967 and the "Declaration of the Presidents of America", signed at Punta del Este, on 14 April 1967; (b) at world level: the ministerial programme of GATT, 1963; new Part IV of GATT, Article XXXVII (1965); UNCTAD recommendations A.II.1 and A.III.4, etc.

31/ Circles in Congress urge that this trend be strengthened, on the basis of the new sugar law.

/for imports

for imports of meat, is similar in character: its application depends largely on administrative decisions, and up to now it has been implemented mainly through voluntary restrictions on shipments of meat to which the principal foreign suppliers have been induced to agree from July 1970 onwards. In 1967 and 1968, the United States introduced quotas for dairy products which affected exports from Argentina, and in 1969 it strengthened these measures in respect of certain types of cheese. In the same connexion, mention should be made of the United States' efforts to persuade Brazil to increase the duty on the raw material used to produce soluble coffee which is exported to the United States, although such efforts violate the principle of co-operation with the developing countries to help them to increase the level of processing of their basic products. To sum up, it may be pointed out that in mid-1970, the following products were subject to import quotas in the United States 32/: wheat and wheat preparations (wheat flour, semolina, milled wheat); cotton and cotton waste; groundnuts; dairy products; sugar; petroleum and petroleum products; cotton manufactures; coffee; fresh, chilled or frozen meat, and fresh, chilled or frozen fish.

Some decisions taken by the United States Government have, however, appeared to be aimed at fulfilling the agreements cited above. These included: the suspension of import quotas for lead and zinc ores and concentrates from October 1965; the reduction in 1966 of the controls and duties on imports of certain oilseed products and minerals; the offers made by the United States in respect of its

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32/ See IA-ECOSOC/CECON, "Leyes y reglamentaciones no arancelarias aplicadas por el gobierno de los Estados Unidos", June 1970.

/application of

application of the general system of preferences 33/, and certain concessions approved at the end of the Kennedy Round negotiations, such as the establishment of consultation and negotiation machinery within the inter-American system.

Examination of Latin American imports from the United States also reveals a reduction in that country's relative share in the trade of the region. Between 1961-1965 and 1970, the share of United States products in Latin American imports fell from 40.6 to 37.4 per cent (see table 7). Nevertheless, Latin American imports from the United States grew at an average annual rate of 7.5 per cent between 1961-1965 and 1966-1969, that is to say, twice as just as the region's exports to that country. During the same period, Latin American imports from the European Common Market grew by 8.7 per cent, from EFTA by 8.2 per cent and from Japan by 17 per cent.

The disparity between the trends in Latin American exports to and imports from the United States has resulted in the region having a marked trade deficit in recent years (see table 7). Thus, in the period 1966-1969, Latin America had an average annual deficit of 472 million dollars, four times higher than the deficit recorded in the period 1961-1965, while in 1969 and 1970 the deficit reached the very considerable amounts of 710 million and 1,210 million dollars, respectively. The growing deficit caused by the above trends in trade relations with the United States has to be offset from the surpluses obtained by the region in its trade with other developed areas or countries.

33/ President Nixon recently announced that the relevant bill would soon be sent to Congress.

2. Financial relations

In the "Charter of Punta del Este" (1961) which initiated a programme of inter-American co-operation, it is stated that in order to achieve the goals set by the "Alliance for Progress" the Latin American countries should obtain "sufficient external financial assistance", and that such assistance should meet a series of conditions, including the following: (a) supply of at least 20,000 million dollars during the 1960s; (b) flexible conditions with respect to periods and terms of repayment and forms of utilization; (c) the greater part of the assistance should come from public funds, and (d) the assistance should be made available to supplement the domestic efforts of the recipient countries, in response to specific plans for institutional reforms and for the economic and social development of the Latin American countries. The United States expressly undertook to supplement the efforts of the participating countries and declared that it was prepared to allocate resources appropriate in kind and volume, in the form of subsidies or loans on sufficiently flexible conditions. A number of factors over the period 1961-1970 considerably hampered or restricted the fulfilment of these undertakings. Thus, there was a notable discrepancy between the amount of financing funds officially authorized for Latin America and the funds actually made available to the Latin American countries (disbursements) by the United States official agencies (see table 10). Between 1961 and 1970, official United States financial assistance to Latin America amounted to 10,170 million dollars, including credit authorizations to the Agency for International Development (AID), Eximbank, and the United States Treasury, but the loans actually granted by the various official bodies over the same period amounted to 8,404 million dollars. This inadequate utilization of credits may be attributed, *inter alia*, to the conditions imposed, especially the requirement that beneficiary countries contribute counterpart funds, which frequently count not be raised because of budgetary problems. Certain requirements relating to the approval and supervision of the implementation of programmes also created difficulties or delayed the allocation of funds. Moreover, the terms and conditions surrounding certain "tied" loans, linked to lists of products whose prices in the United States were higher than those prevailing on the international markets, hampered or prevented the use of such loans by the Latin American countries.

