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REPORT BY THE SECRETARIAT ON THE MEETING OF LATIN  
AMERICAN GOVERNMENT EXPERTS ON TRADE POLICY

(Brasilia, 20 to 25 January 1964)

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## INTRODUCTION

1. This report summarizes the activities of the Meeting of Latin American Government Experts on Trade Policy, held at Brasilia from 20 to 25 January 1964, preparatory to the United Nations Conference on Trade and Development.
2. On 8 December 1962 the United Nations General Assembly adopted resolution 1785 (XVII) in which it endorsed the decision of the Economic and Social Council, as stated in resolution 917 (XXXIV), to convene a United Nations Conference on Trade and Development. In its resolution the Council requested the regional economic commissions, the specialized agencies and other related international organizations concerned with international trade to assist in the preparation of appropriate documentation and proposals for such a conference.
3. At its tenth session, held at Mar del Plata, the Economic Commission for Latin America (ECLA) acted on the recommendations contained in the aforementioned resolutions. It considered that "sufficient background data must be prepared to enable the Latin American countries to adopt a concerted position, and that their problems and prospects must be put forward in clear and convincing terms if Latin America is to take due advantage of the opportunity afforded by the United Nations Conference on Trade and Development to find a satisfactory solution to their foreign trade problems". It further requested the secretariat to hold a seminar on the United Nations Conference on Trade and Development, prior to the Conference in question, the seminar to be conducted with the co-operation of specialists appointed by the Governments of all the Latin American countries. The purpose of the seminar would be to promote "more efficient preparation and fuller mutual knowledge of those problems of the countries of the region which are to be discussed at the Conference".
4. Acting on the above instructions, the ECLA secretariat prepared the document entitled Latin America and the United Nations Conference on Trade and Development (ST/ECLA/CONF.13/L.2), in co-operation with a group of eminent Latin American consultants who met for that purpose at Santiago, Chile, in October and December 1963. The document in question served as a basis for the discussions of the Meeting covered by the present report.
5. This report is divided into three parts: Part I deals with membership, attendance and organization of work. Part II consists of a summary of the debates, prepared by the ECLA secretariat. Part III comprises the conclusions approved by the experts, which are to be submitted to the Governments for consideration.

## I. MEMBERSHIP, ATTENDANCE AND ORGANIZATION OF WORK

### A. OPENING AND CLOSING MEETINGS

6. The Meeting was inaugurated on 20 January 1964 in the Red Room of the Hotel Nacional, Brasilia. On behalf of the Government of Brazil, His Excellency J. Augusto de Araújo Castro, Minister for Foreign Affairs, welcomed the representatives. Mr. Francisco Apodaca y Osuna, representative of Mexico, replied on behalf of the participants. The inaugural meeting ended with a statement by Mr. José Antonio Mayobre, Executive Secretary of ECLA.

7. The closing ceremony was held on 25 January. Statements were made by Mr. Bernardo Grinspun, representative of Argentina; Mr. José Antonio Mayobre, Executive Secretary of ECLA, and Mr. Celso Furtado, Chairman of the Meeting.

### B. MEMBERSHIP AND ATTENDANCE

8. The Meeting was attended by 104 experts on trade policy, representing the Governments of the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, México, Panama, Paraguay, Peru, Uruguay and Venezuela. 1/

9. Moreover, representatives of the following organizations attended by special invitation: Organization of American States (OAS), Inter-American Development Bank (IDB), Latin American Free Trade Association (ALALC), Latin American Centre for Monetary Studies (CEMLA), Panel of Nine appointed by the Inter-American Economic and Social Council, and the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA).

### C. ORGANIZATION OF WORK

10. At the first plenary meeting Mr. Celso Furtado of Brazil and Mr. Manuel F. Chavarría of El Salvador were elected Chairman and Vice-Chairman of the Meeting respectively.

11. The work of the Meeting was divided among two Committees. Committee I, under the chairmanship of Mr. Bernardo Grinspun (Argentina), considered agenda items 2 and 3, while Committee II, whose Chairman was Mr. Carlos Valenzuela of Chile, discussed items 5, 6 and 7.

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1/ See Annex for the complete list of participants.

