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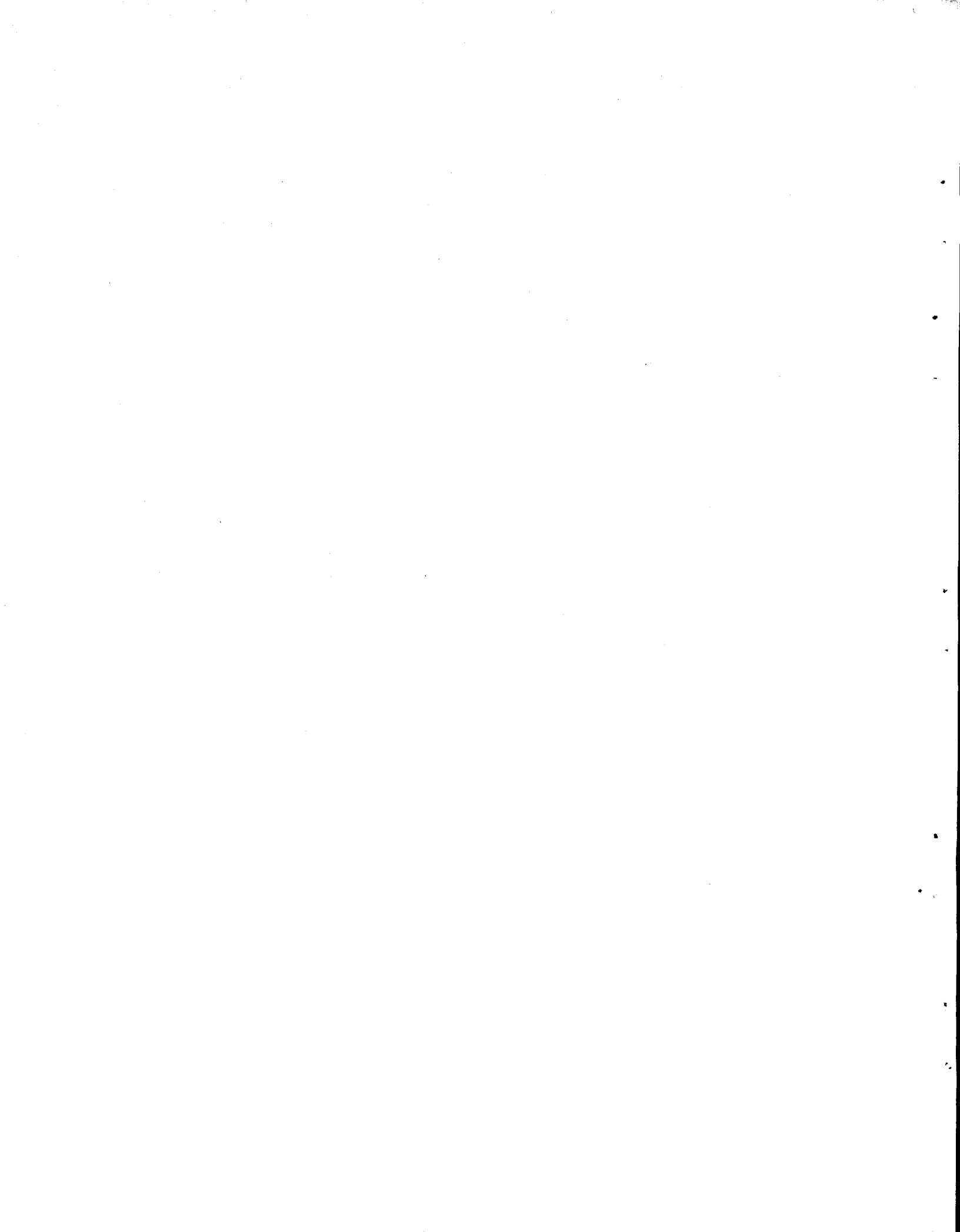
REPORT OF THE MEETING OF THE COMMITTEE OF HIGH LEVEL GOVERNMENT  
EXPERTS TO APPRAISE THE INTERNATIONAL DEVELOPMENT STRATEGY

Bogotá, Colombia, 11 to 15 March 1975

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Part I

ORGANIZATION OF THE MEETING

Duration of the Meeting

1. The Meeting of High-Level Government Experts to Appraise the International Development Strategy was held at the Centro Internacional de las Américas, Bogotá, Colombia, from 11 to 15 March 1975.

Participants

2. Government experts of the developing Member States of the Economic Commission for Latin America participated in the Meeting. Among those especially invited to attend in a personal capacity was:  
Mr. Felipe Jaramillo, Ambassador of Colombia to the International Organizations in Geneva, who was designated by the Latin American group (see Annex I for the complete list of participants).

Opening and closing meetings

3. At the opening ceremony, which took place at 11.30 a.m. on 11 March, statements were made by the Executive Secretary of ECLA, Mr. Enrique V. Iglesias; the Ambassador of Mexico to Colombia and representative of his country at the Meeting, Mr. Victor Manuel Barceló - who spoke on behalf of the delegations present - and the Minister of Finance of Colombia, Mr. Rodrigo Botero, who declared the meeting open on behalf of the President of the Republic, H.E. Alfonso López Michelsen.
4. The closing session was held in the Salón Bolívar of the Palacio de San Carlos at 11.30 a.m. on 15 March 1975. Statements were made by the Executive Secretary of ECLA, Mr. Enrique V. Iglesias; the representative of Trinidad and Tobago, Miss Annette Auguste, who on behalf of the participants in the Meeting expressed her thanks for Colombia's hospitality; and the President of the Republic of Colombia, H.E. Alfonso López Michelsen.

/Election of

Election of officers

5. At the first working meeting, held in the afternoon of 11 March 1975, the participants elected the following officers:

Chairman: Jorge Ramírez Ocampo (Colombia); First Vice-Chairman: Annette Auguste (Trinidad and Tobago); Second Vice-Chairman: Vicente Machado Valle (Honduras); Rapporteur: Diego Luis Castellanos (Venezuela).

Agenda and documents

6. At the same meeting the participants adopted the following agenda submitted by the secretariat:

1. Election of officers
2. Adoption of the agenda (E/CEPAL/AC.69/1)
3. Second regional appraisal of the International Development Strategy and establishment of a new international economic order.

Documents and information

Documents prepared by the Secretariat:

Latin American Development and the international economic situation (E/CEPAL/AC.69/3)

Note by the secretariat on the situation of economic and social appraisal tasks in Latin America (E/CEPAL/AC.69/3)

Resolutions of the General Assembly:

- The International Development Strategy (resolution 2626 (XXV))
- Declaration on the Establishment of a New International Economic Order (resolution 3201 (S-VI))
- Programme of Action on the Establishment of a New International Economic Order (resolution 3202 (S-VI))
- Charter of Economic rights and duties of States (Resolution 3281 (XXIX))

Resolutions of the Economic and Social Council:

- International co-operation (resolution 1896 (LVII))
- Implementation of the Declaration and the Programme of Action on the Establishment of a New International Economic Order; mid-term review and appraisal of the International Development Strategy; special session of the General Assembly devoted to development and international co-operation (resolution 1911 (LVIII))

Resolution of the Economic Commission for Latin America:

- International Development Strategy (resolution 310 (XIV))

/4. Future

4. Future programme of activities of the Committee of High-Level Government Experts.
5. Consideration of the Report and Decisions of the second meeting of the Committee of High-Level Government Experts.

Drafting Committee

7. At the very beginning of its work the Committee decided to set up a Drafting Committee to prepare the bases for the second regional appraisal of the International Development Strategy (IDS).

8. The Chairman asked the Rapporteur of the Meeting, Mr. Diego Luis Castellanos (Venezuela), to supervise the work and designated the representatives of Argentina, Brazil, Colombia, Cuba, Honduras, Mexico, Peru, Trinidad and Tobago and Venezuela as members of the group, which was also open to the participation of the other delegations.