/Table 10

Table 1

LATIN AMERICA: BILATERAL OFFICIAL FINANCING FROM THE UNITED STATES, 1961-1970

(Calendar years - millions of dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total 1961-1970
Loan repayments	1 403.1	838.8	897.0	1 450.5	950.5	1 072.3	1 140.8	1 114.6	676.6	625.9	10 170.1
AID a/	451.2	517.5	603.5	1 006.9	533.5	744.9	556.0	645.3	507.5	394.0	5 960.3
Eximbank b/	803.0	186.1	214.3	314.4	313.5	277.0	478.6	433.3	143.1	203.5	3 366.8
Treasury c/	147.0	125.0	60.0	96.3	69.8	12.5	75.0	4.8	0.0	0.0	590.4
Other d/	1.9	10.2	19.2	32.9	33.7	37.9	31.2	31.2	26.0	28.4	252.6
Disbursements of loans and official grants-in-aid	997.0	656.1	761.2	650.2	886.6	946.5	856.5	966.4	848.1	835.4	8 404.1
AID	250.9	299.8	419.1	485.0	636.9	710.2	596.0	636.7	529.6	528.2	5 092.4
Eximbank	670.5	311.0	232.4	132.8	206.0	199.8	237.1	308.2	290.5	278.8	2 867.1
Treasury	65.0	34.5	90.5	18.3	13.4	13.5	0.0	0.0	0.0	0.0	235.2
Other	10.7	10.8	19.2	14.1	30.3	23.0	23.4	21.5	28.0	28.4	209.4
Net flows of official finance	612.7	504.0	478.0	340.2	639.1	636.5	554.5	687.9	584.4	556.9	5 601.9
AID	247.1	295.1	408.4	474.7	627.8	695.8	573.4	612.6	503.8	502.9	4 941.6
Eximbank	343.9	170.7	24.7	-118.6	-1.2	-54.4	-35.5	59.0	52.6	25.6	466.8
Treasury	18.0	27.4	25.7	-30.0	-17.8	-27.9	-6.8	-5.2	0.0	0.0	-16.6
Other	10.7	10.8	19.2	14.1	30.3	23.0	23.4	21.5	28.0	28.4	209.4

Source: OAS/IA-ECOSOC, "Análisis de la evolución económica y social de América Latina desde comienzos de la Alianza para el Progreso", (CIES/1636/Corr. 1-3, August 1971).

a/ Includes loans that appear in the AID "Status of loan agreements as of December 31, 1970", grants-in-aid for the Alliance for Progress (data for fiscal years), loans and grants-in-aid under the heading of food for peace (data for fiscal years).

b/ Includes loans by Eximbank, but not guaranteed investment funds (Eximbank, "Statement of loans and authorized credits 1961-1970").

c/ Short-term balance of payments stabilization loans (US Treasury Department, "Treasury Bulletin 1961-1970").

d/ Includes the Peace Corps and the Pan-American Highway.

/It is

It is worth noting that, between 1961 and 1968, official credit allocations to Latin America amounted to between 800 and 1,400 million dollars a year, fairly close to the level stipulated in the undertaking entered into by the United States Government at Punta del Este. This amount was reduced to 650 million dollars a year in 1969 and 1970, however, because of the restrictive attitude of the United States Senate in the field of foreign aid. As the balance-of-payments problem of the United States worsened in 1971, culminating in a complex international monetary crisis, which was not entirely resolved by the agreement reached in Washington in December 1971 34/, it is to be expected that in 1972, and possibly in subsequent years also, an even more negative line will be taken in United States policy on official credit assistance abroad.

Apart from the question of the amount of credits granted, it should be emphasized that there was a considerable discrepancy between the level of credits disbursed and the actual net flows of funds after taking into account the servicing by the Latin American countries of their debts to the United States (see again table 10). Generally speaking, such service payments cut the amount of funds actually made available to the Latin American countries by one-third, or even by closer to one-half in exceptional years, such as 1964. The net flows normally represent 50 per cent of the loans approved.

