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### Introduction

The secretariat's intention, in preparing the present document, is to present a number of comments and observations on international economic and financial co-operation in connexion with the third session of the United Nations Conference on Trade and Development (UNCTAD) which is to take place at Santiago, Chile, during the second quarter of 1972.

The aim is to provide a brief outline of the topics, objectives and machinery that will probably be discussed at the session. These preliminary comments are designed to elicit the views of the representatives of Governments attending the fourteenth session of the Economic Commission for Latin America (ECLA), on the basis of which a study of the various alternatives available can be prepared in order to help Governments define the position of the region vis-à-vis the third session of UNCTAD.

With this in mind, the present document gives a summary outline of the progress achieved during the First United Nations Development Decade; the implications of the strategy for the Second Development Decade, which will without doubt furnish the framework for activities during the third session of UNCTAD; the international situation, as regards Latin America's current relations with developed countries and blocs; and lastly, the principal objectives, topics and matters which, in the secretariat's view, should be given priority attention during the session.

#### 1. General comments

The traditional problems of the external sector in Latin America have by now been sufficiently well defined, as and their impact on economic development. The most recent approach to dealing with these problems is based, inter alia, on the expansion and diversification of exports, with special emphasis on the need for a substantial increase in exports of manufactures and semi-manufactures. In order to achieve this objective, it is considered essential that the internal measures taken by each country should be accompanied by international co-operation.

/The domestic

The domestic effort is mainly responsible for dealing with the problems of supply and marketing, i.e., ensuring that production for export is efficient and competitive and is adapted where necessary to the requirements of foreign markets, and at the same time organizing suitable channels for marketing production abroad. In a word, the domestic effort must be aimed at formulating policies for agriculture, mining, industry, trade and other sectors that will further the objective of expanding and diversifying exports.

Nevertheless, the domestic effort is not enough by itself unless certain conditions exist over which the developing countries have no control. These conditions mainly have to do with the trade and other international policies of the developed countries and chiefly relate to the access of the developing countries' exports to the international market, the prices received for these exports, mainly primary commodities, the terms and conditions of international transport, continuing competition from the developed countries with respect to the agricultural exports of the developing countries, etc. What is needed is for international co-operation as it has been defined over the years in various international gatherings and recommendations, to be implemented in practice. Clearly, too, international co-operation must play an important role with respect to financing and technical assistance.

Two points must be borne in mind in connexion with the above. The first is that, because of the difference in bargaining power between developed and developing countries, it is necessary to establish international rules and principles that accord preferential treatment to the latter. The second is that, given the pronounced concentration of the developing countries' exports in the markets of the industrialized countries, the decisions of the industrialized countries with respect to trade affect the export income and economic development of the developing countries. Hence, these decisions cannot be considered the exclusive purview of the developed countries adopting them, since they have a bearing on the price and volume of the developing countries' exports and thus affect the international distribution of income. There is no point in giving all the statistical evidence showing how over time international trade policy decisions have adversely affected

/prices and

prices and incomes in the developing countries. Accordingly, international co-operation must play a salient role in furthering the developing countries' objective of expanding and diversifying their exports and be very much a factor in the tempo, conditions and features of their economic development.

2. The experience of the First United Nations Development Decade

During the First Development Decade some progress was made in international co-operation in connexion with trade relations and financial assistance, but it was mostly confined to the purely conceptual plane. It basically consisted in the following: (a) the affirmation and consolidation of the acceptance by the international community of the fact that economic and social progress is the common and shared responsibility of the international community; (b) complete recognition of the close links between the external sector and the economic development of the developing countries; (c) the identification and systematic analysis of the external sector problems of the developing countries, and of the measures required to eliminate or attenuate them; and (d) recognition, by the developed countries, of their particular responsibility for the effective implementation of such measures, especially as regards the necessary action to promote the expansion and diversification of the developing countries' exports and, to a lesser extent, financial assistance to the developing countries.