9. The Rapporteur presented to the last plenary session the document entitled "Second regional appraisal of the International Development Strategy and establishment of a new international economic order", which appears in Part II of the present report.

Part II

SECOND REGIONAL APPRAISAL OF THE INTERNATIONAL  
DEVELOPMENT STRATEGY AND ESTABLISHMENT OF A  
NEW INTERNATIONAL ECONOMIC ORDER

I

THE APPRAISAL OF DEVELOPMENT IN LATIN AMERICA  
AND THE INTERNATIONAL SITUATION

A. Integrated development: concept and reality

10. The International Development Strategy (IDS) and the Quito Appraisal 1/ stress the need to introduce a new unified approach to development, designed to promote both accelerated economic growth and a fairer social order, and to take appropriate action. In this connexion, it would be well to recall paragraphs 1 to 6 of the Quito Appraisal:

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

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1/ Text approved at the fifteenth session of ECLA. (Quito, Ecuador April 1973) on the basis of the report of the first meeting of the present Committee (E/CN.12/AC.65/3) held in Santiago, Chile, in February 1973.



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.

11. The present international political and economic situation and the urgent need for changes in production structures, social relationships and levels of well-being in the Latin American countries have shown both the aptness of this concept and the complexity of the Governments' task of translating it into action. Although the economy of Latin America as a whole has grown fairly rapidly, this growth has been due to certain precarious trends in the international economy, particularly in raw material prices, rather than to the fulfilment of commitments under the IDS. The more serious social problems persist, as a result

of, among other factors, inadequate socio-economic structures. Notable in this respect are the insufficient opportunities of productive employment in the modern sector, the large segments of population living in conditions of abject poverty, the unequal distribution of income and unequal opportunities of social, economic and political participation, and the increasing prevalence of patterns of consumption which mainly benefit urban minorities but conflict with - and hinder - the most urgent objectives, namely, investment and the improvement of the well-being of the broad masses.

12. The starting point of the present review is the IDS, but it also takes account of the conceptual terms, targets and proposals adopted by the United Nations system in the Declaration and Programme of Action on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States (which originated in the continent), and the basic conclusions of the United Nations Conference on Population and Food. In this connexion, when mention is made of the IDS in this document, reference is also intended to a series of decisions which the United Nations has brought to the fore in its plan of action in this field. This report, and in particular the chapters which follow, constitutes the contribution of the Committee of High-Level Government Experts to the definition of a set of specific lines of action which in fact constitute new rules for a new international economic order. As a result, the analysis contained in this chapter and the action guidelines given in the following chapter should be viewed in this practical context so that the Seventh Special Session of the General Assembly does not get bogged down in proposals of a general nature which have already been thoroughly dealt with from the point of view of form.

13. Considered in terms of the attainment of objectives capable of satisfying legitimately created expectations and of the fulfilment of the responsibilities assumed by the developed countries under the IDS, the mid-term results of the Second Development Decade are deeply disappointing. A factual analysis of the situation that has arisen in the context of international co-operation for development cannot but kindle serious doubts as to its real effectiveness.

/14. The

14. The unified approach to development involves - on the part of both governments and international agencies - a constant effort to visualize the entire process as a single undertaking rather than adopt piecemeal and partial approaches in the field of development policy and plans and in the actual development appraisal studies. It must be recognized, however, that since the beginning of the Second Development Decade, not enough progress has been made either in the formulation and use of methodologies for government planning and organization that conform to this approach and correspond to the situations prevailing in the various countries, or in the collection and interpretation of the information required for a properly integrated appraisal. More important still, the present international situation has intensified the challenges faced by the Latin American governments and has made it more difficult but also more urgent for them to reconcile their policies to the unified approach to development or to allocate resources on the basis of long-term strategies. As a result of the economic situation the countries have had to use a considerable part of their economic potential for the immediate solution of such pressing problems as the short supply of imported products, surpluses of exportable products which do not find a suitable market, and financial disequilibria of various kinds, particularly inflation.

15. These circumstances have put pressure on governments, which have had to adopt - in the majority of cases - improvised emergency measures that detract from the unity and consistency of government administration in order to cope with pressing problems. The long term holds so many elements of uncertainty that it affords no basis for strategic criteria that might counteract the tendency towards improvisation and fragmentation of policies.

16. At the same time, the efforts so often advocated by governments to decentralize decisions, redistribute income and grant full participation to broader sectors of the population are today hampered by the need to concentrate such measures so as to be able to control

/an unstable

an unstable situation which discourages production, foments speculation and generates excessive demands from the middle and upper social classes which try to maintain and improve their position.

17. The most dynamic opportunities for economic growth in the medium term seem to be linked with the acceptance of a new international division of labour under the aegis of transnational corporations: a trend involving obvious danger to countries which would like to evolve more independent and integrated styles of development. It is therefore advisable for the countries to strengthen the other sectors of their economies and to supervise the activities of these corporations in such a way as to keep them in line with their own economic and social policy objectives. Any attempt to control or gain some advantage from this trend and to establish a new international economic order calls for great unity of action on the part of the countries.

18. The recent trends of economic growth and social change have in many ways accentuated the differences that exist between countries and even within their respective territories, although due recognition must be given to the regional development efforts being made in the countries. Such trends have placed Latin America in a special situation within the other groups of developing countries, since in some respects the region has attained levels equal to those of the developed countries, while in others the prevailing conditions are those of the most underdeveloped nations. This situation could be described in a word as "semi-development". In the last few years the trends towards concentrated urbanization and modernization of patterns of consumption, explosive growth of secondary and higher education, industrialization based on the production of consumer goods, and the increased relative importance of the urban employment strata in the medium- and high-income groups have given rise to new situations whose characteristics are predominantly unfavourable - although by no means completely negative considering the governments' capacity to promote more integrated development styles that are more compatible with the total satisfaction of the material and cultural needs of the broad masses under conditions of equality, human dignity and national autonomy.

19. The prevailing style of development involving structural heterogeneity has permitted significant improvements in some aspects of the living conditions, particularly as regards access to education and other social services, which are also important factors in the new situation; at the same time, however, the unequal distribution of income has been accentuated, levels of consumption of such basic items as food and housing have not improved noticeably and the capacity of the economies to offer productive, well-paid employment is as inadequate as before. Inflation and other repercussions of the international situation are sharpening tensions which are inevitable in a style of development whose benefits are so unequally distributed.

20. In spite of the professed aims and of the greater material capacity to eliminate poverty which should be implicit in the favourable economic growth rates of several countries - it is therefore not surprising that the rate of progress towards the attainment of social development goals is extremely slow. It is now more important than ever that the governments of Latin America should not out of excessive optimism regarding the spontaneous results of accelerated economic growth or out of pessimism regarding the possibility of looking into the future and influencing the processes of social change in such a complex and changing situation lose sight of the fact that, in order to achieve equitable and integrated development, greater efforts are needed together with a thorough, realistic knowledge and appreciation of what is happening.

B. Human development and social change

21. Available information does not permit a complete up-to-date analysis of social change in Latin America from the start of the present decade. It is clear, however, that unequal quantitative growth in several areas is generating important qualitative changes in social structures and standards of living and that new problems have arisen which require solving.

22. As regards the population itself, the traditionally high fertility rate in Latin America dropped significantly in some countries and slightly in many others, while in most cases the mortality rate continued to decline. It is therefore inevitable that the proportion of young people of dependent age and the population growth rate will remain high in the 1970s, with the likelihood of a slight drop towards the end of the decade which will gain momentum in subsequent years. Consequently, the pressure of population growth on employment, education, health services, food supply, housing, etc. will continue to be intensive.

23. The rapid increase in population has produced some changes in spatial distribution, without essentially altering its marked unevenness. The most densely populated areas have grown in size and have merged to form continuous strips instead of "islands", whereas the virtually uninhabited territories have shrunk. There are, however, still extensive uninhabited or sparsely populated areas in South America. In 1970, half the territory of the continent was occupied by less than a twentieth of the population. The objective, therefore, is to bring about an adjustment between space and population which will ensure the full and well-balanced utilization of resources in the region.