As regards the conditions under which official United States loans to Latin America have usually been granted, it is to be observed that interest rates have tended to rise throughout the past decade, in accordance with trends on the international finance market, while repayment periods and periods of grace have got longer. The rates of interest applied by AID rose from 1.9 per cent in 1961 to 3 per cent in 1970, those of Eximbank from 5.5 to 6 per cent. Rates of interest on official United States credits have not increased as much as those for financial assistance granted to Latin America by the international organizations. Thus, the interest rates on ordinary loans granted by IDB rose from 5.8 to 8.2 per cent between 1961 and 1970, while those on IBRD loans went up from 5.8 to 7 per cent.

With regard to the practice of "tied loans", which has been applied in a particularly unfavourable manner in transactions of the United States Agency for International Development (USAID), the United States Government has partially accepted the Latin American countries' complaints and criticisms, as may be seen below, but only after a period of hard-line attitude when it even went so far as to establish the criterion of additionality. Among

34/ See chapter XII.

other negative consequences of the policy of tied loans, it is estimated that the countries of the region paid prices for United States products around 30 per cent higher on average than what they would have paid for equivalent goods obtainable on other supplier markets.

The marked drop in official United States aid to Latin America over the last three years began with the reduction in bilateral loans and then spread to IDB loans, following the refusal by Congress to authorize the additional funds requested by the Executive in 1970.

The United States has not been able to do justice at world level to the recommendations approved by UNCTAD or the targets set by the Development Assistance Committee of OECD either. Indeed, net transfers of funds - both official and private - to the developing countries have been dropping further and further from the target of 1 per cent of the United States gross national product, since they attained 0.7 per cent in 1967, 0.6 per cent in 1968, and only 0.49 per cent in 1969 35/. This decline in official United States aid to Latin America is not obvious from the actual disbursements to the region. Table 10 shows that in 1969 and 1970 gross disbursements under bilateral loans remained at around the average for the decade, while in the same two years IDB credit disbursements which come largely from funds contributed by the United States, showed a considerable upswing even exceeding the average for the decade. An analysis of the net currents shows a similar trend, owing to the more rapid utilization of credits approved in previous years. However, bearing in mind the significant decrease in official credit allocations during 1969-1970, it is to be expected that in the near future - unless the current trend in allocations is reversed - there will be an increasing decline in the volume of gross disbursements by official United States agencies in favour of Latin America. The effect on the net currents will be even more pronounced, owing to the growing burden of service payments on debts contracted in the previous decade.

Several events have pointed up the uncertain future of official United States assistance and the tendency of the United States Government to cut back on certain undertakings in order to solve its own problems in the external sector. Thus, the 10 per cent reduction in foreign aid, decided upon in August 1971 as one of the measures to correct the tremendous deficit in the country's balance-of-payments but subsequently revoked for Latin America,

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35/ Development Assistance Committee (DAC), Assistance to Development - Annual Reviews.

/makes another

makes another retrograde step in the United States' dwindling role in the provision of financial assistance for development. The United States Senate, which in recent years had systematically cut down the amounts proposed by the Executive, rejected outright the last bill that was tabled on the matter 36/, declaring that the allocations must be drastically cut before its decision could be revised. In the meantime, so as not entirely to interrupt its foreign aid programme, the Executive is resorting to provisional extensions of credits approved in the previous fiscal year.

The prospects described above are a source of great concern to the countries of Latin America, as the United States continues to be far and away the main source of external funds for the region and the Latin American countries consider that, for most of them, any acceleration in the development process in the next decade will continue to depend on the volume and conditions of external financial assistance, especially assistance of United States origin. The effects of United States aid to Latin America could be improved in the future if such aid were programmed on a long-term basis so that the region knew well in advance the size of the aid it would receive. Such programming would be facilitated if more United States official aid were channelled through multilateral channels and especially through the IDB.

The conditions on which aid is supplied would also be improved if the process of "untying" aid that was begun in 1969 were completed, both on account of the direct encouragement this would be to the recipient countries and the stimulus it would provide for increased participation in multilateral schemes 37/. Lastly, the channelling of more resources through international institutions should be accompanied by increased multilateralization of the process of taking decisions on the granting of financial assistance - an aspect on which the Latin American countries have been laying great stress, particularly within IDB.

36/ In November 1971, the Senate threw out in its entirety the bill on foreign aid allocations presented by President Nixon.

37/ OAS/IA-ECOSOC, "Análisis de la evolución económica y social de América Latina desde comienzos de la Alianza para el Progreso" (document CIES-1636/Corr.1-3, August 1971).

