

THE QUITO APPRAISAL

A review, adopted at the fifteenth session of ECLA as resolution 320 (XV), of the progress made in the first two years of the International Development Strategy

1973

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The International Development Strategy adopted by the United Nations General Assembly in its resolution 2626 (XXV) provides that the regional economic commissions shall assume special responsibility in the work of review and appraisal of the Strategy at the regional level. In accordance with this resolution, the ECLA secretariat prepared a technical study (E/CN.12/947) on the first two years of implementation of the Strategy.

Subsequently, from 26 February to 1 March 1973, the Committee of High-Level Experts set up under ECLA resolution 310 (XIV) met in Santiago, Chile, to consider the first appraisal. The report of its deliberations was issued as document E/CN.12/AC.65/3.

From 20 to 23 March 1973 the Economic Commission for Latin America, meeting at the technical level, considered the foregoing material, especially the report of the Committee of High-Level Experts, and prepared a new report which was submitted to the fifteenth session of the Commission on 29 March 1973, on which date the Commission adopted resolution 320 (XV), containing the Quito Appraisal, by 22 votes in favour, none against, and one abstention. Canada, France, the United Kingdom and the United States placed on record certain statements and reservations which are reproduced in the annex to the present document.

Resolution approving the Quito Appraisal

320 (XV) APPRAISAL OF THE INTERNATIONAL DEVELOPMENT STRATEGY

The Economic Commission for Latin America,

In pursuance of General Assembly resolution 2626 (XXV), which provides for regional appraisals within the United Nations of the progress made in the implementation of the International Development Strategy (IDS).

Considering that the Commission should make an appraisal of the first two years of the implementation of the Strategy at the current session.

Having examined the document entitled "Latin America and the International Development Strategy: First Regional Appraisal" (E/CN.12/947), prepared by the secretariat, which contains an analysis and critical comments designed to facilitate that appraisal.

Having examined the report of the first meeting of the Committee of High-Level Experts (E/CN.12/962) convened by the secretariat in compliance with resolution 310 (XIV) of the Commission,

1. Notes with appreciation the secretariat's contribution to the first regional appraisal of the International Development Strategy for the Second United Nations Development Decade embodied in document E/CN.12/947;

2. Approves the Quito Appraisal as the first regional appraisal of the IDS for the Second United Nations Development Decade undertaken by the member countries of the region, which also records the views and reservations of the other member States of the Commission;

3. Decides that these two documents, together with the report of the proceedings of the fifteenth session of ECLA containing the reservations and observations pertaining thereto, should be transmitted to the Committee for Development Planning and to the Economic and Social Council.

177th meeting

29 March 1973

The Quito Appraisal

A. THE CONCEPT OF INTEGRATED DEVELOPMENT

1. A central preoccupation in the review and appraisal of the International Development Strategy should be the concept of integrated development and the differences existing between the phenomenon of economic growth and actual development.

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

3. The growth of economic variables has frequently failed to bring with it qualitative changes of equal importance in human well-being and social justice. This is shown by the continued existence of serious problems such as mass poverty, the incapacity of the system of production to provide employment for the growing labour force, and the lack of economic and social participation of broad strata of the population. Clearly, however, these qualitative changes are more difficult to achieve when the economic variables do not grow at satisfactory rates. In line with this approach, achievement of the quantitative targets of the Strategy should constitute the complement necessary to achieve human development, which is the ultimate aim of the process.

4. The traditional structures, inasmuch as they put obstacles in the way of change, hinder social progress and economic development. Accordingly, even more strenuous efforts must be made to effect the qualitative and structural changes mentioned in the IDS, which are indispensable to establish the bases that will permit the achievement of the social and economic objectives of the Strategy. Failure to stress the vital importance of this aspect of development and to put these qualitative and structural changes into practice largely explains the unsatisfactory results achieved by many Latin American countries.

5. These structural changes, which are an essential condition for any integrated process of development, especially one set out in the broad human and social terms in which the IDS states this objective, include: the control and sovereign utilization of natural resources; the reform of land tenure systems as required in order to promote both social justice and agricultural efficiency; the

establishment of such forms of public or mixed ownership of property as each country may consider appropriate in those activities which, in its view, require such measures in order to promote self-sustaining independent economic development; and any other type of substantive reform needed to secure that objective.

6. At the same time, accelerated, harmonious and independent growth is essential to the success of these qualitative and structural changes, and consequently, of the objectives of the Strategy, since accelerated growth of the economy as a whole makes it easier to obtain the resources necessary for the investments required for human development.

7. When, in its efforts to implement the Strategy, a country simultaneously tackles all aspects of development and promotes the structural reforms needed to achieve integrated development, experience indicates that imbalances occur in the initial stages which make it difficult to continue the process. The social injustices and tensions which have accumulated over the years manifest themselves in demands which domestic resources cannot meet. In order to correct these imbalances, the international co-operation received by such a country should not be subject to restrictions, as has so often been the case. Some countries undertaking structural changes in conformity with the IDS sometimes have to face hostility and economic aggression from abroad. This is particularly serious since, in the light of the commitments undertaken in the strategy, countries engaged in reforming their structures should receive international support for those reforms.

B. ECONOMIC GROWTH

8. The Latin American countries display a high degree of heterogeneity in their economies and societies, for they have a wide variety of structures and situations and also present marked differences as regards the development strategies and policies they are pursuing. Thus, the per capita product ranges from 100 to 1 000 dollars and similar disparities exist, sometimes on an even larger scale, between different sectors or regions and between urban and rural areas. Furthermore, there are not only differences as regards economic circumstances but also different approaches to the development process, with each model having different options or methods of implementation. At present, medium- and long-term policies are being implemented whose basic principles, both political and economic, differ substantially. Hence, there is no single model to which the appraisal can refer. Nevertheless, there is a marked degree of Latin American solidarity which makes it possible to deal with common problems.

9. In the last two years, the growth rate of the product was generally

insufficient. Although the region as a whole exceeded the growth target established in the IDS, most countries fell short of it. Similarly, while industry in the region as a whole achieved the sectoral growth target set in the IDS, this was the case in only a few countries; the situation was still worse in agriculture, which lagged not only behind the target set in the IDS but also behind population growth. As a result, the effectiveness of the development process, viewed as an integrated process, is still being undermined in some cases by the difficulty of achieving adequate growth rates.

10. The internal efforts made in the Latin American countries have not been accompanied, in most cases, by international co-operation or even by acceptable terms as regards prices and systems of marketing raw materials, trading practices for manufactures, liner conference practices, contracts for the transfer of technology, and external financing. Consequently, a fundamental part of the resources needed for national development is subject to circumstances beyond the control of the Latin American countries, such as the economic growth -especially in industry- of the developed countries, and market conditions over which they have no influence. A few countries have increased their export income despite the decline in the volume of their exports, but this has been due to the application of policies for the protection of their natural resources. At the same time, there is growing external indebtedness which has raised the total debt servicing commitments of some countries to half of their total income from exports of goods and services.

11. The overall indicators of economic growth give a broad outline of the situation in the region, but may not be representative of individual cases. Moreover, the same indicator may vary in significance if the cases to which it is applied differ appreciably. It is therefore necessary to complement the series of economic indicators with a series of social indicators that reflect the characteristics of the various countries, sub-regions and social groups.

C. HUMAN DEVELOPMENT AND SOCIAL CHANGE

12. In the words of the International Development Strategy, "the ultimate purpose of development is to provide increasing opportunities to all people for a better life". It goes without saying that the achievement of this objective requires a profound social change and a new unified approach to development. It is therefore necessary to assess the impact of economic changes on the social situation and their relevance to it. It must be appreciated, however, that the quantitative, qualitative and structural changes and the reduction of existing regional, sectoral and social disparities "are both determining factors and end-results of development". Consequently, as the Strategy puts it, rapid economic growth and structural changes should be viewed "as integrated parts of

the same dynamic process and would require a unified approach".

13. Analysis of the past decade and the first two years of the Second Development Decade indicates that important changes in the social situation have taken place in Latin America. The population grew from 210 million in 1960 to 279 million in 1970, and it will have risen to 372 million by 1980. The percentage of the population living in localities with over 20 000 inhabitants rose from 33 to 41 per cent. At the same time, the negative aspects of urban concentration and the deterioration of the environment have got worse. The proportion of the population feeling the impact of societal change and unequal economic growth has increased to the point where these phenomena are beginning to affect almost the entire population. Unemployment problems have become more serious, since a substantial proportion of the supposed growth in employment has taken place in the tertiary sectors, i.e., services and commerce, which are characterized in the region by typical situations of unemployment and low productivity. On the other hand, overt unemployment has clearly increased over the long term. All this has placed large sectors of the population in an even more marginal position as regards both consumption and employment.