24. The concentration of the population in urban areas has continued with no great change. During the present decade the population of the cities is expected to grow by 75 million, of which 40 million will be absorbed by cities that will have over one million inhabitants in 1980. Urban concentration has created many familiar problems, such as crowding, environmental pollution, distortions in the labour market, etc., but so far the cities have been able to continue functioning without such serious crises as have so often been predicted. The question is how much longer they can continue to do so with a steadily growing population.

25. An increasingly important factor is urban sprawl, the waste of fertile land and the enormous expenditure on roads and other kinds of infrastructure due to the predominance of the motor car and the

/residential and

residential and consumption aspirations of the strata with higher purchasing power. The energy crisis and the increases in the cost of fuels are a further test of the cities' ability to act in the interests of the inhabitants' well-being, and call for urban planning that is more efficient and more in line with the needs of the broad masses.

26. Since the early 1960s, international migration has acquired renewed importance in Latin America. It has changed completely in nature from that which took place in the past, and these changes stem from certain characteristics of the prevailing style of development. First, Latin America is now a region of net emigration. Secondly, migration between countries of the region, which was on a small scale before, is reaching considerable proportions, particularly between adjacent countries. Emigration to other regions, or (to a lesser extent) from the poorer to the more developed nations of Latin America, consists largely of professionals, technicians and skilled workers who are undoubtedly needed in their own countries, although in many cases national development processes fail to offer them opportunities commensurate with their skills. Migration between adjacent countries - which accounts for the largest flow in numerical terms - is primarily composed of unskilled workers from rural areas endeavouring to escape from extreme poverty and under-employment. It is therefore an international version of the internal rural-urban migratory flows.

27. The world situation and increasing unemployment experienced by the rich and developing countries alike suggest that the pressures behind migration will increase, while the countries' readiness to receive immigrants may decrease abruptly. All this makes it imperative to undertake studies that will contribute to a better understanding of the migration phenomenon and to the application of consistent national and international policies reconciling the human rights of migrants with the countries' own interest.

28. The social stratification of Latin America has undergone significant changes during the past decade and the early 1970s. A comparative analysis of the different dimensions of these changes, based on indicators, reveals the presence of major disequilibria and suggests that they may create social tensions liable to distort the development processes. Accordingly, such changes must be taken into account in the development strategies. In this respect, the expansion of secondary and higher education, which provides access to an upward social and occupational mobility, has been more pronounced than the growth of the middle and high occupational sectors, and this in turn has been much greater than the enlargement of the high-income strata.

29. The expansion of secondary and higher education responds in part to real development needs and to the legitimate aspirations of youth. However, it has not been oriented within an appropriate social development policy, nor has it corresponded to the real demands of the labour market. The result is an excessive output of university graduates in the traditional professions and in some new branches, and of persons possessing general knowledge but lacking technical training. Moreover, the pressure of the number of pupils and students has caused the quality of education to decline. Several urban non-manual fields of employment, particularly in the public sector, have expanded to absorb these graduates, but this has had an unfavourable effect on the production of goods and on priority social services.

30. The Quito Appraisal states that "the objective of income redistribution, in the form set out by the Strategy remains unfulfilled in most countries of the region". This statement can be repeated without reservations, now that fuller and more reliable information is available. Available data indicate that in some countries

/distribution has



distribution has become concentrated above all in the top 5 per cent, while there has been a decline in the relative share of nearly all the lower income strata. In others, the share of the middle/high strata has grown more rapidly in relative terms, which points to a certain enlargement of the groups benefiting from economic growth. In both cases, the share of the lowest strata has decreased, so that the gaps between the extremes in the distribution scale have widened. Although the economic growth of most countries in the past decade has been sufficient to permit absolute increases in the monetary income of nearly all the strata, such increases have been small in the middle-low strata while among the lowest 20 per cent there seems to have been no change.

31. Therefore, the extreme poverty which involves physical privation has remained at fairly high levels, although the percentage of the population in this situation in Latin America is smaller than in other regions. The main source of extreme poverty is still found in the countryside which is still characterized by the dual latifundia-minifundia structure. In spite of the variety of economic and social changes which have taken place in the rural sector over the past few years - such as the capitalistic modernization of agriculture which is making great strides in some areas, exploitation through commercial intermediaries which is taking on new forms in others and agrarian reforms geared to co-operativism which predominate in yet other areas - there is one element which seems to be almost universal: the increasing exclusion of the weaker sectors of the rural population (landless peasants, small-holders) from access to productive or income-generating activities. Part of the resulting poverty is transferred to the cities or to land settlement areas, but perhaps the poorest groups are less inclined to migrate than other sectors of the

/rural population,

rural population, owing to their more acute lack of education and skills. Possibly such poverty never even comes to the attention of the rest of society, since these groups exert no pressures.

32. In any case, it may be affirmed that the largest and most dynamic national societies, together with the predominantly urban societies of Latin America, now possess a greater material capacity than in the past to eradicate extreme physical privation and to offer sufficient food and housing to all inhabitants to satisfy basic requirements in terms of hygiene, minimum universal education and health services, and improvement in productive capacity.

33. If such efforts are feeble and sporadic, despite the priority which everybody attributes to this objective, the reasons must in part be sought in inadequate socio-economic structures; in the shortcoming of employment as a means of redistributing income; in the insufficient administrative and planning capacity to extend services to areas where they are most needed, and in the heavier pressure on resources exerted by the "relative poverty" resulting from the gap between the purchasing power and the consumption aspirations of all the other strata of society in each country. It is being increasingly recognized that the reorientation of public services and consumption along such lines as will permit the elimination of extreme poverty, and the securing of a minimum consensus in society in support of this reorientation, are among the most urgent and difficult tasks facing governments.

34. The latest studies on the employment problem indicate that the most urgent issue in most countries has not been overt unemployment or under-employment in terms of abnormally short period of work but full-time employment with very low or fluctuating remuneration, resulting partly from low productivity and partly from the almost negligible bargaining power of a large segment of the economically active population.

35. Open unemployment still exists on a fairly large scale in the urban areas of several countries, but it often affects young people and women rather than the male heads of families. The problem of the incorporation of youth and the participation of women in the labour market will probably become more acute in the immediate future, and this represents a serious challenge to the prevailing style of development. There is also a grave danger that the international situation and the stagnant demand for several export commodities may lead to a significant increase in urban and rural unemployment.

36. The changes in the various components of the standard of living of the broad masses in Latin America have been uneven in recent years. Progress in education has reached nearly all the social groups, in spite of the highly unequal distribution of education services, the extremely high proportion of resources absorbed by higher and secondary education, and the low quality of education offered to the mass of the population, particularly in rural areas, as the high illiteracy and drop-out rates show.

37. Health services have also expanded considerably in nearly all the countries, as is borne out by the general reduction in infant mortality and the increase in life expectancy at birth. On the other hand, it is probable that the basic consumption of the broad masses has not improved, despite a certain diversification associated with urbanization and modernization, and that the consumption levels of some of the poorest groups have deteriorated.

38. There are still shortages in the supply of foodstuffs, especially in some small, predominantly rural countries, and even in countries where the total supply is sufficient it is clear that the poorest strata do not obtain adequate nourishment. The deficient nutrition of children under five years of age is the most serious and moving facet of this problem, in view of its

/long-term repercussions

long-term repercussions on the quality of the population and the special difficulties involved in supplying adequate food in sufficient quantities where it is most needed. Improvements in the supply of food for low-income families are as indispensable as they are inadequate, since malnutrition in very young children caused by a lack of protein and calories can be attributed partly to family food distribution habits whose roots are of a cultural nature. Hence, WHO and PAHO experts have stressed the need to deal with the whole environment of children, which is an inescapable but difficult goal to achieve in areas of extreme poverty.