/3. Co-operation

3. Co-operation within the inter-American system

In view of the gradual weakening of the process of inter-American co-operation provided for under the Alliance for Progress and the deterioration of their trade and financial relations with the United States, in May 1969 the Latin American countries adopted the Consensus of Viña del Mar, a wide-ranging document which laid fresh bases for inter-American relations and action in the field of trade, financing and technical assistance.

In the matter of trade, the Consensus proposed the following: the establishment of operational machinery to ensure the fulfilment of the agreements on the status quo and the elimination of tariff and non-tariff obstacles to the sale of products of special interest to the Latin American countries in the United States market; the holding of a special round of negotiations on primary commodities within GATT; the speedy conclusion of international agreements on specific products, such as cocoa and vegetable fats; the rapid implementation of the generalized system of preferences; the establishment of specific standards to regulate the application of escape clauses, and the strengthening of national and regional export promotion machinery. In the field of financial co-operation, the Consensus urges, among other things, that financial assistance should be a real transfer of resources and be granted in accordance with national development policies and plans of the recipient countries, that tied loans should be abolished and that multilateral assistance should be strengthened.

The response of the United States Government to the collective Latin American position was fairly positive; it proposed a new kind of association based on an open dialogue and more balanced relations between the two regions 38/. Among the specific decisions announced were the "untying", from 1 November 1969, of AID credit funds as far as purchases in Latin America were concerned; the re-examination of all other onerous conditions and restrictions affecting United States loans, with a view to modifying or eliminating them; the deployment of vigorous efforts to reduce non-tariff barriers against goods of special interest to the Latin American countries and other developing countries; decisive support for the generalized system of preferences; increased technical and financial assistance to promote Latin American exports; and the establishment, within the inter-American system, of regular procedures for the holding of prior consultations on any matter relating to trade.

38/ President Nixon's speech to the AIP, 31 August 1969.

As regards the machinery to deal with trade problems, a Special Committee for Consultation and Negotiation (CECON) 39/ was set up, with the following functions: (a) to hold consultations when a member State of the inter-American system considers that the United States has violated the international agreements on the status quo; (b) to review the restrictions imposed by the United States from 1963 onwards which have an adverse effect on imports of Latin American products, with a view to finding satisfactory solutions; (c) to initiate consultations between the United States and the Latin American countries before the former adopts any measures which could adversely affect imports from Latin America, and (d) to identify tariff and non-tariff restrictions that hamper or prevent the access to the United States market of primary products and manufactures from Latin America, with a view to considering recommendations for their gradual elimination. At its first meeting, CECON set up an Ad Hoc Group on Trade to deal with tariff and non-tariff barriers and related questions. This Group is responsible for identifying barriers of this kind against products of interest to the region, as enumerated in a consolidated list presented by the countries of the region, and submitting to CECON proposals for their elimination. So far, the Group has made progress in identifying the obstacles, but it has not yet reached the stage of drawing up proposals for their removal 40/. The lack of concrete results within CECON may be attributed in large measure to the limitations imposed on the United States Executive by its own domestic legislation, which does not allow it to fulfil certain of its trade commitments 41/.

39/ Resolution REM 1/70 (Caracas).

40/ At the meeting of the IA-ECOSOC Special Committee held in March 1971 at Punta del Este, the terms of reference of the Ad Hoc Group on Trade were confirmed and renewed and tribute was paid to its positive efforts in the systematic, technical and objective study of the problems of tariff and non-tariff barriers which hinder the expansion of Latin American exports to the United States market; it was noted, however, that up to that time it had not been possible to arrive at agreements on matters relating to tariff and non-tariff barriers, health regulations, etc.

41/ Despite having made a request, in November 1969, for legal authority to carry out certain trade negotiations of limited scope, the President of the United States was denied such powers during 1970 and 1971. The discussion in the Senate of the 1969 Trade Bill, which represented the continuation of the United States trade policy of the last few decades, coincided with the manifestation of marked protectionist attitude both in Government circles and among the public at large, largely as a result of the worsening of the balance-of-payments situation.

In the Consensus of Viña del Mar, the Latin American countries brought to the attention of the United States the constant rise in rates of interest on external loans and the need for the adoption of measures to relieve the growing burden of servicing such loans, especially through the possible establishment of an interest equalization fund. Despite the recommendations to the same effect contained in the Rockefeller report, however, the United States Government has adopted no measures to counteract the effects of increased interest rates, nor has it taken a position on the question of the interest equalization fund. On the contrary, it seems likely that, in view of recent trends towards the reduction of certain types of interest rates in some financial markets, consideration of this problem - which is especially important to Latin America in view of the fact that the region receives even less favourable treatment than other developing areas 42/ - will be postponed for the time being.