D. AGENDA AND DOCUMENTS

12. The work of the Meeting was based on the following agenda:
1. Opening ceremony
  2. Election of the Chairman of the Meeting
  3. Measures for solving primary commodity trade problems
  4. Diversification of the composition of exports
    - (a) Trade in manufactures and semi-manufactures
    - (b) Trade in invisibles
  5. Policy with respect to the geographical diversification of trade
    - (a) Possibilities of trade with countries having a centrally planned economy
    - (b) Possibilities of trade with other areas in the process of development
    - (c) Regional integration and Latin American foreign trade
  6. Trade financing and economic development
  7. Organizations and measures for the promotion of world trade
  8. Consideration of the report and conclusions of the meeting

Documents:

Temario (ST/ECLA/CONF.13/L.1/Rev.1)\*

Latin America and the United Nations Conference on Trade and Development (ST/ECLA/CONF.13/L.2)

La Posición latinoamericana ante la Conferencia de las Naciones Unidas sobre Comercio y Desarrollo. Nota de la Secretaría (ST/ECLA/CONF.13/L.3)\*\*

Informe de la reunión extraordinaria del Subcomité de comercio centroamericano (ST/ECLA/CONF.13/L.4)\*\*

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\* For the English text of the agenda, see above.

\*\* The documents marked with an asterisk are available in Spanish only.

## II. ACCOUNT OF PROCEEDINGS PREPARED BY THE SECRETARIAT

### A. GENERAL CONSIDERATIONS AND PRINCIPLES

13. The proceedings of the Meeting conducted to the definition - in its essential outlines - of the concerted position that Latin America might take up in face of the basic problems shortly to be tackled at the United Nations Conference on Trade and Development. The feasibility of thus establishing a united front was not, of course, unconnected with the systematic study of the region's foreign trade and development problems which had been carried out over many years by the countries of the region, through ECLA and other international agencies, and by means of which it had been possible to build up a substantial body of knowledge and to achieve a steadily increasing degree of mutual understanding and solidarity with respect both to common problems and to those particularly affecting individual countries or groups of countries in Latin America.

14. The unanimous agreement reached by the government experts on each and all of the agenda items was also partly attributable to the fact that the United Nations Conference on Trade and Development would be the first opportunity since the Havana Conference, fifteen years before, to consider, at the world level, the basic problems of international trade and the solutions that were indispensable in the contemporary world. During the interval, significant events had taken place, which set a very different stamp upon the forthcoming Conference.

15. The subject of the Conference itself reflected the influence of the events in question. International trade problems were no longer to be studied for their own sake alone, but as an essential part of the more general problems of development. Poverty and discontent had ceased to be matters of concern solely to the countries where they were rife, and in the world of today the increasing disparities between the levels of living of the different peoples could not be accepted as part of their appointed lot; on the contrary, it was recognized that all countries should feel it their duty to join in remedying such a state of affairs, and particularly those that the vicissitudes of history - and, in part, the characteristics of the past evolution of their international trade - had placed in the van of development. Thus, the result of the Conference would have to be evaluated in the light of the efficacy of the decisions adopted, from the standpoint of speeding up the growth rate of the developing countries and promoting an upward trend in world income.

16. The experience of recent years enhanced the importance of this objective, since it was a well-known fact that the rate of economic growth in the developing regions was nothing like as intensive as could be desired, and in the particular case of Latin America the slackening of tempo had been yet more marked. One of its most potent determinants had been the unfavourable evolution of the external sector, which, far from constituting a source

/of dynamic

of dynamic impetus, had been an obstacle in the way. The slow growth rate of exports and the deterioration of the terms of trade had limited external purchasing power, while at the same time demand for imports was expanding as a result of the requirements of development itself, with the result that disequilibria were aggravated and pressures were created that were difficult to control.

17. In the existing circumstances, the problem presented itself in even more difficult terms, since in many Latin American countries the external sector's lack of dynamism had given rise to an increasingly intensive process of external borrowing, and the incidence of the servicing of such external debts in foreign exchange had reached levels so high as to necessitate a complete restatement of the problem, and a search for the effective and lasting solution implied by a more active international trade, channelled in the direction of new patterns and procedures.

18. The reorientation of international trade and the restoration of its dynamic force would supply the basic solution needed, but would involve a herculean labour of reconstruction. The detailed analysis of the many special problems inherent in such a task led in the course of the proceedings to the formulation of a series of specific conclusions, implying the adoption of vitally important decisions at the world level. In most cases, those decisions were only to a very slight extent the exclusive province of the developing countries themselves, for they would depend mainly upon joint action, with the full participation of the industrialized countries. Obviously, it should not be inferred that the latter ought to shoulder the entire responsibility for the less advanced countries' development effort, which was primarily the business of the interested countries themselves. Decisions to introduce the internal structural reforms that were essential prerequisites for improving the living conditions of their population; efforts to formulate planned economic and social development policies; and the moves towards regional economic integration that were already registering significant progress, were all steps towards the fulfilment of the task in question. But the efficacy of such endeavours was being seriously hampered by the obstacles that the prevailing characteristics of foreign trade still placed in the way. If they were not surmounted, many undertakings would continue to prove fruitless, and legitimate aspirations towards betterment, whose satisfaction could not be indefinitely deferred, would be doomed to frustration.