39. The chronic shortage of housing which goes with rural poverty has been neither remedied nor greatly accentuated. The principal change in cities and small towns is a marked improvement in the housing infrastructure (electricity, drinking water and sewerage), although a great deal remains to be done in this field. In the larger and more rapidly growing urban centres, the shortage of housing for the low-income sectors is still increasing, as is the application of unsatisfactory solutions in the form of peripheral settlements or shanty-towns. The conventional machinery for organizing the construction of dwellings has continued to respond to the demand from the high- and middle-income urban strata. The current unit costs established by inefficient but highly profitable building industries set more restrictive limits than were foreseen on the expansion of demand, despite public subsidies and generous terms of payment.

/C. Economic

C. Economic growth and the international situation

40. There are marked differences in the economic trends of the countries of Latin America during the first four years of the Second Development Decade and in their future economic prospects. This is the outcome of the different characteristics of the various national economies, the different strategies and policies which have been adopted and the varied nature and magnitude of the effects and repercussions of the crisis in the world economic system and of the prevailing international situation. Naturally, trends of a general nature are discernible within this distinctly heterogeneous setting, and the analysis and evaluation may therefore refer to the economic and social indicators of Latin America as a whole. However, a more detailed appraisal involves identifying individual situations which, for simplicity's sake, may be associated with various groups of countries.

41. Generally speaking, the economic growth rate tended to increase the fairly rapid expansion achieved may be appreciated from the fact that the annual average growth rate of the domestic product was around 7 per cent in Latin America as a whole. It should be observed, however, that not all the countries shared in this improvement and that, in most cases, expansion was irregular and unsatisfactory, lower in quantitative terms than the minimum targets laid down in the International Development Strategy and obviously too low to make any significant contribution to the favourable evolution of the economic and social conditions of the broad masses of the population.

42. A small group of countries, including the largest countries economically and demographically speaking, showed a considerable capacity to expand and adapt themselves so as to make the most of the changing state of world demand. Thanks to their endowment of resources and the increase in the price of their exports, they achieved - albeit at different speeds - intensive investment and substantial economic and technological change. These countries are thus in a better position than others to cope with the adverse effects of the international economic

/situation and

situation and to remedy their balance-of-payments deficits thanks to their easier access to sources of external finance, although this will mean a large increase in their foreign debt and, very probably, a reduction in their growth rates.

43. The petroleum exporting countries benefited very quickly from the large increase in their external resources. As a result, they are now able both to give a strong impetus to their own development and to undertake vast external investment programmes. Their growth prospects for the next few years are thus very good.

44. Excluding the seven or eight Latin American countries which find themselves in these circumstances, the great majority of the remaining countries have maintained the same slow economic growth rate of earlier years and find themselves up against very serious and immediate balance-of-payments problems and the prospect of seeing their economic growth rates or production levels drop still further, thereby aggravating their unemployment problems.

45. If an evaluation is made of the relatively more favourable trends which may be observed in Latin America as a whole by taking an average of the above-mentioned situations, and if consideration is given, on the one hand to the fact that these trends were recorded over a short part of a much longer period during which the industrialized countries experienced exceptional economic and technological growth and, on the other, to the nature of the phase through which Latin American economic development is passing and to the region's high demographic growth rate, it must be concluded that, in international terms, the relative position of Latin America has continued to deteriorate. These growth rates have to be significantly higher than those of the more advanced countries if they are to close the large gaps that exist and if the developing countries - the Latin American countries in particular - are to achieve the human development targets and objectives advocated in the IDS. This should be a basic consideration in the strategies and specific measures that are proposed for reorganizing the world economic system. If the economic growth rate of the most advanced countries drops - as official projections indicate -

the developing countries cannot allow their own to follow suit. On the contrary, they will have to maintain high growth if they are to attain the aforementioned objectives.

46. Inflation has once again accelerated and has spread to nearly all of Latin America, even reaching countries which have traditionally been fairly stable in this respect. In addition to the usual inflationary pressures in Latin America, the increase in the price of imports has had an immediate effect. Domestic trends were also affected by the increase in export prices, especially in countries where major branches of production are subject to simultaneous internal and external demand. There are numerous differences from country to country as regards both the intensity of inflation and the extent to which the various factors involved contribute to the process. Some countries suffer from the high price of imports without benefitting from any significant increase in the prices of their exports. In others, the two factors have operated simultaneously and have had a more favourable effect on economic growth, but have also created a more complex picture from the standpoint of inflation. Lastly, the oil exporting countries are facing the problem of absorbing foreign exchange earnings into domestic investment for development and of channelling them into external investment, under a comprehensive financial policy designed to minimize the inflationary impact on domestic prices.

47. The growth of agricultural production has been slow and irregular, does not satisfy the needs of the population of Latin America and does not correspond to its productive potential. It is true that, in 1972, adverse weather conditions caused a considerable reduction in certain crops, which coincided with a similar situation throughout the world. It is, however, equally true that, despite the significant recovery of the last two years, the annual average growth rate for Latin America as a whole was only 3.6 per cent, less than the minimum target of 4 per cent laid down by the IDS. Only six countries achieved rates higher than this target, and in most other cases the growth rate was very low and often equal to or less than that of the population.

48. The more dynamic trend of agricultural production over the last two years has revealed some features of special interest. The agricultural sector has demonstrated great resourcefulness and flexibility in taking advantage of favourable situations in external markets, by incorporating new land, diversifying crops and increasing productivity through the rotation of short life-cycle crops, having grasped the importance of demand and rising prices as factors that provide an immediate incentive to production. The process seems mainly to have affected external demand products, and to have had less impact on traditional crops for the domestic market. Since, in addition, managed or modern agriculture has advanced, the technological and economic gaps in productivity and income distribution among the various sections of the agrarian economy have widened.

49. Progress achieved in agricultural efficiency and productivity can be traced back to the dissemination of technological advances which resulted in the increased use of fertilizers, pesticides, fuels and other essential products. The adverse trend being experienced in international prices for agricultural products - simultaneously with the steady rise in input costs - will lead to a drop in profits and a cut-back in the use of technical inputs, the result of which could be a fall in productivity.

50. Industrial production has been an important interdependent factor in determining the scope and characteristics of the Latin American economic process. The pattern of its development is similar to that already examined in connexion with the global product. Figures for Latin America as a whole show a marked increase in the growth rate which varies greatly from country to country. Only four of them succeeded in reaching and exceeding - by a wide margin - the minimum IDS target of 8 per cent. The annual industrial growth rate of the remainder was approximately 6.5 per cent, which is low when compared with what is expected of this sector in the development process. In addition, it is also worthwhile pointing out that growth was much lower in the relatively less developed countries.



51. At the Latin American Conference on Industrialization held by ECLA in Mexico in November 1974, the governments defined a regional position with a view to the Second General Conference of UNIDO (Lima, March 1975) and drew up a plan of action on policies and measures which should be adopted at the national, regional and international level in order to give an impetus to progress and industrial expansion in the developing countries. In doing so, the governments took into account the responsibilities incumbent on the developed countries under the provisions of the IDS and the resolutions of the Sixth Special Session of the General Assembly of the United Nations on the establishment of a new international economic order. The intention is to boost Latin American development in keeping with the integrated approach advocated by the IDS, and create the machinery for an international organization which would facilitate, at the world level, the expansion and redistribution of industrial production in favour of the peripheral countries.

52. Energy consumption has been increasing at fairly high rates in Latin America as a result of the process of change and modernization which has been taking place to a differing degree in the various countries. The rise in the cost of hydrocarbons brings to the fore the urgent need to formulate a long-range energy policy, and growing concern in this respect may be observed, in the Latin American countries. The majority have pressed ahead with studies of their water resources and, in some cases, have put large-scale hydroelectric projects into operation.

53. The replacement of petroleum products by coal or natural gas in power stations already in operation is also being studied; this reaffirms the desirability of the policy followed in many Latin American countries of replacing petroleum consumption on a large scale by making more use of water resources and other sources of energy. It is increasingly recognized that, if this aim is to be achieved, domestic prices will have to be higher than in the past.