In an attempt to satisfy one of the main claims put forward by Latin America, in November 1969 the United States Government adopted a series of directives designed to free loans to the region from some of the strings attached to them. Thus, credits granted by AID from 31 October 1969 onwards, may be used for making payments in the United States and in any Latin American country except Cuba, provided that certain requirements regarding origin are complied with and, of course, provided that the goods 43/ and services to be paid for serve the development interests of the recipient countries and appear on certain specific lists. In this connexion, it should be stressed that the requirement for additionality referred to earlier in this section was abandoned and it was decided that the Latin American countries themselves could help to draw up the lists of "eligible" products, and even prepare a common positive list for the region. Moreover, the United States Government expressed its willingness to study suitable ways of satisfying other Latin American demands regarding the date of application of provisions for freeing loans from strings, the conversion of United States dollars into national currency to finance local

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42/ See chapter XI.

43/ Initially, it was stipulated that at least 90 per cent of the value of eligible products must originate in the country receiving the loan, but this figure was subsequently reduced to 50 per cent as a gesture to Latin America, and under the new regulations this 50 per cent can, for instance, be made up as follos: 20 per cent of the value produced in the United States, 20 per cent produced in a Latin American country, and 10 per cent in any other Latin American country.

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expenditure, the participation of national or regional Latin American banks in transactions connected with the loans in question, the criteria of eligibility, the establishment of a margin of preference of 25 per cent on the c.i.f. value of national or regional goods and services, the suspension of the requirement that goods be transported in ships flying the United States flag, and the replacement of the positive list by a negative list reflecting the import policy of each country 44/.

In response, the United States Government agreed to extend the "untying" measures to cover some or all of the loans granted, regardless of the date of approval of the loan, at the request of the governments concerned and provided that steps had not yet been taken to purchase the goods and services in question. It also authorized the direct sale of dollars to finance local expenditures in connexion with projects financed by AID, and it modified the rules regarding origin along the lines indicated above. No progress was made, however, with regard to the other aspects mentioned in the previous paragraph.

In addition, with a view to helping to strengthen the national and regional capital markets in Latin America and to facilitating the access of Latin American countries to international capital markets, the United States announced that it would contribute up to 5 million dollars to set up a special fund for financing studies of financial markets, providing technical assistance in the expansion and operation of national and regional markets, assisting in the establishment of underwriting funds and giving support to national private enterprises through medium- and long-term credits designed to strengthen their competitive capacity. It also offered to donate 15 million dollars to finance the preparation of Latin American development projects or preinvestment and investment projects to be financed in full or in part with external credits.

44/ The United States may also support the possible multilateralization of bilateral aid provided within the framework of OECD.

/D. RELATIONS

D. RELATIONS WITH JAPAN

1. General aspects and recent evolution

During the last ten years trade between Latin America and Japan has been greatly intensified. Latin American exports rose from 239 million dollars (f.o.b. values) in 1960 to 1,020 million dollars in 1970, which corresponds to a cumulative annual rate of 15.6 per cent. Although this relative increase is greater than the increase in exports from the region to other parts of the world, however, Latin America's share in total Japanese imports decreased over the same period from 8 to 6.2 per cent, from which it can be deduced that full advantage was not taken of the dynamism of Japanese buying in the international market. Latin American imports from Japan increased from 277 to 990 million dollars (f.o.b. values) over the last ten years, so that it can be seen that while Japan increased her share in the Latin American market from 3.5 to 6.6 per cent, over the same period Latin America's share of Japanese exports decreased from 6.8 to 5.1 per cent (see table 11).

The salient features of this evolution are that:

(i) Latin American exports to Japan were concentrated on a limited number of products for which Japan, in some cases, became the main client, particularly raw materials, fuels and some tropical-zone agricultural products 45/;

(ii) for the same reason, the increase in Latin American exports to the Japanese market was limited to a small number of countries, chief among which were Chile, Peru, Brazil, Venezuela, Ecuador, Mexico, the Central American countries and Argentina;

(iii) Latin America's trade balance with Japan has been generally favourable. Chile, Peru and Ecuador maintain clearly positive trade balances; Argentina, Mexico, Brazil and the Central American Common Market countries have balances which are neither negative nor positive, while Colombia, Venezuela, Bolivia and some Caribbean countries have chronic trade deficits with Japan, and

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45/ These included: iron ore, non-ferrous metals, fish flour and animal feeds (maize and sorghum), textile fibres (wool and cotton), bananas, coffee, cocoa, sugar and oilseeds and oil cake.