19. Such problems constituted the background for the discussions on particular topics held in the course of the Meeting. The fulfilment of the external requisites that would enable the Latin American countries' own efforts to bear fruit inevitably involved nothing less than the establishment of a new and authentically world-wide economic order. The new system advocated would act as a powerful stimulus to the more rapid growth of the developing economies, and would do away with the shortcomings of the existing structure, which for the past few decades had been basically determined by the interests and problems of the highly industrialized countries.

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20. Accordingly, the experts made it perfectly clear that within the reconstruction process under discussion world trade could no longer be governed by the automatic application of rigid principles. Nor could it be based on - and calculated to maintain - inequality between countries; on the contrary, it should be guided by rules of solidarity and co-operation deliberately designed to eliminate that inequality and establish an international system which would also meet the needs of the less developed countries. Just as at the Meeting then in progress the Latin American countries had succeeded in concerting a united approach consistent with the special requirements and characteristics of countries at relatively less advanced stages of economic development, so there seemed to be no good reason why solutions equally satisfactory from that standpoint should not be reached at the United Nations Conference on Trade and Development.

21. The flexibility that would necessarily characterize the new international trade order whose foundations were to be laid at the Conference would have to derive from a set of general and widely applicable rules and principles. Some of them related to the nature and scope of the system. Others concerned the type of relations that would have to be established between the developed and the developing countries.

22. With respect to the former, it was stressed in the course of the Meeting that an indispensable prerequisite for the attainment of a system which met the needs of all developing countries, was the complete abolition of the discriminatory preferences established by certain industrialized countries and groups of countries in specific geographic areas; they had long been hindering the expansion of Latin America's exports, and had decisively contributed to the reduction of the Latin American countries' share in world trade. That was not a new or recent contention. On the contrary, it constituted one of the basic principles that Latin America had long been urging, especially since the Havana Conference. It was clearly shown, moreover, that there was no reason why the elimination of the above-mentioned preferences should be detrimental to the interest of the countries affected, and, similarly, that it was not justifiable for the co-operation they received from the developed countries to militate against the economic and trade interest of the Latin American republics.

23. In the same context, the experts pointed out that if an appropriate solution was to be found for existing problems and the development and organization of trade were to be more satisfactory in the future, the geographical scope of international trade should be as broad as possible, and suitable conditions should be established for the expansion of trade flows, on reciprocally advantageous terms, between countries with different economic systems, as well as between developing countries in different continents.

24. With reference to economic and trade relations between the developed and the developing countries, the view was expressed that the adoption of a new framework of rules and principles would in several cases involve a

/radical revision

radical revision of certain basic tenets that had hitherto governed international trade. A fundamental criterion emphasized by the experts, in the discussion of the various agenda items, was that, in order to consolidate the position of trade as the essential factor - among those of external origin - in the future growth of the developing countries, it was of the greatest importance that the industrialized countries should afford products from the less developed countries full access to their markets. That would entail not merely the elimination of the tariff barriers and other restrictions currently impeding the flow of goods in question, but also actual measures to encourage it, in the shape of new systems of preferences. Such preferences should be conceived on the basis of a non-discriminatory multilateralism, as yet non-existent, by virtue of which they would be granted by all the developed to all the developing countries.

25. It was also pointed out that if preferences were really to result in an expansion of the developing countries' export trade, they should not be made extensive to the developed countries. Similarly, they would have to be granted unilaterally, without the exaction of reciprocal concessions. Hence, an appropriate revision of the traditional principles of reciprocity and of those that had hitherto regulated the application of the most-favoured-nation clause was felt to be an essential requisite for any effort to reorganize international trade on more equitable bases, better adapted to development requirements. Obviously, only thus could the gap between the developed and developing countries begin to be closed by a far-reaching and energetic process of direct co-operation, of fundamental interest to both groups, whereby all would benefit.

26. With regard to the repercussions of regional economic groupings on the foreign trade of the developing countries, the Meeting approved the following text, to be included in the section on general principles:

- (i) The developed countries which have formed or wish to form regional groupings should realize that in adopting this procedure they assume special responsibilities in relation to the developing economies. By liberalizing their own reciprocal trade in primary commodities and industrial goods, they create, de facto, new disadvantages for existing and future exports from the developing countries. An essential, although not the only, requisite is, that the developed countries should strictly observe the rules under which the over-all incidence, on the trade of third countries, or the barriers established by such regional groupings must not be higher than that of the tariffs existing before their formation. It is likewise essential that the developed countries, at the time of concerting the said groupings, should adopt specific measures for the effective lowering of trade barriers, so that the export prospects for each individual commodity of interest to the developing countries may not suffer by the formation of the groupings.