These efforts were given material form in innumerable declarations, resolutions and recommendations in various international forums - principally UNCTAD and GATT - and also within the inter-American system, in which the developed countries undertook, explicitly or implicitly, a political

/commitment 1/

commitment <sup>1/</sup> to adopt and implement various measures to benefit the developing countries connected with international trade, financial assistance, maritime transport and other invisibles, and science and technology. These political commitments have been added to by the provisions of the new Part IV of the General Agreement on Tariffs and Trade, particularly article XXXVII, which, because they form part of a legal instrument, are much more binding since compliance with them is legally enforceable.

Among all these various commitments there are two which deserve special attention because their nature and scope make them fundamental. They are in fact the almost obligatory starting-point for any process of trade liberalization in favour of the developing countries. For this reason they are included and repeated in virtually all the declarations and sets of resolutions or recommendations adopted at all types of gatherings and forums, ranging from the first Ministerial Declaration of the GATT member countries in 1961 to resolutions A.II.I and A.III.4 of the first session of UNCTAD and the Declaration of the Presidents of America. They are also contained, in article XXXVII of the new Part IV of the General Agreement. These commitments, with a number of variations, consist basically in (i) reducing

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<sup>1/</sup> This commitment is explicit when the developed countries express in a declaration, resolution or other instrument their intention or decision to adopt and implement certain policies or policy measures. It is implicit when the developing countries vote in favour of a declaration, resolution or other instrument containing recommendations regarding such policies or measures. The former is the case, for example, of the Ministerial Declarations of GATT and the Declaration of the Presidents of America; the latter includes the resolutions adopted within UNCTAD with the support and affirmative vote of the developed countries. These commitments are termed political here in order to indicate that they do not form part of a legal or juridical instrument, for there is no legal obligation involved - as there is in the case of the commitments entered into within GATT - but rather an expression of intention or, even more, of decision by the Governments involved to act, and to adopt and implement various measures, the actual materialization of which is a question of political will. Although in this case the Governments do not undertake a legal commitment, they clearly undertake a political commitment, even though this may not be explicitly stated. The term "political will" is used in paragraph 19 of the declaration contained in General Assembly resolution 2626 (XXV) on the International Development Strategy for the 1970s to describe the decision of Governments to achieve the goals and objectives established in the Strategy. In this connexion, see also chapter II of "Latin America and the second session of UNCTAD", in Economic Bulletin for Latin America, vol. XIII, N° 1 (June 1968), pp.9-43.

/and eliminating

and eliminating all barriers to trade in primary products, semi-manufactures and manufactures currently or potentially of particular export interest to the developing countries; and (ii) refraining from introducing or increasing the incidence of customs duties or non-tariff import barriers on such products. In both cases, however, and especially in the former, the commitments are virtually always qualified by such phrases as "to the fullest extent possible", or limited by explicit or implicit escape clauses, as is shown below.

All this progress on the conceptual plane and the repeated acceptance by the developed countries of many commitments to adopt and implement a wide range of measures has not been accompanied by a similar or at least appreciable amount of progress in the operational sphere. The commitments entered into, with a few exceptions, have not been fulfilled, or if they have, they have been fulfilled in a very limited and even inadequate manner, for they have not lead on smoothly to the adoption and effective implementation of the measures in a sufficiently comprehensive and systematic fashion.

This problem became evident as early as the mid-1960s, following the first session of UNCTAD. The General Assembly, in the preamble to resolution 2209 (XXI), adopted in December 1966, on the implementation of the recommendations made by UNCTAD at its first session, expressed "serious concern at the lack of progress in solving, in the light of the Final Act adopted by UNCTAD, the substantive problems of international trade and development with which it was faced", and recognized that "the advancement of international co-operation for development and the implementation of the recommendations of the Conference, in the light of the Final Act, call for greater political will on the part of the States members of the Conference to take action, jointly or separately, as may be feasible".<sup>2/</sup> With this

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<sup>2/</sup> These two preambular paragraphs in General Assembly resolution 2209 (XXI) were incorporated into resolution 264 (XII) on "Latin America and the second session of the United Nations Conference on Trade and Development", adopted by ECLA at its twelfth session (Caracas, May 1967).