14. The concentration of the population in urban areas has been accompanied by improvements in the quantity, and in some cases the quality, of certain social services, particularly education and health. The educational sector has expanded somewhat, but although there has been a decline in the number of illiterates, illiteracy continues to be one of the most serious problems in the region. Moreover, although the proportion of Latin American children that have never attended school is now small, a high proportion still fail to complete the full primary cycle. At the same time, it should be noted that considerable efforts have been undertaken to give education a new direction in keeping with the requirements of the process of development.

15. Although surveys on nutrition in the home are still very limited, the food balances are sufficient to show that the present per capita availability of calories and proteins continues to be below international standards in many countries, that little progress has been made in 1970 and 1971 compared with the 1960's, and that, if present conditions and trends persist, the deficit will not be fully eliminated even by 1980. In this situation of inadequate supply, and in view of the prevailing inequality of income, it must be assumed that the level of nutrition in the lowest income groups and the most under-privileged areas is far below acceptable minima. Surveys carried out in 16 Latin American countries show that the phenomena of underfeeding and malnutrition, especially of children under five years of age, could have the gravest and most unfavourable consequences on the future quality of the population.

16. Most of the national authorities of the region made calculations on the

housing deficit at the beginning of the 1960's and arrived at alarming conclusions, especially when projections of the urban housing deficit were made on the basis of the rate of formation of new families and the rate of deterioration of the stock of existing dwellings. Since then, the deficit has increased to the point where studies made by various international agencies show an estimated deficit of between 15 and 20 million housing units.

17. The behaviour of the main indicators indicates that health conditions improved appreciably in the 1960's. It is possible, however, that in many cases this improvement is only apparent, the favourable increases in statistics being due to more efficient collection of data. The fact remains that in Latin America there are still many countries with less than 5 doctors per 10 000 inhabitants; that the now traditional shortage of hospital beds is growing still worse because the increase in the number of beds is less than the increase in population; that for various reasons medical services continue to be beyond the reach of broad sections of the community in much of the region, and that in several countries the child mortality rate between 1 and 4 years of age has reached the appalling level of between 15.7 and 32.4 per thousand.

18. The unified approach to development must not be restricted to the diagnosis of each sphere of social action and the proposal of recommendations. The very concept of development must be improved and the fragmentary approach to economic growth and human development discarded. The factors affecting these two problems cannot be determined merely in the light of economic growth: it is necessary to take an integrated view of all the social, economic and political determinants. Moreover, human development is not just a question of expanding sectoral action in education, health, etc., but must include a social system that gives priority to the equality and dignity of man and respects and fosters the cultural expression of the population.

19. The objective of income redistribution, in the form set out by the Strategy, remains unfulfilled in most countries of the region. Surveys made in a number of countries confirm that income in most of Latin America is more concentrated than in most of the developed market-economy countries, and much more concentrated than in the countries with socialist economies. The objectives of development in Latin America must be the creation of a new society and a new type of man. Social participation in all forms of the development process must be increased in order to achieve a juster society.

D. MOBILIZATION OF INTERNAL RESOURCES

20. The primary responsibility for the development of the developing countries rests upon themselves.

21. Considerable progress has been made in connexion with planning systems in recent years. In some countries, the planning bodies have been given a greater say in the adoption of basic decisions on economic and social issues. Techniques for developing plans and programmes have been improved, and there is now more awareness of their relationship with the political processes and the particular circumstances found in the various countries. There is still ample scope, however, for progress towards a planning system of truly operational significance.

22. Important changes have taken place in the institutional systems of economic and social relations in several countries of the region. These cover a wide spectrum, including the system of ownership and the structure of enterprises; links with foreign investment; machinery for the protection of primary products; the systems of land tenure; the administrative machinery, and economic policy instruments.

23. The nature of these changes is closely bound up with the political definitions or characteristics of the various countries, a fact which has to be taken into account in view of the widely differing situations found in the region. From this standpoint, transcendental changes have been and are taking place in Latin America, mainly in connexion with natural resources, public enterprises and public administration. In order to institute these changes the Governments have adopted various policy measures and have used a wide range of mechanisms in line with the particular conditions prevailing in each country. However, the common characteristic has been the adoption of measures designed to give the State fuller participation in the management and control of the production process.

24. Institutional changes with regard to natural resources in the last few years have been aimed at more efficient utilization of resources and fuller participation of the State in their development. In some countries the nationalization of enterprises, the association of the State with foreign enterprises, and modifications in the concessions and arrangements for the exploitation, marketing and shipping of basic natural resources have been the principal means used to bring about these changes. The greater participation of the State in the development of natural resources is a particularly significant fact in a region where two-thirds of exports revenue is accounted for by ten agricultural commodities, six mining products, and petroleum.

25. Agrarian reform has proceeded at an accelerated pace in some countries of the region. Most countries have enacted agrarian reform laws and set up special bodies for carrying them out. What has been achieved in the region as a whole cannot be considered satisfactory, however, since the systems of land tenure, use and development are still largely inadequate to satisfy the increasing economic and social development needs of the Latin American countries.

26. Another aspect worthy of note is the renewal of financial systems and the growing importance of a variety of new institutions which are being set up to meet the demand for financing deriving from the new methods of development. A further noteworthy feature is the continuing expansion of public initiative and the accompanying changes in the tax structure and in the composition of investment and public expenditure. Taking an overall view, there is a clearly discernible trend towards the diversification of public activity which goes beyond the traditional area of action and involves new responsibilities and aims.

27. To sum up, it may be inferred that the majority of the Latin American Governments have been or are currently making significant efforts to introduce institutional changes designed to promote economic and social development, but in many cases they have been hampered by a number of external factors, such as inadequacies as regards financing, technology and technical assistance, and the deterioration in the terms of trade.

E. LATIN AMERICA'S POSITION WITHIN THE CONTEXT OF INTERNATIONAL RELATIONS

(a) Targets of international co-operation and their achievement

28. As regards international co-operation, the balance of achievement of the aims and targets of the International Development Strategy at the end of the second year of the second United Nations Development Decade must be generally regarded as disappointing.

29. Thus, for example, the aim of securing international action before 31 December 1972 on the commodities mentioned in UNCTAD resolution 16 (II), as laid down in paragraph 21 of the IDS, has not been fulfilled. The only progress achieved in that connexion is represented by the negotiation of the international cocoa agreement, the ratification of which by some of the main importing countries is pending. As regards the other commodities listed in the above-mentioned resolution, no concrete action has been taken.

30. The conclusion of international agreements or arrangements covering new commodities has been opposed by certain importing countries, with the exception of the International Cocoa Agreement, the negotiation of which took more than 10 years. The support expressed in paragraphs 21 and 22 of the IDS for the negotiation of agreements and their revision in order to make them more efficacious contrasts with the attitude adopted by some developed countries in this respect. It must be considered that there has been a regression in this field, as the present international agreement on wheat contains no operational clauses on

exports and prices, and the situation existing as regards the International Coffee Agreement makes its renewal a matter of doubt.

31. The International Cocoa Agreement provides for the creation and operation of a buffer stock, which would be the second in existence for a commodity of importance to the Latin American countries. As regards the pre-financing of such buffer stocks, the IDS only mentions, in paragraph 23, the need to consider all possible sources. The source of financing, however, has been exclusively the developing countries exporting cocoa. The decision of the International Monetary Fund to grant loans to the developing countries to finance buffer stocks provides these countries with the means of contributing to the financing of these stocks, but may aggravate short- or medium-term external debt problems.

32. The aim of reaching an agreement, before the third session of UNCTAD, on a set of general principles on commodity pricing policy, as described in paragraph 24 of the IDS, has not been fulfilled either. The discussions held during UNCTAD III have not led to any agreement, and responsibility for continuing them has been delegated to the Trade and Development Board. The situation has become worse owing to the international monetary fluctuations. This disappointing experience backs up the conclusion that commodity pricing policy -where it is not possible to conclude commodity agreements- should be regarded as the responsibility of the exporting developing countries. The Latin American country which is a member of the Organization of Petroleum Exporting Countries and the exporting members of the International Coffee Organization have acted accordingly.

33. The standstill recommendation has not been complied with insofar as there have been many instances of new restrictions being introduced, or existing restrictions tightened, on imports of products of special interest to the developing countries. It is essential that this principle should be effectively applied, thus avoiding unilateral recourse to the general escape clauses by the developed countries. It would also appear necessary to take account of the new situations that arise when several developed countries form a customs union, since the process of standardizing tariffs and other trade barriers, such as is currently taking place in the enlarged European Economic Community, often means a deterioration in the tariff or non-tariff treatment previously enjoyed by the developing countries.