/Table 11

Table 11

JAPAN: EXTERNAL TRADE 1961-1970

(Millions of dollars, f.o.b.)

	Exports					Imports				
	Average 1961-1965	Average 1966-1970	1968	1969	1970	Average 1961-1965	Average 1966-1970	1968	1969	1970
Total	5 946	13 700	12 970	15 990	19 320	5 772	11 398	10 870	12 490	15 670
United States	1 676	4 246	4 130	5 020	6 020	1 878	3 204	2 930	3 460	4 610
Canada	149	383	345	480	560	265	565	560	580	790
Europe	788	1 880	1 670	2 070	2 920	600	1 196	1 110	1 340	1 710
EEC	334	822	690	970	1 300	343	672	640	740	990
EFTA	340	760	760	720	1 060	239	470	425	550	650
South Africa, Australia, New Zealand	318	726	655	840	1 070	603	1 197	1 165	1 370	1 625
Latin America	352	671	600	800	990	416	708	610	790	1 020
Africa (except South Africa)	429	790	750	860	1 070	125	406	360	520	620
Middle East	197	443	460	550	540	609	1 602	1 650	1 730	2 080
Asia	1 686	3 698	3 610	4 450	4 870	956	1 748	1 680	1 920	2 370
Socialist countries	287	704	585	765	1 045	277	683	695	680	765

Source: United Nations, Monthly Bulletin of Statistics.

(iv) Japanese exports to Latin America increased sharply in the sectors of capital goods, machinery, transport equipment and various intermediate products, including in particular iron and steel products, synthetic fibres and chemical products. This fact, when taken in conjunction with the type of products exported by Latin America gives a traditional type trade structure which is not to Latin America's advantage and which it would be appropriate to modify.

The extraordinary upsurge of the Japanese economy in the last ten years, with an annual rate of growth of the Gross National Product of 13.6 per cent between 1961 and 1965 and 17.2 per cent for the period 1966-1970 46/, aided Japan's rapid integration into international trade 47/, which was underlined by the outstanding part that Japan played in the GATT Kennedy Round. If the growth trend of Japan's economy is maintained, even at a slower rate than in the last ten years, Latin America will have excellent prospects of disposing of its products on the Japanese market, thanks to the considerable elasticity of the consumption/import ratio as regards food products, raw materials and fuels and the new possibilities for manufactures and semi-manufactures which could arise from the implementation of the generalized system of preferences.

The possibilities that the Latin American market offers to Japanese exports depend basically on the region's balance-of-payments situation with Japan and the rest of the world, on the external finance policy followed by Japan, and on the transfer of resources and technology either directly or through the expansion and diversification of the areas of Japanese investment in Latin America.

2. Japan's trade policy

Despite the extraordinary growth of its export trade, Japan has consistently pursued - especially up to the Kennedy Round - a severely restrictive trade policy characterized by high tariff barriers and numerous quantitative restrictions. After the last negotiations with GATT, the results of which were implemented nearly eight months early 48/, various quantitative

46/ More than twice the average rate of growth of all the other industrialized countries.

47/ In 1970, with imports of raw materials and fuels to the value of 7,959 million dollars, Japan became the main world market for this sector, standing ahead of the United States (6,193 million dollars), Germany (5,375 million) and the United Kingdom (4,928 million).

48/ The tariff reductions agreed upon were put into effect in April 1971.

/restrictions were

restrictions were maintained on products of interest in Latin America 49/. At the beginning of 1971, a change in Japanese trade policy began to make itself felt; this was largely due to the need to avoid an excessive accumulation of foreign currency, resulting from the large trade surpluses, and to the efforts to slow down the process of inflation (which it was felt might adversely affect the dynamism of the growth of the Japanese economy). This change of direction was characterized by:

(i) the above-mentioned advance implementation of the tariff concessions agreed in GATT 50/;

(ii) the implementation of the generalized system of preferences in favour of the developing countries in August 1971;

(iii) the reduction from 120 to 40 of the number of products subject to quantitative restrictions and the fixing of larger quotas for the products still subject to restrictions, and

(iv) the unilateral reduction of tariff duties on various products, particularly consumer goods, and the gradual alimination of the system of automatic import quotas (47 products remained by June 1971).