in view, the Assembly reiterated its call to the Governments of the States members of UNCTAD to continue to examine their policies and to take action with a view to implementing the recommendations of the Conference and urged the Governments to do their utmost in this respect. In resolution 2206 (XXI) on the second session of UNCTAD, the General Assembly also emphasized the need for considering "further action for the implementation of the recommendations adopted at the first session of the Conference" and for concentrating on a "limited number of fundamental and specific subjects with a view to achieving practical and concrete results by means of negotiation aimed at securing the greatest measure of agreement", for which purpose it called upon the Trade and Development Board and its subsidiary bodies, in their preparations for the second session, to attempt to "identify the issues on which preparatory work will have progressed sufficiently to enable specific programmes of action to be drawn up at the second session of the Conference by means of negotiation aimed at securing the greatest possible measure of agreement".

Comments similar to or paralleling those contained in General Assembly resolution 2209 (XXI) have been voiced by the developing countries (and on an occasion also by developed countries) at various times, principally at meetings of the Trade and Development Board.

The General Assembly, moreover, in one of the preambular paragraphs to its resolution 2725 (XXV) on the third session of UNCTAD (adopted in December 1970) expressed its concern that "two and a half years after the second session of the United Nations Conference on Trade and Development and in spite of the efforts made in the process of formulating and reaching agreement on the International Development Strategy for the Second United Nations Development Decade, a number of issues referred to the continuing machinery by the Conference remain unsolved".

These comments do not mean, however that there was no real progress during the 1960s in the field of international economic co-operation except on the conceptual plane.

/One positive

One positive development has been the system of general preferences, because of its conceptual innovations and its inherent scope, even though its coverage is limited as regards products of particular export interest to the developing countries and the margin of preference granted by some developed countries is relatively small. In other important areas, however, for example establishing the basis for an international price policy, fixing dates and deadlines for achieving specified goals under certain commitments, and tackling the question of practical measures and instruments for implementing the resolutions and recommendations adopted, either no agreement has been reached or progress has been insufficient.

There have recently been signs that matters are deteriorating, for example the increase in protectionism and other measures with similar effects on international trade. Justifiable international concern has been aroused by fears that the United States will change its trade policy and that there will be tariff reprisals by the other industrialized countries and blocs, and also by the agricultural policy of the European Economic Community (EEC) and its agreements of association with third countries. Furthermore, the possibility that the United Kingdom will enter the EEC, with all that would mean in terms of expanding markets, the extension of EEC agricultural policy to the United Kingdom and the proliferation of preferential agreements with the Caribbean and African countries, paints a rather disturbing picture for the Latin American countries. Added to this is the feeling of growing impatience at the slow progress being made in trade liberalization and the rising trend of discrimination.

Lastly, mention should be made of some of the factors that have stood in the way of greater progress as regards foreign trade, financing and economic development in the Latin American countries.

First, is the fact that a genuine political will, completely to fulfil commitments, has not existed. In the developed countries this is evident from trade and external financing policy, and in certain Latin American countries from the paucity of measures taken at the domestic level to promote exports and to devise suitable production, exchange tariff and other policies.

/Other factors

Other factors are related to the lack of agreement on the deadlines for fulfilling commitments contained in the various resolutions and recommendations; the lack of an international price policy; continuing recourse to the escape clauses contained in many commitments - clauses which themselves are not limited in any way; the highly protectionist agricultural policies of the developed countries, chiefly the United States and the EEC countries; the lack of suitable procedures for the systematic and periodic review and appraisal of progress in the fulfilment of the resolutions and recommendations adopted, etc. All these obstacles must be studied in depth with a view to devising machinery and agreements that will overcome them or eliminate them. The third session of UNCTAD in 1972 is the most suitable forum for discussing and coming to a decision on many of them.