34. Progress has also been extremely limited in improving the conditions of access to markets of developed countries. In practice, the priority which the Strategy accorded in paragraph 26 to the adoption of unilateral or joint measures for the reduction or elimination of duties and other barriers to imports from developing countries, with a view to achieving specific results before 31

December 1972, has not been applied to any significant extent. Apart from the trade liberalization measures adopted by Japan in 1971 and 1972 -removal of quantitative restrictions on certain products and 20 per cent reduction in duties on industrial products- and the EEC tariff cuts on coffee and cocoa, it is difficult to point to any real progress in this field, especially since Japan's liberalization measures mainly concern industrial products and only apply to a small number of processed agricultural products of importance to Latin America. These developments emphasize the urgent need for the developing countries to diversify their exports.

35. Similarly, very little effort has been made to help the developing countries to carry out research programmes designed to increase the competitiveness of natural products against synthetics and substitutes.

36. The objective of promoting and expanding the export trade of developing countries in manufactures and semi-manufactures has been partly achieved as a result of the application of the generalized system of preferences between mid-1971 and the first few months of 1972. Progress in this respect, however, has been limited. The United States, which is the leading industrialized country and is Latin America's most important customer, still has not implemented its scheme. As regards Japan, the information available is still preliminary but indicates that the effects have been relatively insignificant. Two facts may contribute to this: the very restrictive nature of the quota system and the high concentration of Latin American exports in the category of raw materials, for which no concessions have been granted. While no conclusions can yet be reached regarding results in other countries, the small share of manufactures in Latin American exports and the limitations and safeguards that characterize preference schemes mean that only very few countries in the region will be able to obtain benefits of any significance. The Latin American countries should therefore intensify their efforts to ensure that a revision and extension of the various schemes of general preferences is initiated at the next session of the Special Committee on Preferences. In addition, they should endeavour to induce the developed countries which have not yet put their schemes into operation to do so as soon as possible.

37. In relation to the real possibilities offered for the expansion of exports of manufactures from developing countries, it is necessary to reaffirm the serious nature of the forthcoming multilateral trade negotiations. In the first place, the majority of the European countries have already established the necessary conditions for the full liberalization of trade in industrial products within the EEC and between the Community and former members of the European Free Trade Association. The creation of new preferences among the industrialized countries of Western Europe will increase the difficulty of access of Latin American manufactures to these markets. Secondly, if the trade negotiations are

successful, the liberalization of trade in industrial products will be extended to the rest of the developed countries. The preferential tariff margin from which the developing countries at present benefit under schemes of general preferences will therefore be reduced or will disappear. These countries will thus suffer, especially if no adequate compensation is provided either by giving non-tariff preferential treatment to products affected directly or indirectly by the tariff cuts, or by extending the preferential treatment to products of interest to the developing countries which are currently excluded, or through any other measure of a compensatory nature.

38. With regard to invisibles, the IDS establishes as one of its main objectives that of promoting the net earnings of developing countries from invisible trade. For maritime transport, the attainment of this objective means increasing the region's participation in world shipping through the creation and expansion of national fleets. However, with a few exceptions, the situation of the Latin American countries is deteriorating instead of improving. Latin America is lagging behind in terms of both the growth of the world merchant fleet -its share in world tonnage declined from 4.1 per cent in 1955 to 2.4 per cent in 1972- and its qualitative composition. Moreover, the continual increases in freight rates imposed by the shipping conferences have made Latin America's imports more expensive and have reduced its possibilities of diversifying exports. Consequently, the balance-of-payments deficit under the head of transport for all the Latin American countries continues to increase, and it is a matter of urgency that they should have an adequate measure of co-operation from the developed countries so that they can attain the goals of the IDS, both in maritime transport and in insurance and tourism. In such co-operation, stress should be laid on the need for the Latin American countries to take advantage of the new maritime transport technology or to be able to share adequately in it through new international arrangements.

39. In particular, attention should be drawn to two fields of action in maritime transport: (a) the conference convened by the United Nations General Assembly to prepare a code of conduct for shipping conferences, in connexion with which adequate advantage must be taken of the periods between the successive meetings of the preparatory committee in order to establish a common Latin American position; and (b) the work which the secretariat of UNCTAD is carrying out, in co-ordination with ECLA and other agencies, on the options open to the developing countries in the field of international intermodal transport. Since these studies are being undertaken with a view to the convening in 1975 of a conference for the preparation of a convention, priority should be given to the studies designed to ensure that Latin America's interests and problems are taken duly into account.

(b) Recent development and future prospects

40. In addition to the scanty progress made towards the fulfilment of the objectives of the International Development Strategy, there have been a number of recent developments and immediate prospects which inspire deep concern regarding the evolution of the Latin American external sector in the immediate future. These developments have a generally adverse effect on the possibilities of achieving the goals and objectives of the IDS and constitute a negative prospect for the relations of Latin America -and of the developing countries in general- with the developed nations.

41. The enlargement of the EEC through the entry of Denmark, Ireland and the United Kingdom could mean that preferential trade arrangements may be extended to the developing countries which formerly enjoyed British Commonwealth preferences, while the three new members may accord similar treatment to the developing countries already associated with the EEC. The reverse preferences which this might entail could prove to be an obstacle to co-operation among the developing countries, since they might restrict the scope for the exchange of reciprocal preferences between the latter. A solution to the problem of discriminatory trading areas should therefore be urgently pursued at the international level.

42. The EEC's Mediterranean policy, which has so far been based on arrangements of a preferential nature, is evolving towards the formation of yet another free trade area in addition to that formed with the ex-members of EFTA. This is a further cause for concern, in that it signifies the extension, accentuation and consolidation of discriminatory trade policies to the detriment of other developing countries. These developments also represent a clear trend towards verticalization of the EEC's economic relations with other countries a trend which is unfavourable for the developing countries inasmuch as it helps to establish a situation where certain developed countries have overt influence over some groups of developing nations. It is equally clear that it tends to create conflicting interests among these countries.

43. The EEC's common agricultural policy, based on concepts of protectionism and self-sufficiency, is a source of concern because of the unfair competition which it represents for the exports of Latin American countries. The unfavourable repercussions which the high guaranteed prices have on demand for agricultural products and the impact of the severe restriction or elimination of competitive imports from outside the Community are aggravated by the existence of exportable surpluses that are disposed of outside the EEC with the aid of high subsidies. It is therefore particularly important for the Latin American countries that the 1973 multilateral trade negotiations should cover and resolve the question of trade in agricultural products.

44. The state of affairs described above implies a worsening in the conditions governing access by Latin American products to the Western European market.

45. The trends and prospects as regards trade with the United States are also discouraging. Trade relations with that country have been characterized over the past decade by a chronic imbalance between exports and imports which has resulted in the accumulation of a large and growing trade deficit to the detriment of Latin America. With a few exceptions, exports to the United States expanded more slowly than any other sector of Latin America's foreign trade between 1961-1965 and 1966-1970. The growth of Latin America's sales to the United States over the last decade has been hindered by the maintenance and, in certain cases, the actual strengthening of protective trade barriers despite the undertakings given in international and regional forums to the effect that there would be easier access to the United States market for products from the developing countries in general and the Latin American countries in particular. In actual fact, not only has no progress been made towards liberalizing trade with the Latin American countries, but in some instances restrictions -particularly non-tariff restrictions- have been tightened. The quite marked protectionist trends that still remain and are even becoming more acute are clearly apparent in the draft legislation before the United States Congress relating to the forthcoming trade negotiations.

46. Furthermore, the Special Committee for Consultation and Negotiation (CECON) of the Inter-American Economic and Social Council (IA-ECOSOC) has not made any significant progress towards liberalizing access for Latin American products to the United States market. The hopes that the CECLA member countries placed in the Latin American Consensus of Viña del Mar as regards strengthening inter-American co-operation have failed to materialize, and there is no sign of a policy specifically aimed at taking account of Latin American interests.

47. The problems that have been arising in the world monetary situation since 1971 and have recently become more acute, and the agreements for the forthcoming 1973 multilateral trade negotiations, are additional causes for concern. Decisions in these two important spheres will define the broad lines of a new system of international economic relations. It is essential for the developing countries to participate to a satisfactory degree in the working out of these decisions and for their interests to be given priority attention in them. This means that the developing countries themselves bear a heavy responsibility for working out a clear position. The basic question is whether the multilateral trade negotiations are to be an exercise in solving the problems that the market economies at the centre have among themselves, or whether they will really come to grips with the problems of both the developing and the developed countries.

48. Another important aspect relating to the forthcoming trade negotiations is the attitude that will be taken by the developed countries which are members of GATT during the course of the negotiations as regards adopting decisions on the developing countries' problems. It is anticipated that the negotiations may last three years. It is therefore essential to think of ways and means of ensuring that during this period the developing countries will be able to continue progressing towards their objectives either within the framework of the generalized system of preferences or outside it. Otherwise, all initiatives to promote the trade of the developing countries would be frozen until 1975 or 1976, well into the Second United Nations Development Decade. If this period were to end without the developed countries achieving any significant targets for the liberalization of trade, such as those included in the IDS, the fulfilment of the Strategy will be jeopardized in a key area.