Although the conditions of access to the Japanese market have improved substantially over the last few years, various restrictions still exist which limit the possibilities of disposing of products of interest to Latin America. These difficulties arise from high tariff barriers, particularly as regards agricultural products and processed foods, which have not secured substantially better treatment in GATT and have not been included in the generalized system of preferences; price stabilization machinery which absorbs any reduction in prices caused by a drop in international market or prices by currency movements affecting goods such as meat, soya, sugar, etc. or goods subject to state tradir controls (wheat and rice); limitation of the remaining import quotas to a percentage of internal consumption (3 per cent) which can be considered extremely low, and excessively small preference quotas 51/, which limit the

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49/ Including meat flour, fish flour, oil cakes, animals on the hoof, etc.

50/ See table of charges and non-tariff restrictions applied by Japan to products of interest to Latin America (Economic Survey of Latin America, 1970) (E/CN.12/868/Rev.1).

51/ Imports from the developing countries for the base year, plus 10 per cent of the imports recorded for other countries.

/benefits expected

benefits expected from the system of preferences. Furthermore, it can be seen that the tariff reductions introduced by Japan within GATT, unilaterally, or within the system of preferences have in many cases actually raised the margin of customs protection for some processed products 52/, in direct contradiction to the claims put forward by the developing countries.

3. Areas of co-operation

The establishment of closer relations between Latin America and Japan depends basically on the possibilities of increasing and diversifying reciprocal trade and on the direction which future Japanese co-operation in the area of finance and technical assistance will take. The expansion of trade should be based on concrete lines of action to give Latin American primary and processed products greater access to the Japanese market, beginning with:

(i) the reduction of the high duties still levied on products not include in the system of preferences. Examples of such duties are: meat, 20 per cent; bananas, 40 or 60 per cent depending on the period; roasted coffee, 35 per cent; sugar, 15 to 20 US cents per kilo, etc;

(ii) the elimination of quantitative restrictions on products of interest to Latin America 53/ or at least on products from developing countries;

(iii) the reduction of unwarranted protection for products with a higher level of processing, unilaterally or within the generalized scheme of preferences, beginning with products where protection has actually increased ove the last few years;

(iv) assistance in solving some operational problems which hinder the growth of Latin American exports, particularly in some countries of the region. Such problems include problems of transportation, marketing channels, knowledge of the Japanese market, proportional freight rates, and the improvement of harbour services and equipment;

(v) support for the export efforts being made by Latin American countries, through the provision of technical assistance which will allow advantage to be taken of Japan's experience in exports, the possible collaboration of Japanese trading companies and the setting up of centres for the importation and promotior of Latin American products on the Japanese market 54/, and

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52/ Soluble coffee, cooking oils, worked metals.

53/ Processed foods, dairy products, some fish products, fruit juices, etc.

54/ See chapter III.

/(vi) the

(vi) the introduction of greater flexibility in the application of tariff preferences (inclusion of products at present excluded, broadening of the terms of access, total duty-free entry, etc.), so as not to disrupt new trade flows which are beginning to be fostered by this system 55/.

Co-operation in finance and technical assistance could be intensified both with regard to the economic infrastructure, particularly in the case of the least developed countries of the region, and also with regard to the development of manufactures for export at the national or multinational level.

Japan's financial assistance to Latin America has been exceedingly limited. In 1970 it reached 169 million dollars in comparison with a total of 1,824 million dollars for the developing countries as a whole, the largest share going to the Asiatic countries (see table 12). The characteristic feature of Japanese financial assistance has been the low proportion of official assistance and the high proportion of medium- and long-term supplier credits for the acquisition of capital goods and equipment; this has meant heavier costs and shorter average repayment periods and periods of grace than than in the case of the assistance provided by most of the other developed countries. It is to be hoped that in future the flow of financial resources from Japan to Latin America will be large enough and on sufficiently satisfactory terms to further the development of reciprocal trade relations, that tied aid will be eliminated and the conditions for granting aid improved, and that official assistance on a bigger scale will be increasingly channelled towards regional and sub-regional finance agencies.

Japan's participation in the industrial sector should take account not only of the individual needs of the different Latin American countries, but also of the sectors in which Japanese industry can make the biggest technological contribution, either directly or in association with financial contributions or investments of private capital. It should be noted that Japan has achieved outstanding world success in the areas of electronics, shipbuilding, telecommunications, precision industries, textiles, etc.