- (ii) Failure to apply these principles, particularly on the part of the European Economic Community, has adversely affected export possibilities for those Latin American countries which are at present or might in the future become exporters of tropical and temperate-zone agricultural commodities, as well as of industrial goods. Consequently, Latin America trusts that the developed countries in question will lose no time in adopting appropriate measures to guarantee, in relation to each category of products, that the existence of the regional groupings will not have unfavourable effects on the trade of the developing countries.
- (iii) It is highly important that these principles be observed, so that the developing countries may preserve an outward-looking approach to their own economic integration processes. Only in such conditions will they be able to continue enjoying the benefits of a satisfactory international division of labour during their integration process, and to maintain an optimum flow of the imports they need for their economic development.

27. The specific conclusions in which the Meeting endeavoured to sum up the essential aspects of its discussions, and of which the text is given in later sections, related not only to the topics already mentioned, but to a wide range of subjects reflecting the complexity of the problem: questions concerning particular groups of products; requirements and prospects for the increasing diversification of Latin America's exports; extension of the region's trade relations to other areas; problems bearing on the financing of trade and development; the future organization of international trade; and so forth. It was thought advisable that the individual consideration of such points should be preceded by an over-all evaluation, in order to stress the fact that there was no question of piecemeal recommendations, among which orders of priority could be established, or some could be accepted and others rejected. Such was not the case. All went to shape a single solution, so that they were only parts of an integrated whole that could not be broken up without serious risk of depriving them of all their efficacy. That did not signify a lack of flexibility or positive rigidity with regard to modes and procedures, such as might detract from the region's bargaining power and ability to reach understanding with other areas, especially those that were also in process of development; but it did clearly imply that there was a minimum of essential and closely inter-related objectives, which would have to be attained if a satisfactory solution was ever to be reached.

28. It was no exaggeration to assert that the future of Latin America largely depended upon the relevant decisions finally adopted at the world level. What should be advocated was the increasing integration of Latin America's development with the world community, and the exploitation, to the benefit of all, of the advantages of an international trade built up on rational and equitable foundations. Such was, in the last analysis, the essential gain that it might be hoped would result from the discussions of the forthcoming United Nations Conference on Trade and Development.

## B. TRADITIONAL PRIMARY EXPORTS

### (a) Tropical products

29. The discussion of the problems and prospects of trade in tropical products hinged upon the fact that these constitute a substantial proportion of Latin America's total exports, and that for some Latin American countries in particular their share in this branch of trade is of decisive importance.

30. In the course of the discussion, attention was devoted to the various kinds of restrictions and barriers that had been limiting Latin America's capacity to expand its foreign trade in tropical products. The high internal taxes on consumption to which they were subject in various industrialized countries, the unjustifiably high costs of processing and marketing them in some of the countries in question, and the maintenance of various forms of discrimination and import restrictions - whether in relation to raw materials or to processed goods - were all factors whose persistence would aggravate the difficulties under which Latin America's exporter countries were already labouring, and would confront them with yet more formidable obstacles during the coming years.

31. The problem of internal taxes on tropical products in a number of the developed countries was felt to deserve careful consideration because of the magnitude that such taxes might attain. The estimates to hand indicated that in specific instances - as, for instance, in the case of coffee exports from Latin America to the European Economic Community - the total fiscal charges levied by the importer countries amounted to sums larger than those the exporter countries received. The high costs of processing and marketing some tropical products in certain industrialized countries generally produced similar effects. Indubitably, the accumulation of such taxes and mark-ups in the course of the distribution process curbed the growth of demand in the countries concerned, thus militating against the developing countries' possibilities of increasing their export earnings. On both these points the Meeting formulated specific conclusions, to the effect that, in the first place, the internal taxes referred to should be abolished by 31 December 1965, in conformity with the GATT Programme of Action, and, secondly, an exhaustive study should be undertaken with a view to defining the factors that determined high distribution costs.

32. With regard to the customs duties and charges in force in the industrialized countries, consideration was given to their twofold effect as an additional brake upon the expansion of demand and as an element making for discrimination in favour of specific groups of developing countries. Particular stress was laid by the Meeting on the second point, as being one that might weaken the united front which all the under-developed countries should present at the United Nations Conference on Trade and Development. In deeming it to be essential that the process of eliminating such duties and charges should begin before 31 December 1965, the Meeting bore in mind that the basic principle governing the abolition of discriminatory preferences of any type whatsoever must be that in the last analysis - in the context of the joint action suggested in relation to this and other aspects of the essential problem - it should redound to the general benefit of the developing countries as a whole. Another point made was that any temporary setbacks suffered by those developing countries which currently enjoyed the discriminatory preferences concerned could be liberally compensated by the expansion of demand that would derive from the elimination by the industrialized countries of the duties or taxes referred to above.