49. Despite all the differences observed in the growth rates of the export trade in 1971 and 1972, certain unfavourable characteristics are common to most countries: (i) irregular or inadequate export growth rates compared with those of world trade, and (ii) a high degree of dependence on exports of primary products in most of the countries of the region, making them excessively vulnerable to fluctuations in the external markets. It is therefore urgently necessary to provide suitable instruments for implementing the trade policy measures included in the IDS, as well as measures such as export diversification to reduce the high degree of dependence on primary products.

50. The Latin American countries have made substantial efforts to expand and diversify their exports of manufactures and semi-manufactures, which increased at an annual rate of 18 per cent between 1960 and 1970, with a quickening towards the second half of the decade. For the region as a whole, the absolute value of these exports is still relatively minor, although in certain countries they have reached significant levels. Intra-regional trade, associated with efforts to promote regional economic co-operation, has played a very important part in this growth, not only because it has represented a high proportion of total exports of manufactures and semi-manufactures, but also because it has provided very useful experience on the basis of which countries have been able to begin to export such products to the rest of the world.

51. With respect to trade relations with the socialist countries, and in line with the recommendations made in paragraph 38 of the IDS and reiterated at the third session of UNCTAD, it is important for the socialist countries of eastern Europe gradually to introduce elements of flexibility and multilateralism in their trade and payments arrangements with the developing countries. The generalized systems of preferences of such countries should exempt products originating in the developing countries from the administrative import regulations usually applied by the socialist countries.

F. EXTERNAL FINANCING

(a) General aspects

52. It is important that the transfer of external savings towards the developing countries should make an effective contribution to promoting the domestic efforts of those countries and should, in particular, help to raise their domestic savings coefficients, since in many instances it is doubtful whether this has been the case. Moreover, the orientation of investment financed out of external resources is an important factor, and such investment should be suited to and of priority importance for the promotion of national development processes.

53. It is appropriate to reiterate that developing nations that undertake profound social changes and different structural reforms may require unrestricted financial and technical assistance from the international community, since their mobilizable domestic resources are often insufficient to meet the diverse additional and simultaneous demands that are generated. There have been recent cases in Latin America where this has not been the approach taken, and indeed the level of external co-operation furnished to some nations that have been engaged in such changes has actually fallen.

(b) Volume and terms of the inflow of financial resources to the developing countries

54. In the first years of the Second Development Decade, progress towards achieving, by 1975, net transfers of external resources from the developed countries amounting to 1 and 0.7 per cent of their GNP has been very unsatisfactory. As regards official assistance, the current trend and future prospects in the next few years are especially frustrating, since the current average rate achieved by the member countries of the Development Assistance Committee (DAC) of the OECD is around 0.35 per cent and international experts have estimated that this level will remain relatively stable until 1975. The scant progress, and even retrogression, in assistance provided by most of the leading industrialized countries within DAC has had particular impact on the flow of official assistance.

55. Latin America has felt particularly keenly the effects of the unfavourable trend in the total level of official assistance, which has forced it to take out more and more loans on increasingly hard terms, mainly from private sources, in order to finance its external savings gap. This has led to a rapid deterioration in the average terms for loans to the region, and this trend has been accentuated by the fact that there has also been some degree of deterioration in the terms for the official assistance granted it. These circumstances, together with the servicing of

existing foreign investment, have meant that the region is devoting an ever larger proportion of its income from external sources, and also from its exports of goods and services, to servicing foreign capital.

56. It is vitally important for Latin America to improve its access to the official assistance provided by the developed world. At the same time it must press energetically, in conjunction with the rest of the Third World, for the 0.7 per cent target to be met rapidly and effectively by the industrialized countries. In fact, at the beginning of the 1970's, 50 per cent of the net transfers effected consisted of purely commercial financial flows, which clearly distorts and is in contradiction with the purpose of that target. For these reasons, it is especially vital for Latin America to secure an objective redefinition of the 1 per cent target in the terms that have been proposed in a number of forums, such as UNCTAD and the Group of 77, in the sense that the target should not include elements that must be distinguished from assistance, such as direct investment and suppliers' and purchasers' credit, and should be net of reserve flows of interest.

57. UNDP assistance to the region should take into account, among the indicators for establishing the indicative planning figures, the internal effort made to achieve economic and social development and the capacity of each country to profit by international co-operation now or in the future.

58. Increasing proportions of financial assistance should be channelled through multilateral institutions, because this approach has several advantages and in particular because multilateral co-operation is less variable than bilateral and less dependent on political considerations. Efforts are required, however, to improve certain of the features of such institutions, as regards their constitution, their operating procedures, and the level of control over their decision-making exerted by certain developed countries. Furthermore, the programme approach to assistance has been used very little by the multilateral institutions and, given its advantages, it is highly desirable for more use to be made of it.

59. Progress with respect to untying the use of bilateral credit has been little and slow, and it is urgently necessary to work out a comprehensive international agreement to cover this issue.

60. As to other matters relating to the deterioration of the terms of the financial assistance granted to Latin America, certain other factors have had an unfavourable impact, particularly as regards raising the cost of assistance, and this is generally not appreciated at first sight. In this connexion, attention must be drawn to the negative and growing impact of the collection of unjustified commitment commissions and other surcharges, such as miscellaneous commissions, parity realignment clauses, etc.

61. Since the entire issue of the volume and terms of the financial assistance contracted by Latin America has taken on characteristics which make it difficult to undertake a timely and appropriate appraisal of what is actually happening, permanent machinery for information and analysis is required in order to promote new means and sources of financing.

(c) Special aspects of development financing

62. For Latin America, as for other developing areas, the imperative need for the establishment of supplementary financing machinery is of the utmost importance, since the region's exports have been and continue to be subject to unforeseen fluctuations. Even when Latin America's exports of goods and services expanded more or less regularly, as between 1960 and 1971, there were several instances of reductions of more than 5 per cent from one year to the next. Although such situations were generally followed by a fairly swift recovery, there were nonetheless a number of negative domestic repercussions in the interim which could be avoided in future by means of supplementary financial assistance from the World Bank. It is therefore disappointing to note that obstacles continue to be placed in the way of moves to arrange such assistance both by the majority of the developed countries and by the Bank itself. This supplementary financing should be extended, as planned by the Bank, to cover export shortfalls caused by a deterioration in prices or in the conditions of access of certain products, due to causes which cannot be considered the responsibility of the exporting countries.

63. As to the establishment of a link between the allocation of Special Drawing Rights and the provision of additional financial assistance to the developing countries, progress along these lines has been slow despite the attempts of the latter to initiate negotiations in various international fora. It is vital to Latin America that one of the fundamental points of the reform of the monetary system now under way should be the creation of a substantial volume of international liquidity in the form of Special Drawing Rights by means of the operation of the link mechanism.

(d) The problem of the external debt

64. At the end of 1970, Latin America's external debt amounted to approximately 20 000 million dollars; as a result, in recent years the problem of servicing the debt has become more acute in the countries of the region. The growing difficulty of servicing this debt is largely attributable to the deterioration in the average terms on which loans are granted.

65. In the light of these difficulties -which take the form of a high and increasing ratio of debt servicing to value of exports and, often enough, of payments crises and renegotiations- the solutions adopted have been on a case-by-case basis, of a commercial nature, and not particularly appropriate. This policy must be modified, and there is a need for more comprehensive solutions reached in the proper fora without waiting for the situation to become really critical before tackling the problem. It would also be advisable to establish formulas for the automatic refinancing of external debt servicing in specified circumstances.

66. In view of the considerable relative size of Latin America's debt servicing payments, emphasis must be placed on the importance of the granting by the creditor countries, the United States in particular, of moratoria on such payments, where these payments affect countries' resources for development and their possibilities of attaining the targets of the IDS.

(e) Regulation of external private investment
and transfer of technology

67. In view of negative aspects displayed by private foreign investment and the activities of transnational enterprises, some countries have judged it expedient in recent years to institutionalize their relations with foreign investors by establishing or studying the establishment of definite guidelines and legal provisions applicable to such investment and to the transfer of technology. In addition to some national measures, the regional agreement concluded by the countries of the Andean Group is of interest in this respect.

(f) Transfer, adaption and creation of technology

68. As regards the transfer of technology, UNCTAD resolution 39 (III) and the recent resolution adopted by the Inter-governmental Group for the Transfer of Technology (IGTT) are of great importance for the region, especially in connexion with the setting up of national institutions responsible for the control and negotiation of contracts on the transfer of technology, patents and trademarks, and also technical know-how and other related matters. Emphasis should be placed on the need to intensify the joint effort to adapt foreign technology and establish conditions for the countries to devise their own technological solutions.