Japanese private investment in Latin America has been increasing sharply over the last few years, and is estimated at more than 500 million dollars for the post-war period (see table 13), 47.3 per cent being invested in manufacturing industry, and nearly 20 per cent in mining industry. About 70 per cent of this private investment went to Brazil, 20 per cent to Chile and Peru, and the remaining 10 per cent to Argentina and Mexico: in other words, almost exclusively to the most advanced countries of the region.

55/ The import quotes for several products (footwear, some textiles, etc.) ran out shortly after the system came into force.

/Table 12

Table 12

GEOGRAPHICAL DISTRIBUTION OF JAPANESE EXTERNAL ASSISTANCE

(Millions of dollars)

	Total	Latin America			Asia b/	Africa
		Total	South America	Central America		
Bilateral assistance	1 149.1 (1 516.0)	77.3 (169.4)	67.0	10.3	957.4 (1 182.7)	56.1 (29.5)
Government assistance	705.4 (864.1)	29.3	23.9	5.3	603.6	15.0
Official assistance for development	339.7 (371.5)	-13.4 (-15.0)	-13.6	0.5	345.4 (377.8)	4.1 (8.4)
Grants-in-aid	123.4 (121.2)	1.6	1.1	0.5	118.2	2.7
Technical assistance	19.0 (21.6)	1.6 (1.5)	ND	ND	13.8 (16.1)	2.7 (2.7)
Direct loans	(216.2) (250.3)	-14.8	-14.8	-	227.2	1.4
Other official assistance	(365.8) (492.6)	42.2	37.6	4.9	258.1	10.9
Direct investment and loans	55.9 (143.1)	9.1	9.2	-0.1	35.1	3.5
Export credit	309.9 (349.5)	33.3	28.4	4.9	223.0	7.4
Private assistance	443.7 (654.8)	48.0	43.1	4.9	353.8	41.9
Grants-in-aid	- (2.9)	-	-	-	-	-
Export credit	299.6 (386.9)	14.0	16.9	-2.9	249.7	13.3
Direct investment	144.1 (265.0)	34.0	26.2	7.8	104.1	27.9
Multilateral assistance						
Japanese contribution to international agencies (official assistant)	95.9 (86.5)					
Official loans to international agencies	10.0 (201.0)					
Private loans to international agencies	8.0 (17.5)					
Overall total	1 263.1 (1 824.0)					
Gross national product	1 658.900 (1 961.600)					
Assistance as percentage of GNP	0.76 (0.93)					
Total export credit	609.5 (736.5)	47.3	45.3	2.0	472.7	20.7
Total direct investment	199.9 (488.1)	43.1	35.4	7.7	139.2	33.4

Source: Ministry of International Trade and Industry (MITI): White paper on economic assistance, 1970.
MITI, Information Service: Statistical Data relating to economic co-operation, October 1971.

a/ Figures in brackets are from 1970.

b/ Including the Middle East.

/Table 13

Table 13

JAPAN: INVESTMENT ABROAD BY SECTORS AND AREAS, 1951-1969 a/

(Millions of dollars)

	Total		Non-industrial areas		Latin America b/	
	1951-1969	1969	1951-1969	1969	1951-1969	1969
Agriculture, forestry, fishing, mines, etc.	1 137.3	321.7	874.4	267.3	102.2	43.1
Mines	891.8	294.3	768.0	247.0	82.6	38.2
Wood, pulp, etc	133.5	3.3	8.3	1.0	-	-
Manufacturing industry	542.9	128.3	500.1	121.1	242.5	21.5
Textiles	139.9	34.0	136.0	34.0	50.1	5.0
Chemicals	34.2	6.3	22.8	5.9	5.6	0.5
Metals	128.8	38.2	128.0	37.8	63.8	0.8
Non electrical machinery	51.6	9.4	46.7	8.6	37.4	6.7
Electrical machinery	49.0	22.0	48.2	21.6	13.6	3.3
Transport equipment	99.7	11.4	81.6	6.4	67.5	4.5
Others	39.7	6.9	36.8	6.8	4.5	0.7
Trade, banking and others	1 002.7	217.6	285.1	55.7	167.8	35.7
Total	2 682.9	667.6	1 659.6	444.8	512.6	100.5

Source: Ministry of International Trade and Industry (MITI), Present state and problems of economic co-operation, 1970. Tokyo, 1970.

a/ Approved investment by fiscal years.

b/ Including non-independent territories in the Caribbean.

/Chapter V