### 3. The Second United Nations Development Decade

The General Assembly decision to proclaim the decade that has just begun as the "Second United Nations Development Decade" may prove to be a historical landmark in the efforts of the international community to advance towards more practical and realistic forms of international economic co-operation. Indeed, Resolution 2626 (XXV), in which the "International Development Strategy for the Second United Nations Development Decade" is approved, represents a commitment by the international community, at the highest political level, which states that "On the threshold of the 1970s, Governments dedicate themselves anew to the fundamental objectives enshrined in the Charter of the United Nations twenty-five years ago to create conditions of stability and well-being and to ensure a minimum standard of living consistent with human dignity through economic and social progress and development".

In order to achieve these goals and objectives, the "International Development Strategy" sets forth a set of policy measures both in the internal sphere, to be applied by all the developing countries so as to achieve the most effective mobilization of their own resources, and in the international sphere, with a view to ensuring that the internal effort of the developing countries is not jeopardised and frustrated by the persistence of adverse

/conditions on

conditions on the world market. The policy measures in the sphere of international trade and financial resources for development are, therefore, of fundamental importance for the fulfilment of those objectives, since, in the last analysis, they will define the general framework in which the efforts being carried out by the developing countries may or may not bear fruit.

Not one of the policy measures on international trade and financial resources for development was not previously considered in decisions or recommendations approved by GATT, UNCTAD or other United Nations agencies.<sup>3/</sup> This was obviously inevitable, since the international development strategy must reflect the general consensus of all the countries that have undertaken to participate in this enterprise. The value of the General Assembly resolution, which summarises the goals and objectives and policy measures for the Second Development Decade, lies not, therefore, in its originality, but in the political will and resolve of Governments seriously to fulfil their commitments. As was said earlier, the absence of such a resolve largely explains the limited progress that was made in the sphere of international economic co-operation during the first development decade.

There is no doubt that the process of devising instruments for the policy measures provided for in the International Development Strategy may now progress under more favourable conditions, thanks to the enormous store of study and experience accumulated in recent years, particularly through the work of UNCTAD and GATT. The process of devising instruments may thus be carried forward in two directions at once: on the one hand, in those international organizations that have competence in the specific fields of trade and external financing, and on the other, through direct negotiations with specific developed countries, relations with which pose special problems. In this connexion, the setting up of the Special Committee for Consultation and Negotiation of IA-ECOSOC is a very positive step for the discussion and solution of the problems that affect the trade of the Latin American countries with the United States, as is the initiative

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<sup>3/</sup> In this connexion, see "Las medidas de política en el campo del comercio internacional y del financiamiento externo: antecedentes, evolución y situación actual" (E/CN.12/906).

already set in motion to begin multilateral negotiations with the European Economic Community. There are certainly problems in Latin America's trade relations that could be solved through direct negotiations, within the spirit of the principles and objectives of the International Development Strategy.

4. Strategy for the second development decade and the third session of UNCTAD

(a) General considerations

Any action aimed at international economic co-operation of a positive and successful kind should start from the recognition of the fact that, with very few exceptions, all the problems affecting the international economic and financial relations of the Latin American countries, and the measures that should be taken to solve them, are already quite familiar. Although the operational aspects of these measures still need to be more clearly defined, both the industrialized countries and the developing countries have accepted a general commitment to adopt and implement the measures themselves. Not only is it superfluous therefore to keep on repeating that there is a need for such measures and for such general commitments to be applied, it gives a false impression that real progress is being made. Thus, the policy of restating commitments which have already been accepted many result in the developed countries doing less than they have already committed themselves to. The results of the second session of UNCTAD, so disappointing compared with those of the first, are still fresh in the mind. This must be put right by taking steps to reduce the gap between the promises and commitments that have already been made, on the onehand, and actual achievements, on the other.

There are three main and interrelated things which could be done to reduce the gap: (i) effective procedures might be established for evaluating how much actual progress has been made, in terms of practical action, towards achieving the targets and fulfilling the commitments; (ii) use of the escape clause might be restricted; and (iii), most of the general commitments should be translated into specific programmes of action.