G. THE FORTHCOMING MULTILATERAL TRADE NEGOTIATIONS

69. Within the context of world economic relations a phenomenon deserving of special attention is the breakdown of the international monetary system, which has resulted in successive and increasingly frequent crisis acting to the

detriment of the developing countries, which are in no way responsible for them, and in a trend towards the expansion of preferential trade among the developed market economy countries, which discriminate against Latin America's exports. With regard to the negotiations for the reform of the world economic system, there is a danger that the voice of the developing countries may once again be ignored, if these negotiations take place mainly among countries or groups of countries which have obtained a significant degree of economic power, to say nothing of the role played by the interests of the great transnational enterprises. The multilateral trade negotiations have so far been characterized by agreements concluded basically between industrialized countries. It is worth recalling in this connexion some concepts of the Smithsonian Agreement and of the joint statements issued by the European Economic Community, Japan and the United States, which form the basis for the developed countries' position in the preparatory stage of the negotiations. The developed countries tend to centre their attention on some traditional objectives, while the developing countries in general and the Latin American countries in particular demand the definition of specific objectives which will take due account of the solution of their trade problems.

70. In UNCTAD resolution 82 (III) the developing countries established a number of basic principles regarding their participation in the negotiations. The objectives of the negotiations have not yet been clearly determined by GATT, although the summary of the President of the Contracting Parties of GATT at its twenty-eighth session recognizes that the Parties should ensure additional advantages for the developing countries.

71. Even if, with the active participation of the developing countries, positive results were to be obtained in the multilateral trade negotiations, these results would not begin to take effect until after the negotiations are concluded, i.e., towards the middle of the 1970's. This delay will frustrate the attainment of the goals established in the Strategy, unless some advance results can be obtained in connexion with certain specific questions such as world commodity agreements and the development and expansion of the schemes of general preferences.

72. Stress must be placed on the importance of the work which the ECLA secretariat is carrying out under a UNDP-financed joint programme with UNCTAD to assist the Latin American countries in the preparatory stage of the negotiations. Government experts are participating in this programme, and other competent international and Latin America agencies (GATT, FAO, LAFTA, SIECA, and the Andean Group) are lending their co-operation.

H. INTERNATIONAL MONETARY PROBLEMS

73. A matter worthy of special attention is the international monetary crisis and the impact of the recent devaluation of the dollar and the realignment of parities or floating of the currencies of the main developed market economies on the developing countries, especially as regards the value of the latter's reserves, the prices of export products, and the terms of trade. Hitherto, the measures and solutions adopted have been exclusively directed towards the interests of the developed countries, which have resorted to the threat of trade reprisals to induce changes in exchange rates. In this respect the latest devaluation made by the United States has shown up once again the unavoidable linkage between international monetary and trade matters. If a satisfactory solution to the international monetary problems is not reached soon, there will be a risk of aggravating and consolidating protectionist tendencies in the developed market-economy countries, which would inevitably have unfavourable repercussions on the developing countries.

74. As regards the restructuring of the international monetary system, any new system planned should promote an adequate growth of international liquidity, in order to help rectify balance-of-payments disequilibria and meet the needs of countries engaged in a process of economic development.

75. In connexion with the first revision of the monetary system as a whole, which has been the concern of the Committee of 20, emphasis must be placed on the role which internationally established and regulated Special Drawing Rights should play in the creation of future liquidity and on their present unsatisfactory form of distribution. Some problems connected with the process of transition to the new monetary system are also worthy of mention, especially in connexion with the handling of the dollar surpluses accumulated outside the United States.

76. As regards the position of the developing countries in the discussions taking place on monetary matters, and the meeting of the Committee of 20 (Washington, March 1973), all the problems connected with the reform of the international monetary system are of concern to the developing countries. Special concern is warranted, inter alia, regarding the following:

(i) Recognition of the specific structural problems of the developing countries and the need for a sufficiently flexible system to cope with their different situations and structures;

(ii) Revision of the form of operation of the International Monetary Fund, especially with a view to providing longer periods for the payment of current and stand-by credits, modification of the compensatory financing system, and greater flexibility and liberality in granting financing for commodity buffer stocks;

(iii) Revision of the quota structure to secure greater relative participation by the developing countries; and

(iv) Establishment of the link between new allocations of SDR's and additional financing for development.

I. REGIONAL INTEGRATION AND CO-OPERATION AMONG DEVELOPING COUNTRIES

77. The analysis of the development process in Latin America and of its burning problems and needs, as well as the serious prospects which loom ahead for the region's external economic relations, bring out the urgent need to strengthen the concerted action of the countries in the region so that, on the basis of their joint action, the necessary conditions may be created in order to overcome the obstacles hampering economic and social progress. This joint effort should be reflected, inter alia, in the following areas:

(a) Regional integration

78. Although the integration processes under way in the region have continued to develop in line with their own models and guidelines, it is imperative at this stage to return to the idea of building up a united and integrated Latin America. The urgent need for measures to deal with the problems referred to above makes it necessary to give the integration process renewed impetus and to seek, in the consolidation of efforts and space, a basis for the organization of an accelerated and independent form of integrated regional development which at the same time will enable Latin America to have an appropriate share in the life of the international community.

79. In order to achieve these objectives the existing integration systems must be strengthened: a task in which international co-operation has an important role to play, as specified in the IDS. Another necessary step is to consider devising new instruments for facilitating reciprocal co-operation between these systems, particularly as regards industrial and agricultural development, the treatment of private foreign investment and the transfer of technology. Similarly, a search must be made for ways and means of organizing a system of integration that will cover the whole region, guided by principles such as independent, harmonious and balanced development, based on social justice and solidarity.

80. Without prejudice to assistance given to the various integration mechanisms in this search for concepts and formulas, ECLA should play an important part in advising the Latin American Governments, as it did in the 1950's.

81. Stress is laid on the hope that the integration systems in Latin America will devote particular attention to social aspects of development, especially education and health.

(b) Co-operation among developing countries

82. It is indispensable that there should be more co-operation among the developing countries, and particularly those of Latin America, in order to protect their permanent sovereignty over their natural resources, to defend the prices of their commodity exports, to improve conditions of access, and to stabilize commodity markets.

83. In view of the limited and disappointing results of the IDS and, in particular, of the fact that the negotiations and confrontations of the developing countries with the developed world have not yielded very significant results, what is achieved through the implementation of programmes of mutual co-operation at the bilateral, inter-regional and global levels is of extreme importance. Attention is also drawn to the importance of the agreements reached at the meeting at the ministerial level of the Group of 77 held in Lima in November 1971 and of the Georgetown Conference of Foreign Ministers of the Non-Aligned Countries in August 1972. Those meetings adopted action programmes which contained concrete measures for reciprocal co-operation among the developing countries.

84. Great importance is attached to support for the various agencies concerned with co-operation among developing countries, which have made considerable progress in the defence of the interests of raw materials producing and exporting countries, such as (i) the Intergovernmental Council of Copper Exporting Countries (CIPEC), (ii) the Organization of Petroleum Exporting Countries (OPEC), (iii) the Alliance of Cocoa Producing Countries, (iv) the Group of Coffee Producing Countries, and (v) the informal Group of Iron Ore Producing Countries, as well as to other measures for achieving these aims.

85. Importance is also attached to the use of the machinery afforded by the Protocol relating to trade negotiations among developing countries, which is open to them all whether or not they are members of GATT, but which is not open to the developed countries.

**J. FURTHER IMPROVEMENT AND PRACTICAL INSTRUMENTATION
OF THE INTERNATIONAL DEVELOPMENT STRATEGY**

86. The first regional appraisal of the IDS establishes, in general terms, that although the developing countries have adopted internal policies and made

efforts to attain the goals and objectives stipulated therein, the necessary co-operation has not been forthcoming from the developed countries to complement those efforts, particularly with regard to the policy measures in the field of international trade, financial assistance for development and the transfer of technology.

87. According to paragraph 79 of the Strategy, "appropriate arrangements are necessary to keep under systematic scrutiny the progress towards achieving the goals and objectives of the Decade -to identify shortfalls in their achievement and the factors which account for them and to recommend positive measures, including new goals and policies as needed". It is therefore necessary:

(i) That the Latin American countries should redouble their efforts at each stage of the process of review and appraisal of the IDS, at the regional, sectoral and global level, to improve the provisions of the Strategy and secure their full implementation by the developed countries;

(ii) That during the process of appraisal, the formulation of policy measures should be re-examined with a view to defining them more clearly and also to specifying how they should be instrumented, taking into account the conditions and prerequisites which would make them practicable and deciding the time-limits for their implementation;

(iii) That, with the object of establishing a more binding international commitment in relation to policy measures, work should begin immediately (in accordance with paragraph 20 of resolution 3041 (XXVII) adopted without objection by the General Assembly, with the abstention of Belgium, Portugal, South Africa, the United Kingdom and the United States) on the selection of areas in which action should be initiated for the negotiation and adoption of multilateral legal instruments; some of these areas are mentioned in paragraph 15 of that resolution.

