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on Thursday, 4 May 1967, at 3.50 p.m.

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The position of the Latin American economy (continued)

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Rapporteur: Mr. MENDEZ (Colombia)

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THE POSITION OF THE LATIN AMERICAN ECONOMY (continued)

Mr. ELGUETA (Chile) congratulated Mr. Quintana on his recent appointment and expressed Chile's gratitude to Mr. Mayobre for his selfless devotion to ECLA. Chile shared President Leoni's views on sub-regional agreements and considered the fact that at Punta del Este it had been agreed to establish sub-regional markets to be an event of vital importance. His Government felt that the best way to advance towards integration was to conclude sub-regional agreements linked with the overall integration process, as an intermediate measure for restoring regional balance by expanding the markets of countries with the smallest populations. A previous example was the establishment of Benelux as an initial step towards the European Common Market.

The obstacles that would have to be overcome included the uneven development of the associated countries, which aroused fears among the less developed nations and hampered the conclusion of agreements on preferences in trade in manufactures between countries at different stages of development. A large-scale internal effort was required to overcome those difficulties. Chile had carried out important social projects, especially in education, public health, low-cost housing, land reform and income redistribution. Those achievements had caused the growth rate of the product to climb from 3.6 per cent in 1964 to 7 per cent in 1965, and the value of exports by 40 per cent, while the pace of inflation had fallen off simultaneously. In order to consolidate those achievements, however, it was imperative to launch a vigorous industrial process and enhance the value of its raw materials, which necessitated the expansion of markets and more favourable conditions for Chile's international trade.

One source of concern for the region was the outflow of resources in the form of profits and interest on foreign capital, which amounted to nearly 20 per cent of the total value of exports from the region. That problem - with the additional drain caused by the deterioration in the terms of trade - was aggravated by the absorption of capital through investment associations based in the wealthier countries, a fact which justified the widespread idea that Latin America was actually being exploited rather than helped.

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Latin America should therefore take a united stand and prepare one line of action for New Delhi. Chile shared the discouragement expressed by other speakers and Mr. Prebisch's theory that general instead of vertical agreements should be sought. If that failed, however, Latin America would have to be prepared to accept unilateral preferences.

The establishment of the common market would bring a greater flow of investment from suppliers anxious not to lose a market and, unless Latin America adopted a common policy it would run the risk, on the one hand, of seeing investment concentrated in countries offering the most favourable tax or financial terms - with the consequent distortions - and, on the other hand, of seeing the Latin American entrepreneurs shunning the industrial development process, which would mean that economic development would benefit foreign investors rather than Latin America itself.

Mr. WRIGHT (Jamaica) said that the documents prepared by the secretariat showed that future prospects for the Latin American region were by no means bright: the outlook for exports was poor, population pressure was hindering economic growth, new capital formation was difficult and the debt service burden restricted essential capital imports. Each country had, of course, to generate its own development, but the developed countries had a vital role to play and there was little indication of willingness on their part to help in solving the poorer countries' economic problems.

His country, like others in the Caribbean, believed that much of its future progress would depend on the degree to which its problems were tackled in co-operation with the countries of Latin America. There were many fields in which a basis for co-operation existed and there was a general desire among the Commonwealth countries of the Caribbean to play their part in the work of ECLA and to take full advantage of its technical assistance and advisory services. The establishment of the ECLA Office for the Caribbean would ensure that greater attention was focused on the special problems and interests of the Caribbean countries and it was to be hoped that the further step of giving English-speaking members of the Commission proportional representation in all its governing bodies and committees would not be long delayed.

The Caribbean region, of course, depended much more than most Latin American countries on trade for its existence and development, and for that reason highly valued its existing trade relationships and arrangements. It was however, more than willing to increase its import and export trade with the rest of the region and he would welcome every effort by neighbouring countries to import more from Jamaica.

Mr. BARRAL (United States of America) said that perhaps the most important achievement of the Punta del Este meeting was the political commitment of the participant Governments to create a Latin American common market and the pledge made by the President of the United States to seek authorization from Congress to contribute the necessary financial assistance during the transitional period. It was gratifying to note that ECLA, which had promoted the basic concept of integration, would provide assistance in working out procedures for implementing the various chapters of the Action Programme endorsed by the American Presidents.