33. Similar considerations suggested the advisability of abolishing other discriminatory practices applied by various industrialized countries, such as the quotas accorded to their former dependent territories and the long-term contracts signed with them. There was also a consensus of opinion to the effect that the abolition of discriminations should be made extensive to processed goods based on raw materials of tropical origin, in order to promote the corresponding industrial activities in the producer countries themselves. In the same context, it was deemed indispensable that the industrialized countries should undertake to reduce their internal taxes and customs duties on those processed goods in whose case the value of the tropical raw material represented a high percentage of their final price.

34. The Meeting discussed the efficacy of commodity agreements as an instrument conducive to better market organization, to the regulation of volumes of supply and to the improvement and stabilization of prices for tropical products. In that context, it reaffirmed the principle that commodity agreements should be drawn up on such lines that they would effectively serve the basic end of encouraging the economic and social growth of exporter countries in process of development and promoting the establishment of more favourable terms of trade.

(b) Temperate-zone agricultural commodities

35. In the discussion of temperate-zone agricultural commodities, the attention of the Meeting was concentrated on the problems arising out of the protectionist measures applied by the industrialized countries, the difficulties deriving from the existence of agricultural surpluses, the deficiencies of current surplus disposal procedures, and matters relating to the organization of the markets for such products.

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36. With regard to the first of the foregoing problems, it was the unanimous opinion of the Meeting that the agricultural policies applied by the developed countries had caused serious distortions in world production and trade patterns in respect of agricultural commodities, with deplorable consequences for primary exporter countries in process of development. By means of various systems of subsidies and price supports, at levels much higher than those prevailing on the world market, certain industrialized countries had intensively encouraged their own agricultural production, with the result that not only had the share of imports in their consumer demand diminished, but in addition they had increased their subsidized exports of agricultural commodities. Consequently, the export opportunities of the developing countries, which were unable for financial reasons to compete with such subsidized sales, had been seriously cramped. Furthermore, the prices of the commodities under discussion had been adversely affected by the stockpiling of surpluses as a result of the whole body of protectionist measures adopted by the developed countries, with the ensuing decline in the export earnings of countries at less advanced stages of development.

37. Accordingly, it was felt to be essential that the developed countries should take steps to eliminate the various forms of agricultural protection altogether, within a time limit not exceeding that established in the United Nations Development Decade proposals. As a first step towards the achievement of that objective, it was considered indispensable that the developed countries should forthwith assume a commitment to fix a ceiling for subsidies and other forms of protection in the aggregate, which should be markedly lower than the level currently prevailing. Moreover, as from 31 December 1965 the ceiling in question would have to be gradually lowered until protectionist measures had been totally abolished within the period stipulated.

38. A progressive programme for the reduction of the various forms of protection on the lines described would facilitate the gradual adjustment of the agricultural economies of the developed countries and the rehabilitation of their marginal farmers, who as things were could operate only under the aegis of protectionist policies.

39. For reasons similar to those adduced in the case of tropical products, it was expressly specified that quantitative restrictions, export subsidies and internal taxes on temperate-zone agricultural commodities should definitely be abolished before 31 December 1965, in conformity with the time-limit already agreed upon under the GATT Programme of Action.

40. The Meeting made a detailed study of the problem of the accumulation and disposal of agricultural surpluses. It was clear that the procedures adopted for the disposal of such surpluses, on special terms, had been prejudicial to the export opportunities of the Latin American countries habitually exporting the products concerned and even to their international trade. Although, in given circumstances, the purchase of the surpluses

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on favourable terms helped to solve emergency problems in non-self-sufficient countries, and in many instances benefited social groups whose purchasing power was very low, care would have to be taken to see that such assistance did not lose its temporary character, since the perpetuation of transactions of that type might have adverse repercussions on a country's own agricultural development possibilities, and might also afford a margin for the creation of artificial consumer habits which were not consonant with the possibilities in question.

41. While the consultation systems for which provision was made in the agreements in force had worked fairly well in certain cases, in general they were not thought to be a very satisfactory means of safeguarding the interests of exporter countries in process of development. It was therefore essential that the disposal of agricultural surpluses should be effected on a multilateral basis, and that a share in the process should be accorded not only to the countries interested in each programme, but also to the habitual supplier countries. The United Nations Conference on Trade and Development should establish a special mechanism to serve that purpose.