/As regards

As regards the first point, it should be borne in mind that an evaluation of this kind should include an examination of the principles and rules governing international trade with a view to establishing the extent to which the system based on them fails to make adequate provision for the situation, needs and special interests of the developing countries; and, should the evaluation show that the existing rules and principles need to be modified, or that new principles need to be introduced, steps should be taken to ensure that this is done.

Norms must be established and procedures laid down to ensure that the escape clauses are applied only in really exceptional cases. In general, the solution of the problems arising out of the growth of imports from developing countries should be sought in special programmes to help the industries and the workers affected to adjust to the new conditions of international competition.

Lastly, with regard to ensuring that the majority of the general commitments are translated into specific programmes, there should be a searching examination and appraisal of the objectives and the economic policy measures envisaged for the Second Development Decade in the General Assembly resolution of the International Development Strategy. This should include an analysis, from the Latin American view point of recent experience, and a consideration of the efficacy and the limitations of the present institutional machinery for international economic and financial co-operation.

(b) The need to modify some of the rules governing international trade

It has become evident that the present principles and norms governing international trade must be substantially modified.

The starting point for any revision of this kind must be recognition of the fact that these norms, in the form in which they were established by GATT, were applicable to a specific phase in international trade relations - the years immediately following the last war - and that they reflect the views of the handful of countries that then completely dominated international trade. In general terms it may be said that the GATT regulations are in the main a reflection of the United States position in favour of free trade and non-discriminatory practices which suited it, at a time when it was in a position to export the products and capital goods which the rest of the world so urgently needed.

Two sets of factors have gradually caused the situation to change and have shown that some of the GATT regulations cannot be adapted to the new problems and the new relationships that have arisen in the field of international trade: on the one hand, attention has been increasingly focused on the specific situation of the developing countries and on their needs,<sup>4/</sup> and, on the other, new regional economic groupings have emerged, -- the most outstanding of which is the European Economic Community -- which have established trade relations with certain countries on a different institutional basis than that laid down in General Agreements. It should be stressed that, although the GATT regulations have promoted the notable expansion of the developed countries' trade that has occurred in the last twenty years, it has not had the same favourable impact on the exports of the developing countries, whose share in world exports has steadily diminished since the growth rates of their economies have always been much lower than those of the industrialized countries.

The major developed countries have approved a system of general preferences in favour of exports of manufactures from the developing countries, and this is already a recognition, at the international level, of the fact that some of the basic principles of GATT -- such as the principle of non-discrimination -- do not meet the specific needs of the developing countries in the field of trade. However, it is imperative that the international community as a whole should recognize the need for a revision of some of the norms that now govern international trade, and take the necessary steps to carry out such a revision. Among the points which are in urgent need of revision. Two of the most important respects in which the GATT regulations urgently require modifications are the following:

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<sup>4/</sup> Something worth remembering is that the concept of developing countries did not exist when GATT was established; the world was divided into countries that produced and exported manufactures and countries that produced and exported raw materials, within the framework of a rather static concept of the international division of labour.

(a) They must be amended so as to: Allow developed countries to adopt trade policy measures to encourage exports from the developing countries that do not necessarily have to be extended to other developed countries. Obviously, the obligation of the developed countries, which are Contracting Parties of GATT to respect the principle of non-discrimination contained in article 1 of the General Agreement may be a serious obstacle to their adopting any preferential arrangements that would promote the trade of the developing countries.

(b) Authorize developed countries that impose import restrictions not to apply the restrictions to developing countries. This suggestion should be considered in the light of the shift towards a more protectionist approach that can be seen in the trade policy of some of the developed countries because it may lead to reprisals from other developed countries, which would inevitably have an adverse effect upon the trade of the developing countries.

(c) Third session of UNCTAD

It may be concluded that the third session of UNCTAD should focus on promoting the practical implementation of the Strategy approved by the General Assembly in resolution 2626 (XXV). This Strategy contains a number of policy measures relating to trade, transport and other invisibles, and international financing, which the countries have solemnly undertaken to adopt. Furthermore, these measures have repeatedly been the subject of recommendations at different meetings, particularly in UNCTAD itself. The recommendations have been reaffirmed in the Strategy, and the developed countries, supported and voted for them; they therefore constitute a political commitment on the part of these countries.