The multi-national infrastructure projects called for in the Declaration of the Presidents could not become operational unless decisive action was taken, primarily by the Latin American countries themselves. It was they who would have to take the political decisions, create new joint institutions, train and assign personnel, etc. They would be assisted by the replenished resources of the IDB as well as the new resources to be provided directly by the United States. The aid provided by the latter would help to increase food production and accelerate educational, technological and scientific development. For those purposes, the United States would contribute a total of \$ 900 million to the IDB's Fund for Special Operations over the next three-year period and more than \$ 400 million to the Bank's ordinary capital.

In order to stimulate the expansion of international trade for the benefit of Latin America, President Johnson had announced a major departure from the traditional position of the United States in favour of unconditional most-favoured nation treatment. That did not mean that the United States would immediately extend the temporary preferences now being accorded to less developed countries; it was merely a statement of its intention to work out a joint policy with other developed countries based on a generally acceptable /scheme and

scheme and supported by the necessary legislation. It would seek consensus first in the Organization for Economic Co-operation and Development (OECD) and specifically within its Special Group on Trade with the Developing Countries. If such a consensus was reached, it would be presented to the Second UNCTAD Conference in February 1968. Meanwhile, the United States would continue to oppose discriminatory trade arrangements, which represented a serious barrier to the expansion of Latin American exports.

Enlightened self-help was essential to the attainment of national and regional development objectives in Latin America. For example, the region could as the Presidents had agreed, improve its position in international trade by adopting measures to make its exports more competitive in world markets, to improve national agencies for export expansion and to hasten the establishment of an inter-American agency for export promotion. Moreover, the question whether generalized preferences would halt the decline in the region's share of world trade should be fully discussed at the present session with a view to identifying the real impediments to the more rapid expansion of exports and to recommending corrective measures. It might be that in Latin America, small restrictive markets had discouraged businessmen from introducing new methods of production, reducing unit costs and improving the quality of products. With integration, broader markets and continued joint action under the Alliance for Progress, they would have broader scope for efforts to effect those necessary changes.

Economic growth in 1966 had not kept pace with the increase in population and the region's efforts at self-help clearly had to be intensified. In that connexion, he reviewed some of the progress made in raising agricultural output, increasing tax revenues, enforcing agrarian reform and attaching educational problems. With the agreements reached at Punta del Este, it was hoped that the Latin American countries would sharply increase their investment in education and improve the quality of their educational programmes. In particular, Latin American universities should assume a responsible role in the research, planning and execution of development.

Since 1962, the first full year of the Alliance for Progress, the United States had committed 6,500 million dollars in all forms of assistance to Latin America. Those funds were increasingly being administered on a multilateral basis through the review process. Moreover, the concept of mutual aid among the Latin American countries themselves was beginning to take hold, as shown by the steps taken by Mexico and Venezuela, among others, to extend loan and technical assistance to several other countries in the hemisphere. The use of consultative groups such as those formed by IDB, the Bank, IMF and AID to co-ordinate development aid to Peru and Colombia was another example of the multilateral trend of the administration of the Alliance.

Although there were no grounds for complacency about the economic situation of Latin America, the ECLA documents showed a number of bright spots. The region's exports had increased more rapidly in the years 1964-66 than in any other recent period; the purchasing power of exports had also risen steadily since 1958 at an average rate of 6 per cent per year. Since aggregate figures concealed excellent performance by some countries and poor performance by others, he commended the Executive Secretary's proposal for a new approach, namely, the study in depth of individual countries.

Figures provided by the United States Department of Commerce for imports from nineteen Latin American countries in 1960-66 were more favourable than those shown in ECLA documents, the increase being approximately 20 per cent. The growth rate of Latin America's imports in 1966 was faster than that of exports, thereby reversing the previous trend. Although the improved trade position had been partly offset by an increasing debt service burden, it had enabled Latin America to build up its net international reserves by 1,500 million dollars between 1962 and 1965.

Economic integration continued to open possibilities for growth and diversification of trade in Latin America. Although economic growth had come to be associated with industrial expansion, there was a growing awareness of the important role that agriculture could play by providing additional savings for industrialization. Although in the past

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agricultural output was increased mainly by bringing more land under cultivation, future action would have to concentrate on stepping up productivity per unit of land. That would require massive capital inputs, services and adequate price and other incentives.