54. During the 1970s, the fairly large-scale utilization of two new sources of energy was introduced in Latin America: geothermal and nuclear energy. It should be pointed out that, with the new oil prices,

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much smaller nuclear production units become economically viable, thus allowing a wider dissemination of this source of energy.

55. The oil-producing countries of Latin America are also giving some thought to long-range plans. It is considered that further development of their hydroelectric power and other sources of energy will enable them to conserve their resources or to expand domestic production in the petrochemical and other branches of industry that have a great potential for the national economy.

56. The increase in export earnings experienced over the past three years by the countries of Latin America made a direct contribution to the improvement of the region's economic growth rate. The rise in the prices of primary commodities was largely responsible for this increase, although to a varying degree, as well as the considerable boom in industrial exports in some countries. Together with the availability of external financing, this facilitated a substantial increase in imports as a result of the higher levels of production and income and of a more liberal policy in this field. Thus, the Latin American economic process - as far as its links with external variables are concerned - tended to reflect a more outward-directed model which, to a certain extent, was close to that postulated by the IDS.

57. However, it should be pointed out that the factors which brought about an improvement in the development of the Latin American external sector and its positive impact on the rate of growth did not originate in the adoption of the policies and measures embodied in the IDS, which are the responsibility of the industrial countries. Except in the case of oil, this improvement was the result of **circumstantial** or transient factors; so much so that, as the adverse trend of the economic situation causes some of these factors to disappear and others to be modified, the need to implement such fundamental decisions is keenly felt, and the absence of such action poses a serious threat to the future rate of economic growth.

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58. The fact is that - looked at in terms of volume - the exports of the Latin American countries as a whole will not reach the minimum target set in the IDS. On the other hand, the target is exceeded by a wide margin if the comparison is based on current monetary income or on the overall external purchasing power of such income. The volume of exports of primary products, excluding oil, increased at a relatively slow average annual rate of 4.6 per cent over the period 1970-1974. It was the international prices of these exports which increased in value from 1972 onwards, although there were marked differences between the various products. This trend, which continued up to the first half of 1974, led to a change in or compensation for the deterioration in real prices compared with their previous levels.

59. It is important to identify the factors which determined the increase in the prices of primary products in order to appreciate the transient or cyclical nature of this trend in the majority of cases. They included: poor harvests on a world-wide scale, and the consequent depletion of stocks of agricultural products; high demand in the industrial countries as a result of the rapid growth in production and income up to 1973; and stockpiling in the industrial countries of, for example, certain metals, as a hedge against inflation. Of a different nature was the increase in world oil prices which the exporting countries managed to establish. In real terms, this represented a readjustment of the declining prices which this product had been earning over the last 20 years.

60. This boom lasted only a short time. In mid-1974 the trend was reversed, with a recovery in agricultural production and a serious contraction of demand in the industrial countries, which maintained their total product in 1974 at approximately the same levels as in 1973, because stocks of certain products accumulated in previous periods were put on the market and some countries adopted restrictive measures to curb imports. This was the case in the EEC countries, which suspended meat imports in the second half of 1974 and have yet to set a date for the resumption of such purchases.

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61. This, therefore, is the start of a new phase of deterioration in the terms of trade, which - in conjunction with the higher petroleum prices - has had a serious impact on balances of payments which is likely to be accentuated in the next few years, although this will vary according to the different foreign trade structure of the Latin American countries.

62. The trade deficit of the non-oil-exporting countries, which amounted to 640 million dollars in 1973, rose to 8,700 million dollars in 1974. Still larger was the 1974 current account deficit on the balance of payments of this group of countries (estimated at 13,000 million dollars). This deficit has been financed largely out of normal sources of credit, on substantially more unfavourable terms and conditions than those applicable to the accumulated debt which thus run counter to the objectives clearly laid down in this matter in the IDS.

63. It is important to stress that, already in 1974, most of the Latin American countries recorded a decline in their terms of trade with respect to 1973, and that in some cases this index was approximately the same as in 1970, contrary to the usual assumption that all the countries still maintain a fairly favourable position in this respect.

64. What is more, statistics show that, if earnings from exports of goods and services are assessed in terms of their external purchasing power, in 1974 a large number of countries saw this purchasing power decrease on such a scale as to represent up to 20 and 25 per cent of their real income in 1973. This is the result of reductions in the volume of exports and the above-mentioned deterioration in the terms of trade.

65. In view of these aspects of the international economic situation, it is expected that serious obstacles will prevent the non-oil-exporting countries of Latin America from attaining in the next few years the economic and social development targets established in the IDS. This is particularly likely considering that the economic

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recession in the industrial countries seems to be lasting longer than was originally expected and that the terms of trade will deteriorate further, with the well-known effects on investment and the rate of economic growth.

66. As stated above, the magnitude and nature of the problems vary appreciably from country to country. Some are in a better position to deal with the immediate difficulties owing to their supply of resources, their capacity to diversify exports, their ability to restrict imports, the extent of their present or future ability to satisfy their own energy requirements and, lastly, their easier access to international financial markets.

67. Others, in contrast, are less capable of solving their balance-of-payments problems without appreciably affecting their rate of growth. It must be stressed that in both these groups of countries the slowing up of economic growth has very serious implications, since an intensely dynamic process is necessary - even when the external situation is deteriorating - in order, within the context of a suitable strategy, to absorb the constant increase in the labour force in productive employment and to promote, within the appropriate span, the participation of the broad masses of the population and the improvement of their material and cultural living conditions.

68. It will therefore be necessary to introduce radical changes to promote the mobilization of domestic resources, and to adopt effective action at the international and regional level with a view to solving the immediate problems and putting into effect longer-term plans for the instrumentation of a new international economic order.

#### D. The domestic effort for development

69. Broadly speaking, it may be affirmed that the potential availability and supply of the various resources needed for development have improved significantly in Latin America. On the other hand, the strengthening of the capacity to "mobilize" these resources has been more limited and irregular, or else the structural reforms and strategies and policies that are needed to modify the prevailing standard of living and style of development have not been put into

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effect forcefully enough to bring about sufficiently dynamic progress towards the solution of the serious social problems discussed above.

70. The savings and investment indexes reflect the various situations existing among the Latin American countries as regards the stepping up of overall production capacity and the role played by national savings and net external financing in the promotion of economic growth.

71. During the early 1970s, gross national savings for Latin America as a whole represented 18.6 per cent of the gross national product, and covered about 90 per cent of gross national capital formation. The savings and investment coefficients tended to rise in the last few years, especially in those countries with the most dynamic economies. The savings coefficient for the region as a whole was around 20 per cent in the period 1970-1973. In relation to these trends the countries fall into two distinct groups. On the one side are the large countries and the exporters of petroleum, with rates corresponding to the regional average or above it. The remaining countries show rates of savings substantially lower: between 8 and 14 per cent. A few of these latter countries were able to raise their rates of investment well above the regional average by means of external financing. The countries also show very wide differences in the extent to which the composition of their investment corresponds to priority development needs. In the majority, urban construction continues to absorb an excessive share of investment funds, although the regional average for purchase of machinery and equipment has risen - which is really attributable to the size of the increases in just two countries.

72. The increase in internal resources for investment has derived from a more dynamic internal savings effort and from the sporadic improvement in the terms of trade, which has been an aspect of particular importance in the last three years. As in the past, one can point to gains in the institutionalization of planning, in administrative modernization, in developmental legislation, and in the creation of additional mechanisms for the financing of development.

To a large extent, however, these represent forms of potential capacity which have not to date been used as effectively as might have been hoped. Furthermore, progress in the various aspects of the mobilization of internal resources has rarely been balanced. Some countries have attained high rates of investment without introducing the institutional reforms that are needed for the benefits to be spread among the greater part of the population. Others have struggled to carry out basic institutional reforms and distribute income more equitably, but have been unable to maintain satisfactory rates of savings and investment or prevent the flight of capital and highly trained manpower.