88. In its activities in the immediate future, it is important that ECLA should bear in mind the various aspects considered in the present appraisal of economic and social development problems in the region, with a view to the fulfilment of the targets and objectives of the IDS and with the aim of developing programmes of future work, it being especially necessary for it to bring its technical and socio-economic approach into line with the spirit and content of the agreements reached at the fifteenth session of the Commission.

89. The studies undertaken by the secretariat, in addition to analysing the current economic and social situation and its origins and history, should also examine the prospects over the medium and long term. In this connexion, it is recommended that the secretariat should attach importance to the Study of

projections which indicate the possible future trend of the major economic and social variables, in accordance with the assumptions adopted and the alternatives proposed.

90. ECLA and the other regional economic commissions of the United Nations should give their attention to the promotion of domestic efforts and mutual co-operation and should collaborate among themselves at the inter-regional level to that end.

91. It is necessary to intensify efforts to secure the adoption of the Charter of Economic Rights and Duties of States, the draft of which is being considered by a United Nations working group. The Charter should not only be a restatement of the general and specific principles for which the developing world has fought in international forums, but should constitute a dynamic set of rules governing international co-operation, reflecting a new and rigorous approach which will give impetus and reality to the new possibilities offered by the world situation and which will protect the legitimate interest of all countries, particularly the rights of the developing countries.

Annex

STATEMENTS, RESERVATIONS, ABSTENTIONS AND OPPOSITION BY CERTAIN COUNTRIES

CANADA

A. General observations

Canada, although not a member of the Committee of High-Level Experts which produced document E/CN.12/962, voted in favour of resolution 310 (XIV) which recommended its creation. The Canadian delegation therefore understands the views of the regional members of the Commission who would like to see many of their special views expressed in document E/CN.12/962 also contained in the final Commission document. During the past week our delegation has listened carefully to the various alternative paragraph wordings suggested by various delegations in their attempts to have the document drafted by the Meeting at the Technical Level represent a Commission view, and we have hoped that such a view would be forthcoming, for despite our understanding of the wishes of the regional members, it is nevertheless the view of the Canadian delegation that the Commission document must represent a consensus of views if it is to have the value the Committee would wish it to have.

Many of the paragraphs contained in document E/CN.12/962 expressing exclusively regional views have now been modified to the extent that the Canadian delegation has no difficulty in accepting them. Some paragraphs seem to us to continue to be subject to broad interpretation. These paragraphs we accept on the understanding that those which are ambiguous and are open to broad interpretations, will be so interpreted by us. There remain, however, several paragraphs which express views which are not subject to broad interpretations and upon which the Canadian Government has either already stated a different position in other forums or has not yet fully defined its position.

B. Observations on individual paragraphs

Paragraph 32

The Canadian Government believes that commodity pricing policy is the joint responsibility of exporting and importing countries and should reflect a consensus negotiated among the major commodity exporting and importing countries concerned. It suggests that the last sentence of this paragraph should be deleted.

Paragraph 53

While the Canadian Government recognizes the growing requirements of developing countries for development assistance and in fact is annually increasing its programme by as much as 15 per cent, the wording of this paragraph implies a requirement without upper limit.

It would prefer to words "may require unrestricted financial and technical assistance" to be replaced with the words "may require special consideration with respect to financial and technical assistance".

Paragraph 56

The Canadian Government has supported the target of 1 per cent of GNP for the total flow of official and unofficial resources to developing countries and is committed to its achievement. The Canadian Government has also supported the proposal that official flows should amount to 0.7 per cent of the GNP. The Canadian delegation is not, however, able to accept the very much more radical proposal outlined in this paragraph, and suggests that the last sentence of paragraph 56 be deleted.

Paragraph 62

The Canadian Government has stated officially that it does not believe that additional funds are available to finance an SF scheme. It does not believe that resources should be diverted from basic development finance for this purpose. The Canadian delegation is consequently unable to support any proposal for the establishment of an SF scheme at the present time, and would prefer this paragraph to be deleted.

Paragraph 63

The establishment of a link between the allocation of SDR's and the provision of additional financial assistance to the developing countries is currently under consideration within the Canadian Government. The Canadian delegation must therefore reserve its position on this item at this time.

Paragraph 65

The Canadian Government has stated that it is not able to accept the automatic refinancing of external debt servicing. It suggests the deletion of the last sentence of this paragraph.

Paragraph 73

The Canadian Government is sympathetic to the difficulties that the international currency crisis have sometimes created for developing countries. Furthermore, it has always regarded the stability of international currencies to be as much in the interest of the developing as of the developed countries and has conducted itself accordingly.

The Canadian Government has never resorted to threats of trade reprisals to induce changes in exchange rates. In its view the second sentence of the paragraph should read as follows: "Measures and solutions adopted to stabilize international currencies have created real hardships for the developing countries".

UNITED STATES

A. General comments

The United States delegation wishes to state that its Government regrets that resolution 310 has been accepted at the fourteenth session of the Commission over the objections of the delegation. The result of this resolution is that we are now faced with the report of the First Meeting of the Committee of High-Level Experts (E/CN.12/962), in which the United States did not participate, and this is *our first opportunity to review it. It is much more difficult to obtain consensus on a document that has already been published than on one in which the United States has participated in drafting.*

The United States delegation came to the present meeting prepared to debate the *extensive review and appraisal document prepared by the ECLA secretariat.* It has now been told that instead the report of the Committee of Experts will be reviewed. It believes this report may well be a useful statement of one point of view. However, there are many possible viewpoints and it reserves the right to make comments upon the basic secretariat study.

The United States delegation believes that ECLA should be seeking areas of convergence in the interests of member countries and shorth not stress areas where there is disagreement or a conflict of interests. It should place emphasis rather on aspects where countries can join forces and reinforce each other.

The United States delegation wishes to point out that it is prepared to *participate in the debates on the report of the Meeting of High-Level Experts,* but that participation in the debate does not necessarily commit it to accept the report or any modifications in it in any way.

Commenting generally on the report of the Committee of Experts, the United States delegation believes the report would be more balanced if it referred specifically to some of the positive economic developments during 1972. These include such items as sharply increased exports and foreign exchange reserves, and higher levels of economic growth in the region.

The report would also be improved if it pointed out that resources could be transferred by private as well as public channels. The United States delegation

believes that most resources will be transferred by private channels, and that, should countries decide not to avail themselves of private sector resources, this will be reflected in lower rates of economic growth. As the Strategy for the Second United Nations Development Decade recommends that increased levels of economic growth should be achieved, countries not wishing to use private sector resources in their development would appear not to be following the strategy recommended for the Second Development Decade.

The United States supports the concept of permanent sovereignty over natural resources as set forth in General Assembly resolution 1803, which recognizes that sovereignty over natural resources is to be exercised in accordance with international law. That resolution expressly provides that foreign investment agreements should be observed in good faith and that appropriate compensation should be provided in cases of nationalization "in accordance with the rules in force in the state taking such measures in the exercise of its sovereignty and in accordance with international law", including acceptance of arbitration or international adjudication.

This question of permanent sovereignty over natural resources is currently under discussion in the United Nations, specifically in the Committee on Natural Resources and in the Committee on the Seabed, and we believe that these are appropriate forums for the discussion of the complex issues involved.

B. Observations on individual paragraphs

Paragraph 2

The United States delegation recommends that the first sentence should be revised to read as follows:

"Development cannot be achieved through partial or scattered sectors of the economy or the social system, but only through concerted attacks on complex and interrelated problems involving large portions of the economy".

Paragraph 3

In connexion with this paragraph, the United States delegation wishes to state that quantitative targets should not be considered the be-all and end-all of development; they are partial indicators and should not be taken as the sole indicators of progress. Targets are not a sufficient specification of all that is needed to set an implement national goals and policies.

Paragraph 4

The United States delegation agrees that traditional structures can, in some instances, hinder social progress and economic development. It has not been established, however, that all traditional structures necessarily impede economic and social development. On the contrary, in many cases the existing traditional

structures often make valuable contributions to development, or, if not, can be modified so as to accomplish this end. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 7

The United States delegation does not agree that countries undertaking radical changes should, by virtue of that fact alone, receive unrestricted international co-operation. It is the responsibility of international institutions and donor countries extending assistance to exercise judgement with respect to a number of considerations, among which must be an assessment of effectiveness in the utilization of such assistance by the recipient country. Accordingly it abstains with respect to this paragraph.

Paragraph 10

The United States delegation suggests the following wording:

"Reference is made to the substantial internal efforts undertaken by several of the developing countries which are members of the Commission. Some of these countries feel that their efforts have not been accompanied by adequate international co-operation, nor by acceptable terms as regards the prices of raw materials and the cost of external financing. A significant part of the factors determining their welfare is thus subject to circumstances beyond their control. At the same time, growing external indebtedness has raised some countries' debt servicing commitments to a large share of their total income from exports of goods and services. On the other hand, developed countries also face many world market changes which are beyond their control or which force trade and exchange adjustments. Also, the growing debt burden is a concomitant of continuing external financing. Under present circumstances more aid means more debt. Larger net transfers would increase debt still more rapidly. A surer remedy for the debt burden is export growth".