ECLA documents showed that Latin America's food imports were increasing. As a matter of top priority, the region should therefore seek to satisfy more of its food needs from its own resources. Self-sufficiency in food production alone would mean a foreign exchange saving of over 600 million dollars a year.

He wished to express a word of caution with regard to the persistent demand for additional and more effective commodity agreements. Such agreements were not necessarily the solution to problems of over-production or orderly marketing. The United States was seriously concerned by the outlook for coffee, for example. If the Coffee Agreement failed, the outlook was dim indeed, and the United States believed that the failure of the producing countries to deal forthrightly with the problem of over-supply was a real threat to the Agreement's future. The fact that coffee surpluses were currently in excess of the export quotas assigned could have serious consequences from the standpoint of price weakness. However effective the controls might be in the short run, they would inevitably break down under the pressure of mounting surpluses. It was for the producing countries, therefore, to maintain price stability by diverting productive resources out of coffee and into crops for which there was greater demand. He hoped that all countries with surplus coffee production would support the proposed Coffee Diversification Fund. President Johnson, at Punta del Este, had pledged United States contributions to the proposed Fund provided it had the support of both exporting and importing countries parties to the Agreement. He hoped that the offer would be accepted and that the International Coffee Agreement would thus become a model of its kind.

He found it difficult to accept the statement that the effectiveness of external assistance was reduced because of the increasing burden of debt servicing. That would suggest that it would be unwise to advance additional loans to developing nations which already had a heavy debt burden. But

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external financial assistance and debt service should not be regarded merely as a financial transaction of double-entry bookkeeping. What counted was the quality of the investment made, the intelligence, skill and even motivation of those who used the capital and its eventual contribution to growth, the creation of new employment and new taxpayers. One way to make capital pay for itself was to finance self-liquidating projects or projects which increased the export potential of the developing countries. If external financial assistance did no more than fill a balance of payments gap or cover a budget deficit, it was indeed unsatisfactory.

He hoped that in the committee deliberations answers could be found to some questions related to the trade principles under discussion at the current session and in UNCTAD. Perhaps the solution would be found in ECLA's proposal to deal with "practical and sufficiently studied problems".

The Commission should not be diverted from the important questions before it by the false and inaccurate statements made by the Cuban delegate. Cuba was a dictatorship which showed no vestiges of that democracy to which the inter-American system was pledged.

He concluded with words of appreciation for the planning and organization of the conference, and said he shared Mr. Prebisch's great satisfaction at the appointment of Mr. Carlos Quintana as Executive Secretary of ECLA. He was confident that under his leadership ECLA would play its part with distinction in carrying out the mandate of the Presidents at Punta del Este.

He found particularly heartening Mr. Quintana's expressed intention to do more research in depth on the factors in each Latin American country having a bearing on general development problems; to define more precisely and adapt new ideas and plans based on that research; and to intensify the Commission's efforts to co-operate more closely with the private sector in the formulation and implementation of ECLA's future plans and ideas.

Mr. LISETTE (France) thanked the Government of Venezuela for its hospitality and said that he was pleased to work under the chairmanship of Mr. Hernández Solís. He congratulated Mr. Quintana on his appointment as Executive Secretary of ECLA. The documents submitted to the commission were certainly commendable, but he deplored the fact that some of them had not been issued in French.

/The documents

The documents showed that the economic situation in 1966 had been less favourable than in the two previous years, with the rate of increase in the gross domestic product lagging behind population growth. The reasons were the delays in implementing agrarian reform plans and the slow-down of agricultural production, insufficient exports of manufactures, inadequate external financing, the deteriorating balance-of-payments position and inflation. Since those factors did not have the same impact on all Latin American countries or all economic sectors the document on the economic situation should indicate the results obtained in each individual country in relation to medium-term objectives.

Latin America's exports to France had increased considerably more than its imports of French products. European Economic Community (EEC) imports from Latin America had also shown a favourable trend, having increased more than its imports from other developing countries.

Since 1963, the Government of France had augmented its contribution to Latin America's development efforts. In recent years, trade and financial agreements had been concluded with several of the ALALC countries - Brazil and Venezuela, for instance. France had provided financial assistance in the form of long-term loans at low interest rates, or medium- and long-term loans by the private sector, guaranteed by the French Treasury. At the same time, the pattern of France's technical co-operation had been diversified with continued emphasis on the training of cadres, with the result that 30 per cent of the foreign engineers who had received training in France had been from Latin American countries. Similarly, France had opened its doors to an increasing number of fellow shipholders, while the number of French experts working in Latin America had quadrupled between 1964 and 1966. The fact that 25 per cent of them were engaged on regional projects was a measure of the importance attached by the French Government to development at the regional level.