73. The lack of evidence of any substantial progress in agrarian reform and in the implementation of suitable agricultural policies, except in a very few countries, has particularly serious implications in view of the slow growth in food production and the continuing impoverishment and marginalization of a large part of the rural population. The major advances in agriculture have been in capital-intensive and large-scale modern enterprises, mainly devoted to producing raw materials, and export goods. However dynamic and essential these advances may be, forms of agricultural modernization and trends in land tenure and use that neglect food production for the domestic market and exclude the poorest strata of the rural population from any hope of a satisfactory livelihood should be a matter for grave concern.

74. The mobilization of human resources is at least as important as the mobilization of financial and material resources. As was emphasized above, the expansion of education at all levels has greatly enhanced the potential contribution of the human factor to development, but for the most part this increased potential has not been effectively utilized and channelled into activities deserving priority. Moreover, a large part of the investment in education is being wasted, owing to the so-called brain drain. At the same time, the inadequate correspondence between educational output, development needs and the real demands of the labour market is generating pressure on the public sector, thereby causing major distortions in the allocation of resources.

II

PLAN OF ACTION

A. International Action

1. Primary commodities

75. The International Development Strategy and the Programme of Action on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States lay down guidelines and make recommendations for international co-operation in the field of international trade in primary commodities. However, apart from some isolated measures established in certain circumstances, the developed countries have not shown the unilateral or collective will to embody in instruments those guidelines and recommendations which aim at guaranteeing remunerative prices for the products exported by the developing countries, so as to increase the purchasing power of their exports and thus promote the dynamic development of their economies, and affording them easier access to the markets of the developed countries. The end of the short boom in the international primary commodity markets makes it necessary for urgent attention to be given to a series of practical measures to off-set the unfavourable effects of falling prices, in foreign markets for products of interest to the developing countries.

76. Not only has there not been any progress in the negotiation of international commodity agreements, which for more than twenty years has been unanimously recommended in international forums as an appropriate means of finding solutions to some of the most acute problems arising in the international trade of primary commodities, but, on the contrary, much ground has been lost in recent years for want of co-operation on the part of the developed countries in renewing the regulatory clauses of the international agreements of wheat, coffee and sugar. As a result, it has become necessary to promote new forms of organization among the developing countries in order to defend their export products, one of which could be the creation of producers' associations.



77. The Programme of Action for the Establishment of a New International Economic Order has encouraged the formation of producers' associations and has urged all the countries to promote its objectives which include, among others, the ordered trade of primary commodities and the improvement of the export earnings of the developing countries and of their terms of trade with the developed countries. In view of the fact that the possibilities of organizing producers' associations are not the same for all products, it should be pointed out that action can be taken by producers' associations not only through the direct control of prices but also through the improvement of marketing networks so as to ensure that the exporting developing countries receive a greater share of the final price of the product.

78. UNCTAD is currently considering the implementation of a general integrated programme on basic commodities, based on its 10 years' experience in commodity problems and policies. A preliminary list includes 18 products, 14 of which are of export interest to the Latin American countries. This integrated programme deserves the firm support of the Latin American countries, because it represents a renewed and promising attempt to solve some of the more serious problems of Latin America's export trade in basic commodities. The main features of the integrated programme should include: (a) indexing of basic commodity prices; (b) guidelines for a new policy on international commodity agreements; (c) financing of buffer stocks at the national and international level; and (d) compensatory financing.

79. In the developed countries the indexing of basic commodity prices is a long-established form of intervention in commodity markets. This policy has still not, however, been accepted at the international level. The ineffectiveness of the recommendations on the price policy for basic commodities requires that maximum support should be given to this measure and that all the developing countries should pool their efforts in order to set up - by means of international co-operation - suitable mechanisms for applying the indexing principle in trade in basic commodities. Only by this

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means will it be possible to put into practice the partial and hitherto ineffectual recommendations contained in resolution 73 (X) adopted by the Trade and Development Board on the subject of price policy.

80. Producers' associations could be one of the new forms of agreement. The Latin American countries propose to explore, with the participation of developing countries in other regions, every possibility of establishing producers' associations, and affirm their decision to convert them into useful instruments for the formulation and implementation of a basic commodities price policy in line with the principles of fair prices for producers and the necessary increase in the income of exporting countries.

81. In view of the deterioration in the prices of several basic commodities, it is a matter of urgency to establish and operate buffer stocks. It is therefore necessary to study and suggest reforms in the existing financing machinery and to seek new sources of funds to finance buffer stocks of basic commodities of interest to the developing countries, in keeping with world demand. The recently adopted measure for financing the withholding of coffee exports of some Central American countries is a useful precedent in this respect.

82. The policy of compensatory financing should be aimed at protecting the developing countries against the harmful effects of decreases or shortfalls in their export earnings for reasons beyond their control. Compensatory financing is therefore an essential complement to price policy.

2. Exports of manufactures and the Generalized System of Preferences

83. Efforts to export manufactures to the developed countries should be continued and intensified. Since these are fairly new activities in the developing countries. They should receive compensation for the fact that they are entering the world markets at an initial disadvantage. Latin American industry is undergoing changes which are improving its efficiency and the countries of the region are

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gaining experience in external markets. As progress is made in this direction, the countries which are not yet in a position to compete on an equal footing with the developed countries should receive compensation for the disadvantage at which they find themselves. This compensation should take the form of preferential treatment of the developing countries by the industrialized nations, including the elimination of non-tariff barriers. In turn, the developing countries should grant adequate subsidies within reasonable limits.

84. One of the important elements of the special treatment afforded to exports of manufactures from the developing to the industrialized countries is the Generalized System of Preference which the latter, with the exception of the United States, introduced in 1971 or 1972. The schemes applied so far by the EEC and Japan have been of limited scope and need to be intensified and extended so as to cover a wider range of products and do away with existing restrictions. By bringing about a general reduction in trade barriers against these products in the industrialized countries, the multilateral trade negotiations in the GATT may have an adverse effect on the preference margins of the developing countries. It is essential not only that the developing countries should receive compensation for the loss of these preference margins but also that the advantages accruing to them should be increased.

85. The experience of recent years, during which the Generalized System of Preferences has been in effect, has brought to light some of its major shortcomings and the modifications that would have to be introduced for the System to become a really effective instrument for expanding the exports of manufactures from the developing countries. The improvements that should be considered include the need for the preference schemes to cover numerous products that are subject to customs duties (especially processed agricultural goods), the elimination of quota systems, the adoption of principles and norms for resorting to escape clauses, the harmonization of the preference schemes of various countries, the adoption of more flexible criteria regarding rules of origin, the simplification of

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administrative formalities for taking advantage of the preferences, the extension of preferential treatment without reciprocity to non-tariff barriers, and the adoption of supplementary measures so that better use can be made of the various schemes.

86. It is indispensable that the United States should put its preference scheme into effect rapidly and that its application should take due account of the aspirations of the Latin American countries, especially as regards the products included, rules of origin and escape clauses. It is likewise necessary that it should entail no exclusion or discrimination that prejudices specific countries.

### 3. The United States 1974 Trade Act

87. The prospects of initiating a new stage in trade relations with the United States, which seemed to be offering new opportunities for expanding reciprocal trade as a result of the Tlatelolco Dialogue, were abruptly spoiled by the provisions contained in the 1974 Trade Act. In essence, this Act contains elements of protectionism and economic coercion. Considering the magnitude of the values of reciprocal trade, the importance of the United States market for the great majority of the Latin American countries and the large proportion of products from key sectors of United States industry purchased by them, it is indispensable that the negative aspects should be eliminated in the implementation of this Act.

88. The Act laid down principles and guidelines for the United States - three or four years after other developed countries - to apply the Generalized System of Preferences in favour of exports of manufactures from the developing countries. The administrative branch of the United States Government has a certain amount of freedom to decide whether to apply some of the system's principles and guidelines as laid down by Congress in a more liberal or restrictive manner. It is important for the developing countries that the more liberal approach should be stressed.