42. The Meeting also discussed some suggestions in connexion with the economic co-operation enjoyed by developing countries through the purchase of surpluses on specially favourable terms, to the effect that direct assistance in kind should be replaced by other types of aid. It was agreed that such proposals had certain merits, inasmuch as if the purchasing power of the developing countries were augmented and they were free to buy agricultural commodities in whatever markets suited them best, many of the distortions introduced by the existing surplus disposal systems would be remedied, and a higher degree of multilateralism would be imparted to such operations.

43. The view was expressed that if the agricultural commodity agreement entered into both by the developing and by the developed countries were to be more effective than in the past, they should be governed by certain general principles that could be adapted to the peculiar characteristics of the products concerned. One such principle was that prices for imported and domestically-produced commodities should be established at levels midway between those prevailing in the major areas of high-cost and of low-cost production. Besides increasing the income of the less developed countries, such a measure would help to reduce the incentives to marginal production in the developed economies. It was considered, however, that the foregoing principle would not be valid for all products in the category under discussion, but should be selectively applied, since some commodities - cotton, for instance - did not present the same types of problems as others. It was pointed out that in setting over-all limits on supply the present distorted situation of world agriculture should not be taken as the starting point for the developing countries.

(c) Mining products and fuels

44. In discussing the situation of mining products and fuels, the participants stressed the existence of serious problems which had been adversely affecting the economic development of many Latin American

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countries. Some of the sources of difficulty were much the same as in the case of agricultural commodities: for example, the import duties and charges and quantitative restrictions designed to protect the domestic production of developed countries, and the discriminations applied by these latter in favour of certain areas. In that context, it was pointed out that the preferential systems under which some developed countries conducted transactions with their associate territories implied, de facto, discrimination against other exporter countries and damage to the interest of the traditional suppliers of the commodities under consideration. Equally serious were the effects of the restrictions on imports of mining products and fuels applied by the industrialized countries through the quota system, as a means of protecting their domestic production.

45. As in the case of agricultural commodities, agreement was reached on the need for the developed countries to eliminate the protectionist and discriminatory measures that were prejudicial to the developing countries' export trade in mining products and fuels, within a time limit corresponding to that established under the United Nations Development Decade programme. Such a course would not affect the total abolition of quantitative restrictions and internal taxes by 31 December 1965, in consonance with the GATT Programme of Action. Moreover, in view of the highly unfavourable repercussions of customs tariffs on trade in some mining products, it was considered that a programme for the gradual reduction of the tariffs concerned should be put into operation before that date.

46. A matter of particular concern to the Meeting was that of the policies pursued by the large foreign companies controlling major shares in the extraction, processing and marketing of the less developed countries' mineral and fuel resources. It was remarked that the line taken by the enterprises in question might be incompatible with the interest of the economic and social development of the less advanced countries. Inter alia, the tendency of such companies to establish distilleries, refineries, blast furnaces, foundries and other plants for the primary processing of mining products and fuels outside the territory of the producer countries prevented developing economies from reaping the full benefit of their national resources. It was therefore felt that whenever the developing countries, in order to satisfy their aspirations in the direction of economic and social betterment, decided to take steps to modify the situation described, countermeasures should not be applied by the developed countries.

47. Great importance was attached to the developing countries' need of access to sufficient external financing for their mineral resources and fuels to be more fully exploited. Consideration was also given to questions relating to commodity agreements on mining products, which, it was thought, should aim at price improvements that would increase the income of the less developed countries.

48. Another problem that engaged the attention of the Meeting related to the depressive influence exerted upon prices and the developing countries' export trade by the disposal of raw material surpluses of mining origin accumulated in the developed countries. It was unanimously agreed that in order to eliminate the handicap thus created such sales should be regulated by means of internationally-established rules and principles.



C. EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES

49. With respect to the question of exports of manufactures and semi-manufactures there was general agreement on the indispensable need for Latin America to expand the flow of these exports to the developed countries if the external sector was to cease being an obstacle to the attainment of a sustained minimum rate of economic growth. In the course of the discussions it was made clear that Latin America's medium and long-term requirements - which would have to be met on the basis of exports - could not be properly supplied by its traditional commodities, since they had little prospects of expanding in existing international markets, even if conditions turned out to be less unfavourable than was anticipated.

50. The only way to increase exports of industrial goods to the developed countries would be through a considerable effort on the part of the developing countries both to expand their own consumption capacity and to strengthen their competitive position and establish adequate trade relations with the markets in question. Stress was laid on the fact that for such an effort to be possible the developed countries would have to throw open their markets to industrial products from the developing countries. This could only be done through the elimination of tariff barriers and of the quantitative and other kinds of restrictions and discriminatory measures applied to the trade flows in question.