Action at the third UNCTAD session should be aimed mainly at identifying and adopting procedures, machinery and specific action programmes that would ensure the implementation of General Assembly resolution 2626 (XXV) and of others adopted by UNCTAD, and at reaching decisions on the operational aspects of such procedures, machinery and action programmes.

Although this task involves some negotiations, the only aim would be to arrive at well-defined commitments as a fundamental step towards agreeing on the practical steps to be taken to fulfil all the general commitments in different fields contained in the Strategy. Thus, for example,

/in order

in order to comply with the commitment to reduce or eliminate duties and other barriers to imports of export interest to developing countries, the developed countries should agree to the two following proposals: first, they should consent to the establishment of a time-limit for compliance with this commitment, subject to whatever exceptions may be discussed and found valid; secondly, to that end they should undertake to make annual reductions in the duties and other restrictions on a minimum percentage of the products included in a list of products of particular interest to developing countries. Each country would be responsible for preparing the list of products and selecting those in respect of which annual reductions in duties and other restrictions would be made, without prejudice to any negotiations that may be necessary to arrive at these results, or to the fact that, after a certain number of years, the above-mentioned tariff or non-tariff restrictions may have been reduced or eliminated for, say, 50 per cent of those products. It would then be time to decide on the procedure to be followed in the future.

As stated previously, this should be preceded by the introduction of changes in some of the principles and regulations now governing international trade relations, such as the principle of reciprocity, and restrictions on imports by developed countries which should not be applied to the imports of developing countries. This as, previously indicated, would involve amending the General Agreement on Tariffs and Trade.

Two other objectives should be attained. The first, is to define as accurately as possible, the scope of the systematic review and appraisal provided for in the International Development Strategy. The system of periodic appraisals established in the Strategy already assigns tasks to all the agencies which, in one way or another, are connected with development (UNCTAD, GATT, the regional economic commissions, and other agencies), and it must centre on how much progress has been made towards compliance with the commitments and recommendations, and consequently towards the achievement of the targets, contained in the Strategy. With this end in view, UNCTAD should present an annual report on the extent to which the commitments and recommendations have been carried out, i.e., and evaluation

/report. GATT

report. GATT should follow the same procedure with regard to compliance with the commitments contained in paragraph 37 of the Strategy and evaluation and confrontation.

It is of the utmost importance, therefore, to evaluate what has actually been done, compared with what ought to have been done to attain the established targets, and what really ought not to have been done. As to what has been done, the aim would be to establish what progress had been made towards lowering or eliminating tariff and non-tariff barriers, and in connexion with prices, international agreements, etc. As to what should not have been done, the goal should be to discover all the measures adopted which violated the standstill arrangement.

The latter goal is closely related to the application of the saving clauses. These clauses should be involved only in a limited number of cases and only subject to certain conditions, since so long as they can be interpreted and applied unilaterally, it is practically impossible to ensure compliance with commitments. As a first step, it might perhaps be advisable to establish that escape clauses may be invoked only after consultation with the countries concerned (particularly the clause relating to market disruption problems) or that, in any event, restrictions should not be applicable to imports from developing countries. Moreover, any restrictions applied under cover of the escape clauses should be for a limited period, and recourse to them should be conditional upon the internal measures being taken to remedy the situation.

This is the position with regard to the escape clause vis-à-vis market disruption problems or any other factor which may justify the imposition of new restrictions or the tightening up of those already in force. These may be considered to include restrictions on the access of products from developing countries to the developed countries' markets as a result of the operation of customs unions or common markets, which usually give rise to much heavier restrictions than those in existence before they were established. This is so, for instance, in the case of the EEC common agricultural policy and, more recently, the restrictions resulting from other countries joining the Community, because the principles of that policy are extended to them.