89. The Latin American countries emphatically reject any type of measure involving overt or disguised coercion in respect of the

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orientation of their trade policy. The terms of the 1974 Trade Act are thus open to criticism in that they seek to make the aim at laying treatment offered to the country benefiting from the Generalized System of Preferences, dependent, among other things, upon the non-participation of the developing countries in producers' associations and upon certain rules regarding the expropriation or nationalization of foreign investment which - in principle - should be a matter of national sovereignty.

4. Transport, insurance and tourism

90. Experience in this field during the first half of the decade is discouraging. In spite of the successful efforts of some Latin American countries, the region's share in the world fleet has declined and the deficit in the balance of payments has grown alarmingly.

91. Many of the specific measures of the IDS relating to conference practices have been incorporated in the Code of Conduct of the Shipping Conferences adopted at the United Nations meeting in April 1974. The Code will not be implemented immediately, however, and new developments threaten to undermine its provisions.

5. Multilateral trade negotiations

92. The importance of the multilateral trade negotiations which began in Tokyo does not stem so much from the prospects of the liberalization of world trade as from the fact that these negotiations will lay the foundation of a new international economic order in the field of trade. Their scope cannot, therefore, be limited exclusively to the commercial aspects which are their specific province, for it is necessary to take account of more general economic and international legal considerations. This approach is in line with that of the IDS, which stresses the need to adopt convergent measures in all contexts, with a view to overcoming the obstacles faced by the developing countries.

93. To comply with this objective, it is necessary to realize the specific aspirations of the developing countries, which Latin America voiced prior to the Tokyo meeting, namely:

(a) the application of the principle of non-reciprocity in the negotiations;

(b) the preservation, enlargement and institutionalization of the General System of Preferences, and its extension to include non-tariff barriers and such trade norms as escape clauses;

(c) the institutionalization of differential treatment by adapting the relevant clauses in the General Agreement and incorporating new rules for the exclusive benefit of the developing countries.

94. The promulgation of the 1974 Trade Act removes one of the major obstacles which have so far stood in the way of the formal initiation of multilateral trade negotiations agreed upon in GATT as long ago as 1972. Since these are the first multilateral trade negotiations in which all countries, whether members of GATT or not, can participate, and since the objective is the reduction not only of tariff barriers but also of non-tariff barriers affecting industrial and agricultural products, the Latin American countries propose to participate in them to seek the adoption of an international trade regime which enables them to recover and increase their share of world trade on bases that are compatible with the gradual development of their economies. If this is to be possible, it is important that the United States should reaffirm its adherence to the principles and objectives contained in the Tokyo Declaration concerning trade with the developing countries, and that the Executive branch of the government should use the discretionary power given to it under the Trade Act in certain areas of the negotiations in a manner favourable to the interests of Latin American countries.

95. The rules of negotiation adopted must be such as to enable the developing countries to participate fully in the negotiations themselves and in the periodic appraisals as well, and must pave the way for the promotion, through the appropriate channels of action leading to comprehensive solutions in favour of these countries.

96. It is necessary to introduce juridical amendments to the General Agreement so that it includes all the principles which the developing countries prepared within UNCTAD with a view to giving the new international economic order an institutional form. These principles should make possible the suitable improvement and updating of Part IV of the General Agreement. As part of the legal framework, adequate consultative machinery should also be provided for solving the problems that may arise in such a way as to guarantee the application of the principles upheld by the developing countries.

97. During the preparatory stage of the negotiations, the countries of Latin America had access to ECLA's advisory services through the ECLA/UNCTAD/UNDP programme, in accordance with the provisions of resolution 326 (XV) on the preparation of Latin America for the 1973 multilateral trade negotiations. In view of the intensive work and preparation which the negotiations have been found to require, it is essential that this programme should receive the necessary financial support and redirect its action towards a more operational phase, so that the Latin American governments will have access, especially in Geneva, to the permanent technical advisory services provided by ECLA.

6. Reform of the international monetary system and external financing

98. The reform of the international monetary system should be regarded as an integrated tripartite process for transforming the bases of the world economy. Latin America believes that, simultaneously and interrelated with the restructuring of the international monetary system, machinery should be established for transferring adequate amounts of real resources to the less developed nations on suitable terms, and that arrangements should be made for the developing countries to have greater access to the capital and trade markets of the industrialized countries. Ample support is required from these countries for implementing the measures concerning the link between the creation of liquidity and financial assistance. The Latin American countries reaffirm their decision to contribute to the establishment of a new international economic order, with new rules of conduct as regards money, development financing and international trade.

99. There should be recognition of the importance of Latin America's participation in decisions regarding the reform of the international monetary system and its operation. Therefore, it is a matter of no small concern that minority meetings should periodically be held outside the context of the formally established forums for dealing with these matters. It is not desirable that a minority group of countries should be responsible for judging and deciding on the substantive elements of the reform. The effective participation of the developing countries should ensure that the proposed system is established on an equitable basis.

100. The inflationary process has serious implications for the economic situation of the whole international community and constitute one of the most formidable obstacles to the reform of the monetary system. It is imperative that at the national level of the developed countries, which are a prime factor in the process, and at the international level in the relevant institutions, effective measures should be taken to prevent or correct inflation.

101. In the face of the external financing situation, several courses should be considered. One such course could be that which was suggested in the Solemn Declaration of Algiers, in which the OPEC countries confirmed their decision to increase co-operation with the developing countries and - as far as possible - to contribute to the implementation of the United Nations special international programme, by means of the concession, in various forms, of special credits and grants-in-aid to those countries. In this context, they agreed to co-ordinate their financial co-operation programme. In addition, in the above-mentioned document the members States of OPEC advocate pooling the financial resources contributed by them with those of the developed countries, which have clearly been insufficient. If this machinery is to be effective, it would be desirable for the concessions necessary for financing to be granted to the developing countries in the form of soft loans from the developed countries (for example, by subsidizing the rate of interest on the loans), combined with financing from the oil-exporting countries.



102. It would also be useful to establish policies by virtue of which the financing is used primarily for purchases of equipment and essential inputs originating from other developing countries, with a view to making the integration and co-operation between those countries more effective.

103. As regards the foregoing, the necessity is reaffirmed of carrying out a review of the criteria and methods traditionally used to measure a country's solvency, in order to take into account other factors, in particular their unexploited or inadequately exploited natural and human resources potential.

#### 7. Transnational enterprises

104. The preparation of a code of conduct for transnational enterprises must be one of the basic objectives of the developing countries. The Latin American countries must use their unity as a basis for the formulation - at the level of the group of developing countries - of a common stand - on substantive principles for the preparation of such a code.

105. The fundamental idea that not only should the Information and Research Centre on Transnational Enterprises participate in the preparation of the code of conduct, but also that its duties should extend to fields of information, studies and research, and technical co-operation should not be shelved. With regard to its information work, it should become a unit for the distribution of information transnational enterprises. Resolutions must be proposed so that the Governments of the countries in which the transnational enterprises originate adopt laws which enable them to pass relevant information on the Centre. ECLA and the secretariats of the regional and sub-regional integration agreements (LAFTA, CACM, the Andean Group and CARICOM) could be asked in view of their knowledge of the foreign enterprises which invest in Latin America to collaborate with the Centre in its pursuit of these objectives. As regards studies and research, a programme of work should be prepared which supports the main objectives of the developing countries.

8. The transfer of technology

106. In this field it is considered advisable to put forward the following proposals:

(a) the promotion of a regional information pool on technology marketing techniques, so as to favour individual or joint negotiations on technological know-how by the countries of Latin America;

(b) the provisions of incentives at the regional level for import substitution in the field of technology; Latin American multinational enterprises could be suitable instruments for the creation and development of a technology of their own, since their resources make investment in research both possible and profitable;

(c) the study of the possibility of the ratification of standards on developed or imported technology for Latin America, since this would make it possible to standardize the productive structure in order to facilitate the development of their own technology;

(d) the study of the preparation of a code of conduct on the transfer of technology and on the restrictive practices of transnational enterprises in this field;

(e) the strengthening of the main international agencies connected with science and technology as a means of supporting the carrying out of the above proposals and of all the activities proposed by the Latin American countries in the field of technology.