Paragraph 19

The United States delegation suggests that the end of this paragraph should be reworded as follows:

"... in the countries with socialist economies. Bringing marginal groups into participation in all forms of the development process would seem to be the best way of achieving improved income distribution, development on a sounder basis, and a juster society".

Paragraph 27

The United States delegation suggests the following addition to this paragraph:

"..., as well as continued limited internal efforts, lack of known effective and feasible solutions, and the many obstacles posed by the limited stages of development".

Paragraph 28

The United States delegation suggests that this paragraph be eliminated, since it considers that the results to which it refers cannot be described as disappointing in the light of the economic indicators for the region in 1972, especially the growth of exports and of the product.

Paragraph 29

Paragraph 29 interprets paragraph 21 of the IDS as a commitment to take "concrete action" by 31 December 1972 on the products listed in UNCTAD resolution 16 (II). The language of the UNCTAD resolution does not give grounds for such an interpretation, however.

In accepting the IDS, the United States declared "The United States can accept paragraph 21 since it appears to be recognized that the carrying out of studies and perhaps inter-governmental consultations may be all that is practicable by the date cited and that there will be no need for further international action in some cases". The United States delegation therefore abstains with respect to this paragraph.

Paragraph 30

The reference in paragraph 21 and 22 of the IDS to negotiating new commodity agreements or renewing existing agreements has a "where appropriate" qualification which is disregarded in this paragraph. In addition, this paragraph takes no account of the fact that agreements must serve the interest of all participants. Recent developments in connexion with the wheat and coffee agreements are due to the inability to reconcile conflicting interests. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 31

The United States delegation withdraws its earlier reservation on this paragraph. It would like to note in passing, however, that it is not possible for the developing countries to have increased external financing without increased external debt, as the last sentence in this paragraph would appear to infer. Each country, in the prudent management of its internal and external finances, must decide the level of external financing to which it can reasonably commit itself.

Paragraph 32

In accepting the IDS, the United States noted that the recommendation in paragraph 24 of the IDS on the need to agree on a set of general principles on pricing policy had in its judgement already been met in TDB resolution 73 (X)

on market access and pricing policy. The developing countries' proposals on pricing policy at the third session of UNCTAD contained many elements already considered and rejected by the developed countries in the negotiation of resolution 73 (X), as well as a few new and controversial elements whose general unacceptability was well known. The basic differences on this subject have been well known for some time. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 33

The United States delegation finds the first sentence of this paragraph unclear. The statement that "The standstill recommendation (IDS paragraph 25) has not been complied with" is not supported by any evidence of trade damage to less developed countries as a result of new or increased restrictions and would appear to be contradicted by the sharp rise in Latin American exports in 1972. The United States moreover entered the following reservation on paragraph 25 of the IDS: "The United States regards paragraph 25 as subject to the same qualifications as earlier comparable undertakings accepted by the United States in the GATT, in UNCTAD Resolution A.II.1 and in IA-ECOSOC. In these, it is explicitly recognized that there may be exceptional circumstances which make it impossible to give effect to the recommendations".

The qualification in GATT occurs in Article XXXVII, paragraph 1 and reads: "Except when compelling reasons, which may include legal reasons, make it impossible".

The United States delegation therefore abstain with respect to the first two sentences of paragraph 33.

Paragraph 35

The United States delegation has the following comments to make on this paragraph. Progress in respect of work programmes to increase the competitiveness of natural products depends, in the first instance, on the existence of specific proposals. A concrete proposal regarding jute research was circulated by UNDP late in 1972, and another is now being finalized regarding cotton. The United States has played a constructive role in promoting both of these projects and will continue to do so.

Paragraph 37

The United States delegation expresses its reservations on this paragraph, since it considers that the text appears to indicate that the developing countries cannot expect to receive any benefits from the multilateral negotiations, whereas in the opinion of the United States delegation all countries will benefit.

Paragraph 40

The United States delegation expresses its disagreement with what it considers to be a negative approach in this paragraph to the real economic situation in Latin America, which does not seem justified in the light of the information contained in the economic studies on the region.

Paragraph 45

The United States delegation proposes the following wording for this paragraph:

"The United States is Latin America's biggest trading partner, although in recent years other countries have been increasing their share of this trade. The pattern of United States-Latin American trade has been that of imbalance, with United States exports to Latin America exceeding its imports from that area. With a few exceptions, exports to the United States expanded more slowly -in percentage terms from a large base- than other sectors of Latin America's foreign trade between 1961-1965 and 1966-1970. During 1972, however, Latin American exports to the United States increased by nearly 18 per cent to 6 200 million dollars, well above the 13.9 per cent increase in Latin American exports to all areas. Moreover, the percentage of United States imports of manufactured goods from Latin America more than doubled from an average 4.1 per cent of total Latin American exports during 1961-1965 to 8.6 per cent in 1970. These trends should be maintained and improved.

The maintenance or increase of barriers to this trade is inconsistent with the objective of increased access to the United States market for products from Latin America. It is to be hoped that such helpful steps as the removal in 1972 of quotas on fresh meat exports, and the progressive relaxation of restrictions on petroleum imports will be followed by further liberalization of trade in other areas.

Although protectionist trends continue to be a force, the United States Government's stated purpose of seeking increasing liberalization of world trade is a positive element in the total picture. The legislation which the United States Executive is now preparing for submission to Congress, which contains requests for far-reaching trade authority, will be the key to United States trade policy for some time to come".

Paragraph 46

The United States delegation proposes the following wording for this paragraph:

"The Special Committee for Consultation and Negotiations (CECON) of the Inter-American Economic and Social Council (IA-ECOSOC) has not made any significant progress towards liberalizing access to the United States market for Latin American products. It has, however, served as a forum for consultation and negotiation for Latin America and the United States, not

only on trade and export promotion problems, but on maritime transport issues. The recent IA-ECOSOC meeting at Bogotá renewed the CECON mandate. Although many of the specific objectives of the Latin American Consensus of Viña del Mar have been achieved, for example, elimination of the policy of tied aid, much yet remains to be accomplished”.

Paragraph 49

The United States delegation suggests that the word “differences” in the first line of the paragraph should be replaced with the word “improvement”.

Paragraph 53

The United States delegation abstain with respect to this paragraph for the reasons given in its comments on paragraph 7.

Paragraph 54

The United States delegation reserves its position on this paragraph, and suggests that the beginning of the paragraph should be reworded as follows:

“It is recognized that in the initial years of the Second Development Decade the trend has been very unsatisfactory as regards achieving the 1 per cent and 0.7 per cent targets set for around 1975. Towards the 1 per cent target, total official private and public flows were equivalent to 0.83 per cent of gross national product in 1971, while towards the 0.7 target the current trend and future prospects...”

Paragraph 55

The United States delegation abstains with respect to this paragraph.

First, the trend of official assistance is not unfavourable from the point of view of new commitments, which is the point at which allocation decisions are made. Total official commitments increased by almost 600 million dollars in 1972 to a historic peak of 2 900 million dollars. Total United States official assistance of all kinds has never been higher, while commitments by multilateral organizations have grown substantially since 1969, with the IBRD reaching 997 million dollars in fiscal year 1972 and the IDB 800 million dollars in calendar 1972.

Secondly, the delegation disagrees with the implication that the debt problem in Latin America is largely attributable to the low level of official assistance to the area and to the hard terms of the credits, especially from private sources, to which it has had recourse. This view fails to mention the fact that as the most developed of the developing regions Latin America has reached the point where it has the credit-worthiness to use credit available on less concessional terms. It has always been an aim of development financing to help countries reach the stage where they do not need loans on concessional terms. It is implied that

because debt service ratios are high and growing, the problem is necessarily serious. However, some of the countries with the highest ratios have not faced and are not now facing balance-of-payments difficulties despite large-scale use of both foreign private investment and non-concessional loans.

Paragraph 56

The United States delegation abstains with respect to this paragraph. Its Government's position has been defined by President Nixon in public statements. "Latin America needs external capital, because internal savings are simply insufficient for development needs. While every country has the right to determine its own conditions for private investment, a Government that rejects or discourages private capital cannot realistically assume that foreign public capital will make up the difference".

Concerning the last sentence of this paragraph, the United States, most other donors and the DAC Secretariat have consistently registered their opposition to the proposed redefinition of the 1 per cent target in many forums.

Paragraph 58

With respect to the first two sentences of this paragraph, the United States delegation states the following. The United States Government has in the last few years channeled an increasing proportion of its multilateral assistance through multilateral channels, and is a firm believer in the strengthening of appropriate multilateral mechanisms for economic development. It believes, however, that economic assistance, whether it be provided through bilateral or multilateral channels, is a matter for consideration between the donor State and the recipient, regardless of whether the recipient is an individual country or a multilateral organization of some sort. United States actions in the assistance field are based on economic criteria, but because there is a continuing difference of view over this subject the United States delegation feels it must abstain with respect to this paragraph.