/As regards

As regards invoking the escape clauses to justify non-compliance with commitments to adopt certain measures, steps should be taken, along lines similar to those described above, to ascertain whether everything possible has really been done to adopt such measures, or whether, on the other hand, a country has sufficient grounds for not applying the measures it had undertaken to adopt with respect to certain products or groups of products. Here the use of the escape clause would be closely linked to the process of review and appraisal envisaged in the International Strategy, which would actually constitute a process of consultation and confrontation.

5. Latin America's relations with the major developed areas

(a) Relations with the United States

In view of the failure to attain the targets specified in the Charter of Punta del Este, which was adopted within the framework of the inter-American system in 1961, the Latin American countries proposed to the United States in 1969 the bases for a new form of economic co-operation in the Consensus of Vifia del Mar. This initiative was well received by the Government of the United States, which declared itself in favour of a more balanced relationship between the two regions, based on the one hand on a review of, and multilateral approach to financial aid, and on the other hand on more liberal conditions of access to the United States market for products of interest to Latin America. The measures adopted as a result of this new look in inter-American relations are summarized below.

First, the Government of the United States took steps to unty some of its financial aid, so that loans granted by the Agency for International Development (AID) could be used to purchase products not only from the United States but from other Latin American countries as well. Subsequently, several Latin American suggestions were taken into account in determining the manner in which this decision should be implemented. Secondly, it was agreed to set up consultation and negotiation machinery in the Inter-American Economic and Social Council (IA-ECOSOC) which would serve as a permanent forum for the discussion of

/problems connected

problems connected with the relations between the two areas and, more specifically, as an instrument for ensuring effective compliance by the United States with the financial and trade commitments it had already assumed.

The establishment of the Special Committee for Consultation and Negotiation (Comisión Especial de Consulta y Negociación - CECON) is undoubtedly the most significant development in the relations between the two regions in the last few years, inasmuch as it confirms the United States' acceptance of a continuing dialogue with the Latin American countries with a view to solving specific problems connected with their trade and financial relations. From the outset, very specific guiding principles were established for CECON's activities, which centre on the preparation of negotiations for the elimination or lowering of the tariff and non-tariff barriers that obstructed the access of a list of Latin American products to the United States market. Subsequent progress in this matter was jeopardized, however, by heavier protectionist pressures in the United States' in 1970, which practically froze the negotiations when they were about to produce results.

Under these conditions, the development of United States trade policy in the present year and, more specifically, the position adopted by the United States Congress vis-à-vis the protectionist bills, will largely determine the attitude of the United States Government to actual compliance with the new policy announced by President Nixon in favour of Latin America.

Much more liberal conditions of access to the United States market for Latin American products are all the more essential inasmuch as the region's trade relations with that country have steadily deteriorated over the past decade. In fact, Latin American exports to the United States have grown at a particularly slow rate over that period, and in the last two years have been virtually static. This trend is naturally attributable to many different factor, such as structure of Latin American exports, which is still highly unsuited to the characteristics of the United States market, and the existence in that market of restrictive import regulations. Since Latin American imports from the United States have increased steadily,

/there has

there has been a growing balance-of-payments disequilibrium between Latin America and that country, which naturally aggravates the region's general balance-of-payments position.

It should be noted that the United States has not fully complied with its development financing commitments, owing essentially to the restrictive attitude of the United States Congress to foreign aid. Possibly, however, the contraction of bilateral credit granted by the United States to Latin American countries will be at least partly offset by an increase in its multilateral contributions to regional institutions.

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

After years of unsuccessful negotiations and contacts, there are signs that Latin America is about to lay the foundations for closer co-operation with the European Economic Community.<sup>5/</sup> In July 1970, the countries of Latin America adopted the Declaration of Buenos Aires in which they proposed placing the dialogue between the two regions on an institutional basis at a high political level in order to define the principles and procedures of a new policy of collaboration, to be based on the conclusion of sectoral or global agreements in the fields of commerce, financing, transportation and scientific and technological co-operation. In a resolution attached to the Declaration, the Latin American countries outline some of the main features of this co-operation, such as better outlets for their products on the Community's markets, new arrangements for European financing to promote Latin American development, EEC collaboration in improving the scientific and technological infrastructure of Latin America, etc. Finally, the resolution lists a number of possible subjects for immediate action by the Community: bringing into operation the general system of non-reciprocal preferences, extension of the credit operations of the European Investment Bank to Latin American countries, technical assistance in the field of economic integration, etc.