France had given Latin America technical assistance in the fields of public administration and planning, agricultural development, vocational and technical training, the peaceful uses of nuclear energy and space studies.

He emphasized the role of education in Latin America's development process. It would be futile to introduce reforms unless they were accompanied

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by an educational programme enabling the peoples of the region to reap the full benefit of the changes and to take their proper place in the modern economy.

The ECLA sessions provided an opportunity not merely for establishing a programme of work and priorities but also for exchanging views and devising solutions for the future that the peoples of Latin America would have to implement.

Mr. BRAITHWAITE (Trinidad and Tobago) said that his country had the same problems and hopes as its Latin American neighbours, and realized that the just demands of the peoples of the region for development and social progress could be met only by collective action. His country, however, suffered from the additional difficulty of being a small country with a limited market, so that the prospects for industrialization based on import substitution were more limited than in countries with a large domestic market. Moreover, its two major industries, petroleum and sugar, were experiencing serious difficulties and were having to reduce employment in an effort to remain competitive.

Massive investment in industry and availability of markets to absorb increased output offered the only solution. In that respect, as in all matters of world trade, his country supported the demand of the developing countries that the international community should take action to give the developing countries a fair share of expanding world trade and hoped that the second session of the Conference on Trade and Development would further that objective.

His Government intended to strive for even closer co-operation with all countries of the Latin American region. It supported the recent Declaration of Punta del Este in the belief that economic co-operation and phased integration would operate for the benefit of all. The Commission had been responsible for much of the progress already made towards regional economic co-operation and integration, and the establishment of an ECLA office in the Caribbean area would help to accelerate economic co-operation in that sub-region.

Sir UNWIN (United Kingdom) said that since the creation of the Ministry of Overseas Development the terms on which capital aid was given by the United Kingdom had softened, and action had been taken to step up technical assistance, the importance of which had been more fully realized. The measures adopted by the United Kingdom to strengthen its own economy and
/balance-of-payments position

balance-of-payments position had not seriously affected the assistance offered to Governments of developing countries. New loans were under consideration that would mostly take the form of general programme aid rather than debt refinancing operations.

In the context of the increasing co-operation between Latin America and non-members of ECLA in the Caribbean area, interest attached to the establishment of a Caribbean Development Division of the Ministry of Overseas Development with its headquarters in Barbados. One of the tripartite economic surveys undertaken by the Governments of Canada, the United Kingdom and the United States had led to a study of the possibility of a regional financing institution for the development of the Caribbean countries.

His Government also fully supported the United Nations Industrial Development Organization (UNIDO) and, in view of the potentially serious economic and social effects of high population growth rates in Latin America as elsewhere, welcomed the holding of the Conference of the International Planned Parenthood Federation at Santiago in April 1967.

Referring to Latin America's disappointing economic growth rate in 1966, he applauded the establishment of a deadline for setting up the Latin American common market, and the efforts the region was making to close the gap between planning and implementation.

The United Kingdom had had considerable experience in respect of agricultural development and was always prepared to give it high priority in aid programmes. The stabilization of commodity markets was important for consumers as well as producers, but in the conclusion of commodity agreements it had to be borne in mind that prices should be equitable and remunerative as well as stable, while at the same time care had to be taken to preserve the balance between supply and demand. Every effort should be made to cut costs and thus make prices more remunerative. Export earnings depended not only on price but on volume, which should also be taken into account in commodity agreements. The United Kingdom hoped that inevitable falls in prices might be partly compensated through the supplementary finance procedure currently under study.

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It was essential to create external and internal conditions favourable to the expansion of all trade. The United Kingdom was a major importing country and therefore needed to secure the best possible return for its exports. Since it could offer much of the equipment that Latin America would need for its economic development, particularly if integration were achieved, the acceleration of the development process was clearly in the interest of his country and of the region.