51. The meeting discussed the need to abolish the barriers to imports of manufactured goods into the developed countries rather than to remove them on a selective basis, since general treatment was an essential part of any process intended to solve the problems besetting the developing countries in that field, because of the advantages it offered over concessions made on a selective basis.

52. It was pointed out that general preferences and exemptions were more effective both as regards the periods within which their effects should begin to be felt and their very absence of selectivity and automatic application. In contrast, a liberalization process based entirely on selective treatment would be exposed to the risk of delay and subject to the complexities of specific inter-country negotiations. Its coverage would necessarily be more limited than the former in respect of number of items, and it would hamper the possibilities of programming industrial development in the beneficiary countries on a sound and sufficiently broad basis as regards the volume and diversity of the opportunities presented. Furthermore, the concession of favourable treatment of a general nature was not incompatible with the subsequent application by the developed countries of preferences or additional exemptions for specific items from the developing countries.

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53. During the debate, mention was made of two other conditions which should be observed by the concessions if they were fully to achieve their aims. In the first place, they should give unilateral preference to the developing countries without extending such treatment to trade between the industrialized countries - through the application of the most-favoured-nation clause - and without claiming reciprocal treatment by the beneficiary countries. Only thus would the concessions mean that the industrial exports of the developing countries had easier access to the more advanced world centres. Secondly, all the developed countries should agree to remove, in favour of all the developing countries, the tariff and other barriers currently applied in such centres. The reasons are twofold: (a) that type of co-operation for development purposes should embrace all the industrialized centres alike; and (b) if applied alike to all the developing countries, it would contribute to the establishment of an international trading system based on a new and more rational basis of multilateralism which would respond more closely to the development needs of the countries in question.

54. In order to analyse the specific problems that presented themselves at greater length, the Meeting made an individual examination of those that concerned manufactured products for final use and semi-manufactured products. The first category included all manufactures that had undergone complete transformation, whether they were consumer goods, capital goods or intermediate products, as well as parts and pieces of other products. Primary-processed or incomplete products were grouped together under the head of semi-manufactures.

55. In the case of the first, it was generally agreed that the preferences should be extended to all manufactures without exception. It was taken into consideration that a certain limit might have to be placed on such preferences, which, while assuring the less developed countries of a large enough market, would take into account the need for a systematic reorganization of supply conditions in the industrialized countries. Approval was therefore extended to the suggestion made in the secretariat report <sup>2/</sup> that preferences should be applied to imports representing up to 5 per cent of the domestic consumption, for each product, of the relevant developed country, without prejudice to any extensions to that limit that might be offered by a specific country to the developing countries. It was pointed out that the imports included in that quota would be duty-free, while those over and above the limit would be subject to the corresponding duties.

56. The experts were especially concerned about the situation in respect of the flows of trade in manufactured and semi-manufactured goods developed under the shelter of prior discriminatory preferences between certain developed and developing countries. Consequently it was considered that in calculating the imports covered by the 5 per cent limit, the volume of this trade should not be included. Without prejudice to the foregoing,

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<sup>2/</sup> ST/ECLA/CONF.13/L.2.

it was agreed to maintain the general principle that such discriminatory preferences designed to promote the development of certain countries should be abolished, while recognizing that a reasonable period of time should be allowed for the attainment of that objective.

57. Semi-manufactured products were considered separately for two reasons. Firstly, it was believed that these were the products that offered the best opportunities for the less developed countries to attain, within a relatively short period, a substantial expansion of their exports, both because of the technical characteristics of the industrial processes involved, and because in many cases those countries were already exporting the raw materials for such products. Secondly, the limit of 5 per cent of consumption would be too low for semi-manufactured products. Consequently the experts agreed that there should be total abolition of duties on imports of such products from the developing countries. However, in consideration of the fact that existing investments in this type of industry in the developed countries represented very large sums, it was thought that a reasonable period of adjustment would be needed, such as that established in the programme of the United Nations Development Decade, to permit those countries to make the internal adjustments required by the abolition of duties. Apart from that, it was believed that the process of liberalization should begin as soon as possible, and 31 December 1965 was indicated as the time-limit for its inception.

58. Both for finished manufactured goods and for semi-manufactured goods, preferences should be extended on equal terms to all the developing countries, with no distinction or classification that might limit the bargaining power of the under-developed world as a whole. However, it was recognized that there would have to be supplementary measures designed to strengthen the capacity of the relatively less developed countries to make effective use of such preferences, through the adoption of expanded programmes of international financial and technical assistance, without prejudice to the measures that might be considered necessary as the result of subsequent periodic evaluations.