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<sup>5/</sup> See "Economic Survey of Latin America 1970", Vol. II, chap. II (E/CN.12/868/Add.2), for a description of relations between the two regions and the main problems involved.

On 14 December 1970, in response to the Declaration of Buenos Aires, the Council of Ministers of the Community adopted a Declaration agreeing with the proposals for closer and institutionalized co-operation submitted by the Latin American countries and recommending that a meeting between the latter's ambassadors and representatives of the Community shortly be convened to give more thorough consideration to the scope and practical form of this co-operation. The first meeting at ambassadorial level is scheduled to be held in Brussels on 20 and 22 April 1971, and it is understood that there will be subsequent meetings of this kind to prepare a joint conference at ministerial level, possibly within six months or a year.

From the foregoing, it can be seen that both Latin America and the European Economic Community have in recent months made a positive move towards initiating and pursuing a fruitful dialogue. Naturally, the initial meetings will mainly be concerned with laying down a general framework and procedures for this dialogue, without going into specific proposals in detail. However, once the objectives and procedures have been settled, it will be necessary for the Latin American countries to agree upon a joint position with regard to the Community.

At present, Latin America has only too many reasons for concern in view of the trend and prospects of Community policy. First of all, if, as is probable, the United Kingdom joins the Community, this will extend the basic norms of the common agricultural policy to a market which is of the utmost importance to several Latin American countries, and this will inevitably bring about a reduction in the number of outlets for their products on the Community's market. Secondly, the association of many African countries - now members of the British Commonwealth - with the enlarged Community, and the opening up of the United Kingdom's market to the African States parties to the Yaoundé Convention will also result in poorer prospects for Latin American tropical-zone exports.

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Furthermore, the increasing number of preferential trade agreements that the Community is signing with more and more African and Mediterranean countries also poses a threat to Latin American products in so far as it represents an extension of discriminatory practices.

(c) Relations with Japan

Latin American trade relations with Japan have been fairly satisfactory during the past decade, thanks to the rapid growth rate of their exports, especially in recent years, which has enabled the countries of Latin America to accumulate a growing trade surplus. This favourable trend is mostly due to the growing demand for Latin America's staple exports as a result of Japan's rapid economic growth. Another reason is Japan's desire to fulfil some of its trade policy commitments, above all by lifting restrictions on imports of tropical products. Moreover, Japan has not entered into discriminatory arrangements with any country since the end of the Second World War. By and large, it can be said that the conditions of access to the Japanese market have improved, partly because of the reduction or elimination of customs duties and partly because of the lackening of existing quantitative restrictions, which, combined with the exceptional increase in demand from Japan, have opened up great opportunities for boosting Latin American exports.

Full advantage has not yet been taken of these opportunities, however. Despite the upward trend of Latin America's exports to Japan, which grew faster than its exports to any other market, the region was still unable to prevent its share in total Japanese imports from declining.

It is also important to note that the expansion of Latin American exports has mainly been concentrated on a small number of primary products, despite the region's need to diversify its exports - particularly by increasing the proportion of new products and manufactured goods. Progress could, however, be made in this direction if the conditions of access to the Japanese market were further improved by lifting the remaining restrictions on agricultural products and reducing tariffs on manufactures; considering that Latin America's exports of primary products enter Japan duty-free, the high effective protective tariffs on such manufactures as

/metal products,

metal products, leather goods, textiles and certain processed foods (particularly meat preparations), are of special concern to the Latin American countries. Improved outlets would also help to increase and diversify the region's exports to Japan and expand Japan's hitherto very limited financial and technical assistance to Latin America. The effort that the Government is currently making in this direction, by liberalizing quota restrictions and introducing new forms of economic co-operation sponsored by public and semi-public institutions specially created for the purpose should be very promising, provided these measures are taken with due concern for Latin America's interests.