His Government's recent decision to apply for membership in the European Common Market had given rise to some apprehension about the possible effects on world trade of his country's membership. It should be remembered, however, that the creation of a unified market of 300 million consumers and the rapid development of industry which could be expected as a result of integrated technology would inevitably lead to an enormously increased demand for raw materials. Moreover, it was not until Europe was united that it would have the political strength to contribute in full measure towards solving the problems of the developing world.

There were indications that the arrangements which his country had supported at the first Conference on Trade and Development with regard to the granting of temporary compensation to countries which might suffer from the loss of exclusive preferences might be generally acceptable. In that, as in other matters, the prospects for making practical progress at the second Conference would depend on adequate preparations. His Government hoped that the forthcoming meeting of developing countries at Algiers would be devoted to such preparatory work, so as to obviate the kind of sterile confrontation which impeded real agreement.

Mr. MAYOBRE (Venezuela) welcomed Barbados and Guyana as full members of ECLA and expressed his country's satisfaction at the appointment of Mr. Quintana as Executive Secretary of ECLA. At the same time he thanked the delegations for their kind references to himself.

Latin America's economic situation displayed the same characteristics as in recent years, with recessions in some countries and improvements in others. While the anti-inflationary campaign had made some headway, in certain countries the imbalances had grown worse. The value of some of

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Latin America's exports had increased, but that of others had declined, so that very few countries experienced steadily rising export trends. The commonest types of situation were those of a transient and circumstantial nature, created by the behaviour of exports or by inflationary pressures.

The growth rate of the gross product in 1966 had reached only the unsatisfactory figure of 3 per cent, which implied no increase in per capita income. Among the factors that had prevented higher rates of growth was Latin America's world trade position. But there were also some favourable features to which attention should be drawn: the rise in export levels, the improvement of the external financing situation and the expansion of intrarregional trade, although that trade had fallen short of expectations.

With the entry into operation of the Alliance for Progress, the growth rate in 1955-61 had been 4.3 per cent, while the population had increased at the rate of 2.9 per cent. The deterioration in the terms of trade had outweighed the expansion in the volume of exports, so that foreign exchange income had risen very little. Many of the Latin American countries had witnessed a deterioration in their balance-of-payments position and were beset by inflationary pressures.

At the time of speaking, the average growth rate of the region's gross product was 4.3 per cent, or 1.3 per cent in per capita terms. The figures were more promising with respect to the expansion of electric power generation, industry, which had passed through some difficult years, education and transport. But the progress was not yet sufficient, for no radical structural changes had been made.

The Achilles' heel of the economy was the foreign trade sector. The volume of Latin America's exports was still expanding much less than that of world exports, and Latin America's exports continued to command lower prices than the products of developed countries. In addition, world markets for Latin American commodities had weakened.

The Meeting of Chiefs of State was a giant stride in the direction of integration but, where trade was concerned, its results had been unsatisfactory. Latin America remained vulnerable to world commodity market fluctuations, while its sources of external income were being depleted by its growing indebtedness.

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It was to be hoped that practical solutions would emerge from the forthcoming United Nations Conference on Trade and Development, where the developing countries should adopt a concerted position which would be facilitated by the work of the proposed Ad Hoc Committee on Latin American Co-ordination (CECLA) and the forthcoming meeting of the Seventy-Seven. Individual countries would have to supplement the progress made at those meetings with adequate internal planning.

During the past twenty-five years, Venezuela's foreign trade had prospered thanks to its exports of petroleum, which had provided resources for internal development and for the import substitution process. Over the past ten years a consistent development system had been applied in Venezuela, under the banner of freedom and democracy, and planning had been introduced as a means of remedying economic disequilibria.

The results of the planning effort had been manifested in a growth rate of income averaging 5 per cent from 1960 to 1966. Rates of development of over 8 per cent and 6 per cent, respectively, had been achieved in industry and in the agricultural sector, whose structure had been altered by means of effective land reform. Improvements had also taken place in the health and education services, including technical education, and the construction of rural and urban housing, road-building, and electric power generation had increased.

Venezuela's development in the past few years had led to problems linked to a high rate of population growth, dependence upon a single export product, the exhaustion of import substitution possibilities, rising social expenditure and the need to keep up the rate of economic growth. Consequently, Venezuela regarded integration as absolutely indispensable and was fully aware of the urgent need to improve the foreign trade situation, to tackle the problems of the region's relatively less developed countries, and to plan and implement structural reforms which would eliminate the bottlenecks inherited from the past.