B. Regional Action

107. The difficulties which the world economy is experiencing and the uncertain future of the Latin American economy are important reasons for strengthening the role of national effort and co-operation among developing countries in the fields of trade, industrial and agricultural development, financing, technology and transport. In the past, during difficult periods, the countries of Latin America have tackled their difficulties by making changes and adopting far-reaching decisions enabling them to widen substantially the horizon of their economic development. The industrialization process which followed the crisis of 1930 and economic integration are outstanding examples of the

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ability of the countries of the region to find new solutions to serious difficulties. In view of present unfavourable circumstances - and side by side with the continuing struggle to obtain stable and remunerative prices for primary products, access of manufactures to the markets of the developed countries and adequate financial co-operation from the industrialized countries - it is imperative to expand and intensify regional co-operation efforts whose implementation depends exclusively on the willingness and determination of the developing countries themselves.

1. Regional trade and industrialization

108. In the field of trade and industrialization, regional co-operation already exists, but there is still room for substantial expansion. Regional trade in Latin America has grown rapidly in recent years and has come to represent a sizable proportion of the total exports of manufactures of the countries of the region. However, and this is of fundamental importance, it is made up, on average, of goods which have a higher manufacturing value added and greater technological and industrial importance than extra-regional exports.

109. Industries producing capital and intermediate goods are more backward than durable and non-durable consumer goods industries. This backwardness constitutes an important obstacle to development and to the achievement of a sound and well-balanced production structure. At the same time, it largely accounts for the systematic external bottleneck of the Latin American countries, which takes on new and dramatic features in the face of the present difficult international economic situation. These basic industries generally have important economies of scale; the small size of the domestic markets appreciably raises their costs and the necessary investment per unit of production, and reduces their economic and technological capacity to produce on a competitive footing.

110. It is essential that all the Latin American countries should achieve a diversified structure of production and of trade involving important advances as regards capital and intermediate goods, in addition to consumer and agricultural products. Therefore, specialization

/among them

among them should not be determined by industries but by products or groups of products within each industry. This will enable the effort and the benefits obtained to be distributed on a rational and equitable basis. In other words, if a country establishes a given basic production which it exports to other Latin American countries, it is essential that the latter should also be able to participate as suppliers of other goods involving a similar degree of processing. Spontaneous market forces will not be able to provide solutions of this kind without an integration policy specially designed and oriented by the governments.

111. The expansion of regional trade should thus be closely linked with a policy of Latin American co-operation for the development of basic industries. Trade policy instruments and the reduction of trade barriers are effective factors in promoting the growth of existing economic activities. New industries require, in addition to the free movement of goods within Latin America a minimum degree of policy co-ordination among the countries so as to encourage the kind of specialization that will enable them to make the most of the size of the regional market and of possible comparative advantages. The practical possibilities of achieving such co-ordination vary from one sector to another and from country to country. Despite the practical obstacles to the complete and immediate achievement of these objectives, it is possible to analyse and promote a series of measures in sectors of vital importance for development.

112. In the case of the relatively less developed countries, programming and regional co-operation measures to encourage investment, the establishment of new plants to surmount existing disadvantages in terms of infrastructure and skilled manpower are essential to the establishment of a regional balance that will guarantee adequate development opportunities for all the countries concerned.

## 2. Agriculture

113. Regional co-operation in the agricultural sector also affords significant opportunities. Imports and exports of agricultural commodities are items of current or potential importance in the balance of payments of the Latin American countries. Moreover, the promotion

/of agricultural

of agricultural production plays a vital role in meeting food requirements and in the productive absorption of manpower. Making better use of the comparative advantages of the countries will also produce unquestionable benefits. Regional trade in agricultural products and technological co-operation in this sector not only hold out important prospects but in many cases also have a rapid effect, and this is particularly useful in the present international situation.

### 3. Infrastructure

114. Another basic area of co-operation has to do with the infrastructure of transport, energy and communications. Trade, agricultural and industrial integration is difficult in the absence of minimum physical integration. In addition to setting up basic networks linking countries up in these areas, there are several specific possibilities for action.

115. As regards shipping the Latin American countries should organize sub-regional and regional councils and ensure that they are adequately informed, so as to be able to discuss with international shipping conferences, on a collective rather than an individual basis, the frequently unjustified increases in the freight charges which they establish. Co-operative action is required at the sub-regional and regional levels for the adoption of new technologies, such as the use of containers and international intermodal transport at present being introduced into Latin America by shipping companies of developed countries which do not usually take into consideration their possibly adverse economic and social effects on Latin American countries.

116. As regards rail and road transport, outmoded frontier formalities hamper the efficient utilization of the available infrastructure. Regional and sub-regional co-operation in doing away with these restrictions is vital for the integration of the region. To this end, more intensive use must be made of associations of rail and road carriers, as well as of regional groups responsible for insurance, banking and customs facilities. Other important aspects

/involved in

involved in achieving better international trade and transport include the simplification and harmonization of documents, the adoption of uniform codes for identifying goods and providing other necessary information, the elimination of docking formalities in ports, the replacement of consular documents by less costly procedures, etc.

117. With regard to insurance and tourism, regional and sub-regional co-operation again has a significant contribution to make. As far as insurance is concerned, combined efforts are needed to promote regional reinsurance and to overcome the kind of obstacles that make it easier to reinsure outside rather than inside the region. As regards tourism, multinational tourism circuits should be promoted, bearing in mind that the benefits which they could bring may be particularly attractive to the countries of Latin America.

#### 4. Financial co-operation

118. Two aspects which are very closely linked are the financing and the preparation and promotion of projects. The concern with preparing projects should not be limited to purely technical aspects. There is a lack of machinery for turning many valuable initiatives into projects that can reach what is known as the pre-implementation stage, including the consideration of financial aspects. Mention has been made of the possibility of setting up bodies which will allow the channelling of resources so that the various initiatives can contribute to creation of enterprises, and it has been stressed how important it is that the power of decision-making in such bodies should remain in Latin American hands. Encouragement could also be given to the co-ordination of existing national financial bodies.

119. A mechanism of this type would make it possible, through capital contributions, to support the implementation of the aforementioned projects, and thus also make it easier to attract the other resources required.

120. Another efficient instrument whose application must be carefully studied is the Latin American system of payments. Limited progress has already been made in this respect, but, in order to have any real impact, much greater progress will have to be made. This instrument cannot be conceived only as a financial mechanism. It must aim at giving a strong impetus to regional trade. For this purpose, financial resources and the possibility of carrying out operations over suitable periods are required. Moreover, it must contain provisions which encourage countries with credit balances in regional trade to use them to make purchases in countries inside Latin America.

#### 5. Technology

121. Another very interesting field for regional co-operation among the Latin American countries is technical co-operation among the countries of the region which possess valuable untapped resources. ECLA should insist on and contribute to the implementation of the decisions that have been taken in the General Assembly and the UNDP Governing Council to promote technical co-operation among developing countries.

122. Co-ordinated action at the Latin American level in respect of consultant services would help to turn numerous initiatives into definitive projects. At present consultant services are frequently provided by foreign enterprises; yet there are a considerable number of Latin American experts working in an unco-ordinated manner, or even for the foreign enterprises themselves. In this context, the preparation of a list of Latin American consultants according to specialization could be envisaged and made available to all interested parties. Co-ordinated action by Latin American countries in the field of consultant services could serve as a means of collaboration with developing countries in other regions.

#### 6. Machinery and action for co-operation

123. The progress made in regional trade in recent years, the impetus which some of the integration processes have acquired (particularly the Cartagena Agreement and CARICOM) and some of the terms of

/specific agreements

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2. Specially invited guest

COLOMBIA

Felipe Jaramillo

3. Secretariat

Enrique V. Iglesias, Executive Secretary

Manuel Balboa, Deputy Executive Secretary

Alejandro Power, Director of ECLA Office in Colombia

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