Paragraph 59

In connexion with this paragraph, the United States delegation states the following. On 31 October 1969, President Nixon announced that henceforth AID loans to Latin America would be untied for procurement of goods and services in other independent Latin American countries. On 15 September 1970, the President directed that procurement under all AID development loans be permitted in all other eligible developing countries.

Paragraph 61

The United States delegation reserves its position on this paragraph as it considers that it should state specifically that the proposed appraisal should be

the responsibility of ECLA. If this point is clarified in the text, it would be prepared to withdraw its reservation in this respect.

Paragraph 62

The United States delegation states the following in connexion with this paragraph:

(a) UNCTAD has consistently agreed with the principle that supplementary financing (SF) measures should be dealt with separately only if additional funds were provided for the purpose. An ambitious Fourth Replenishment for IDA has been proposed. Additional funds do not appear to be available to finance an SF scheme. We do not believe resources intended for basic development finance should be diverted for this purpose. Thus, the United States delegation cannot support any recommendation for the provision of additional resources for an SF scheme or for a request to the World Bank that it should undertake to set up any such a scheme separate from existing IBRD/IDA arrangements.

(b) The SF issue has been discussed and studied by the World Bank over the past six years, including as recently as the spring of 1971. The Bank has agreed to keep the matter under review. Further initiatives on this issue should emanate from the Bank.

(c) The United States attaches importance to the underlying problem of unexpected shortfalls in export earnings. We have supported the compensatory financing facilities adopted by the International Monetary Fund to help meet this problem. Through our bilateral aid programmes as well as projects sponsored by the international financial institutions, we have supported efforts to expand the exports of the developing countries. The World Bank has indicated that it could render assistance where a country is in difficulty because of unexpected shortfalls in export earnings without any change in its existing policies.

Paragraph 63

The United States delegation shares the concern expressed in this paragraph concerning the creation of additional liquidity through SDRs and the establishment of some form of SDR/aid link. These are matters that are being discussed in the Committee of Twenty, which includes three representatives of Latin America. The United States Government, however, has not yet reached a final position on these issues which are being negotiated in other forums, and must therefore abstain with respect to this paragraph.

Paragraph 65 and 66

The United States delegation cannot agree with the concepts underlying the proposals in these paragraphs, and consequently must register a negative vote with respect to them.

The United States could not accept any formula which would place it at a disadvantage in relationship to other creditor countries. On the other hand, the United States Government has not refused to enter into debt-rescheduling talks with any country requesting them.

It would appear that the original paragraph referring to a recommendation in the Rockefeller Mission Report is based on a misunderstanding. The Report recommended only that the United States Government "recognize the multiple advantage of a generous rescheduling of debt-service requirements for countries facing balance-of-payments problems".*

Paragraph 67

With respect to sub-section (e) of section F, the United States delegation abstains because it considers a more appropriate title would be "External private investment and development".

In addition, it proposes that the following introductory sentence, taken from document E/CN.12/947, should be added in order to improve the balance of the paragraph:

"Under specific conditions, foreign investment - combined with the operations of transnational corporations - can influence economic growth, help to promote industrial development (particularly in the area of new modern branches of activity) and facilitate the introduction of advanced techniques and the expansion of the infrastructure. Together with this favourable contribution, however, it can also raise a variety of new economic development problems connected, in particular, with the balance of payments, the kind of technological development it promotes, and the freedom of action of the national economies".

Paragraph 69-76

The United States delegation believes that these paragraphs are not directly related to the review and appraisal of the Latin American region during the Second Development Decade. They refer in the main to recommended future positions for Latin America in the upcoming trade and monetary negotiations. As such, they represent one point of view. The position of the United States Government on many of these matters has not yet been finally decided. When it is, it may coincide with many of the views expressed here. For the present, however, the United States can only abstain with respect to this statement of recommended future Latin American positions.

* Quality of Life in the Americas, p. 78.

Paragraphs 77-85

Although it considers the issues dealt with in these paragraphs to be important and positive, the United States delegation does not think it appropriate to associate itself with the consideration of them as, in its view, they are basically matters that affect the Latin American countries and groups of which the United States is not a member.

Paragraph 86

The United States delegation abstains with respect to this paragraph as it does not believe it is accurate to place the responsibility for the developments during 1971 and 1972 solely on the external sector. In its view, there were pluses and minuses in both the internal and external sectors of all the countries, and it believes the data demonstrate that the pluses, on both the internal and external sectors, clearly outweighed the minuses.

Paragraph 87

The United States delegation abstains with respect to the programme of work recommended in this paragraph. It does not believe such exhortations belong in a document relating to review and appraisal. In addition, it has serious doubts as to their effectiveness in achieving whatever goals the meeting has in mind.

Paragraph 91

The United States delegation abstains on this paragraph. The opinion and observations of the United States Government on this subject have been recorded in many forums, including the third session of UNCTAD. This subject is now under discussion in a United Nations working group in which the United States is participating, and we do not wish to prejudge either the contents or the form of the draft which will emerge from that discussion for the consideration of Governments.

FRANCE

I. Speaking on behalf of the member countries of the EEC, the representative of France made the following statement:

A. General observations

The general principles contained in document E/CN.12/962 are those recognized by the developing countries of Latin America, and the countries of the European Economic Community represented at this meeting, whether as members of ECLA or as observers, have taken note of them with considerable interest and understanding.

However, as member countries of the EEC, we should like to express a number of reservations, particularly as regards section E of this document. As we do not wish to hold up discussion on each individual paragraph, we thought it better to express our position at the present stage of the debate.

Our reservations could take the form of an additional paragraph reflecting our point of view.

The evolution of trade flows since 1958 shows that the fears expressed by the Latin American countries regarding their exports to the Common Market were unfounded. In actual fact, Latin America's exports to the Common Market increased by 112 per cent between 1958 and 1972, that is to say, considerable faster than those of the countries and territories associated with the EEC. This is true both of tropical products and temperate-zone agricultural commodities. Moreover, the level of the external tariff and the tariff on manufactured products has been substantially reduced, so that the Common Market can in no way be regarded as a protectionist bloc.

Because of the level of Latin American imports from the Common Market, the trade balance has consistently shown a surplus of several hundred million dollars in favour of Latin America.

Furthermore, it should not be forgotten that the member countries of the EEC have introduced a generalized scheme of preferences which is already benefitting certain Latin American countries and may well be improved in the future.

I should also like to assure you that the common agricultural policy of the Common Market, which has not so far prejudiced the interests of Latin American countries, will remain unchanged in this respect. It represents a pragmatic policy that takes into account the evolution of domestic demand and the situation of world markets.

Moreover, it seems rather unjust to accuse the EEC of pursuing a discriminatory policy in its economic co-operation, since economic co-operation between the EEC and Latin America has so far been very close, in terms not only of trade but of technical and financial assistance and private investment as well.

As to the enlargement of the Community, we are hopeful that, by making possible more rapid economic development of the member countries of the EEC, the entry of Great Britain, Denmark and Ireland will increase the overall potential for trade and co-operation between the Community and Latin America. It should at all events be borne in mind that we are currently working with the

member States of GATT, and with the Latin American countries in particular, on the review procedure scheduled under article XXIV of the General Agreement and that those countries will, in the course of the discussions, be able to assert the rights to which they lay claim.

B. Observations on individual paragraphs

Paragraphs 28-51

In the light of a number of general considerations, the member countries of the EEC would like to introduce an additional paragraph along the following lines:

"The member countries of the European Economic Community wish to express their reservations regarding some of the conclusions contained in paragraphs 28 to 51 regarding the relations between the EEC and Latin America".

II. Speaking on behalf of his Government, the representative of France expressed his general reservation regarding sections F, G, H and J of the document

UNITED KINGDOM

General observations

The representative of the United Kingdom said that his delegation had read document E/CN.12/947 with considerable interest. In its view, it represented a major effort by the secretariat and an essential contribution to the whole review and appraisal exercise. His delegation, in plenary session, had already congratulated the secretariat on the very high standard of its work in the document and would like to add its particular appreciation of the studied emphasis placed in it on the social aspects of the development process.

His delegation has considered all along that the appraisal process was entirely the concern of the regional members of the Commission. The fact that the United Kingdom had not taken part in the work of the Committee of High Level Experts in Santiago prior to the session indicated that that was also the view of the regional members. His delegation had therefore not felt it proper to try to alter the views of the regional members as unanimously expressed in the report of the Committee of High Level Experts.

His delegation was sure that, in the light of the foregoing, it would be understood that it did not necessarily concur with all the views expressed in that report. The European Economic Community had already expressed its view on section E of the report and his delegation would also like to record that there were elements in sections F, G, H and J on which it also maintained certain reservations.