The meeting was suspended at 6.45 p.m. and resumed at 7 p.m.

Mr. DIACONESCU (Romania), after congratulating the Chairman on his election and thanking the Government of Venezuela for its hospitality, emphasized the growing interest of the Latin American countries in such factors of economic development as industrialization, planning and structural reforms in agriculture. His country had learned from its own experiences how important those factors were and its economic progress in the last twenty years had been made possible because the Romanian Government had based its economic reconstruction on industrial development. The determination with which that goal had been pursued - reflected in a 12 per cent increase in industrial output from 1965 to 1966 - had resulted in a rapid development of the economy as a whole, although much remained to be done.

That economic progress had naturally led to an expansion and diversification of Romania's foreign trade, in which the Latin American countries had also shared. Under the five-year plan now being implemented the volume of foreign trade was expected to be 55 per cent greater in 1970 than the 1965 level. The expansion of economic and trade relation with the countries of Latin America was expected to play an important part in achieving that objective.

The world was entering an era in which international economic co-operation would increasingly support national efforts in the pursuit of material development and political and economic independence. The United Nations organizations would have an important contribution to make to that co-operation, and ECLA, with the rich experience it had acquired - as shown in the results of its work - had a very specific task to carry out within that framework. For its part, the Government of Romania would seek to strengthen the procedures for international co-operation. Only a few days ago, as a result of an initiative taken by the Romanian delegation, the United Nations Economic Commission for Europe had adopted a resolution on increasing economic co-operation in Europe.

International meetings held in the last few years had provided an opportunity for a genuine exchange of experience, concepts and methods, which would help to accelerate economic and social progress. At all those meetings there had been fruitful co-operation between the Romanian and Latin American delegations, and he welcomed the fact that the different aspects of regional economic growth and

/co-operation within

co-operation within the framework of ECLA were being discussed in the wider context of economic measures that went beyond purely regional preoccupations.

Mr. NIJS (European Economic Community) pointed out that ECLA had launched the movement towards Latin American economic integration. The European Economic Community, which had just celebrated the tenth anniversary of the Treaty of Rome, welcomed the recent Declaration of Punta del Este and was happy to see Latin America resolutely setting its course towards an era of large economic communities.

The EEC had made a significant contribution to the development of the countries of the third world in general, and Latin America in particular; it had substantially increased its imports from those countries without simultaneously raising its exports. The EEC's trade deficit with the developing countries - 3,357 million dollars in 1966 - had enabled the latter to import more goods from other developed countries.

From 1958 to 1966, Latin America's exports to the European Economic Community had increased by 66 per cent, compared with a rise of only 19 per cent in imports from the Community. Moreover, while the developed countries' share in Latin American exports had fallen off between 1960 and 1966, that of the EEC had risen from 18.3 per cent in 1960 to 19.8 per cent in the first six months of 1966 denoting a trend for most of the trade items concerned.

Despite the favourable evolution of their trade with the Community, the Latin American countries were still worried about the effects of the EEC's agricultural policy and its association with African and Malagasy States. Notwithstanding that association, between 1960 and 1966, exports of the associated States to the Community had declined. In his view, that fact, inter alia, demonstrated the need to bear in mind different levels of development in determining policies for promoting economic growth. The EEC was attempting, so far as its resources allowed, to alleviate the anxiety of the developing countries, for instance, by reducing the common customs tariff in respect of a number of their products. Under the Yaoundé Agreement it had reduced the tariff for a series of tropical products of particular interest to Latin America and other non-associated

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countries. Similar steps were now being taken in respect of agricultural, tropical and manufactured products within the framework of the Kennedy Round negotiations, where the EEC had submitted new proposals on agricultural questions, with particular attention to the organization of world markets. Upon completion of those negotiations, the Community would be prepared to resume discussion of problems outstanding, and it was at present studying possible procedures for implementing a preferential system which it had accepted in principle as early as 1963.

The Community was fully aware of the problems which preoccupied the Latin American countries; they had been expressed in the liaison group between the Commission of the EEC and the Latin American missions accredited to the Community. It was sympathetic towards the Latin American integration movement, it understood its difficulties, it shared Latin America's hopes and would help to make them a reality.

The meeting rose at 8.05 p.m.