59. Since provision had been made for negotiations between countries and groups of countries aimed at reducing tariffs on manufactured goods, to take place at the same time as the United Nations Conference on Trade and Development, the Meeting proposed certain general principles to ensure that the interests of the developing countries would be borne in mind during those negotiations (see Part III, Section C).

60. In the discussions of the experts it was recognized that provisions on tariff preferences must be supplemented by specific commitments that would ensure that the benefits of tariff preferences would not be neutralized by quantitative or other restrictions.

61. The Meeting referred to a question not included in the secretariat document, the proposal to establish, within the United Nations, a special agency for industrial development. The establishment of such an agency

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was justified by the need to accelerate industrial development in the developing countries, both as an end in itself, and also because the exporting of manufactured and semi-manufactured goods was the only alternative open to the developing countries of increasing the volume of their sales abroad.

62. The Meeting also considered that it would be desirable for the secretariat document to include comments on the international application of technical specifications, quality standards and public health requirements, since standardization in these fields would facilitate the exports of the developing countries.

#### D. THE TRADE IN INVISIBLE ITEMS

63. The Meeting considered that it would be desirable to devote the maximum attention to the question of the trade in invisible items, both in the Latin American countries' preparations to participate in the Conference on Trade and Development, and in the ECLA studies, because of the great importance of this question in relation to the balance of payments of the developing countries.

64. For the same reason, the government experts recommended that the ECLA secretariat should, if possible, expand the section on the trade on invisible items, which dealt in particular with maritime transport, in the document submitted to the Meeting. 3/

65. It was also considered that the development of the tourist trade in the developing countries should be borne in mind, as a means of strengthening their balance of payments; that question was related to international co-operation, since without such help it would be difficult to find a satisfactory solution to the problems of financing transport services and hotel networks.

66. Some delegations pointed to the desirability that ECLA's studies should include examination of questions concerning outflows of foreign currency, in the form of profits, royalties and similar payments, in relation to the supply of foreign currency, since such payments often constituted a serious drain on that supply. In that connexion it was recalled that recent studies had shown that Latin America had become a net exporter of capital, since the repatriation of capital and interest and dividend payments since the end of the war exceeded the total amount of capital inflows under the heading of investment.

67. In relation to maritime transport services the experts considered that a strong and continuing effort must be made to remove the obstacles that the industrial countries often place in the way of policies of

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3/ ST/ECLA/CONF.13/L.2, Chapter V, Section D, The trade in invisibles.

shipping promotion on the part of the developing countries, and in particular held the view that the measures applied by the developing countries to promote their shipping were in the same category as some of those applied by the industrialized countries. The effort in question should extend to the field of the unilateral measures applied by the large countries to safeguard their own shipping. The nature of such measures not only makes it difficult for the developing countries to carry out their shipping development policies, but also limits their ability to choose between the services that best suit them for the transport of their commercial cargoes.

68. With respect to specific means of shipping development, the experts considered that allocation of the transport of a portion of their commercial cargoes to their own ships would constitute an important stimulus to the growth of the national merchant navies of the developing countries.

69. The Meeting affirmed that the use of that stimulus and of others deemed necessary should be internationally recognized as a preference for the developing countries that should not involve exaction of reciprocal concessions. This would be a means of reducing the existing differences between the competitive ability of the shipping fleets of the large countries and that of the embryo fleets of the developing countries.

70. Some participants considered that the unilateral manner in which some shipping enterprises operated, either alone or when organized into shipping conferences (which in general establish transport conditions, transport rates and changes in such rates without hearing the views of the competent authorities in the countries concerned, or of the users), interfered with the normal workings of Latin America's foreign trade. Although all the countries of the region were not affected to the same extent, since different proportions of their foreign trade goods were transported under the shipping conference regime (general cargo) or by shipping not party to such conferences (bulk cargo), there was agreement as to the urgent need to change the existing state of affairs.

71. When the question of insurance and reinsurance of all types was raised, the delegations pointed to the urgent need for the developing countries to take an increasing part in this trade, through their domestic enterprises operating in that field, since it was currently one of the negative factors in the services account.

72. In that connexion there was reference to the experience of Latin American countries whose attempts to ensure that some of those transactions went to their own market led to complaints and other action by the large countries aimed at inducing a change in that policy.

73. Some delegations requested that their views on questions relating to the trade in invisible items should be recorded verbatim in the report of the Meeting.

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74. The representative of Bolivia made the following statement:

"Without prejudice to the measures recommended by this Meeting with respect to maritime transport, there should be a recognition of the principle of free access to the sea as a rule of international law in favour of land-locked countries."

The representative of Brazil expressed the position of his country in the following words:

"With a view to the application of the general principles on the trade in invisible items adopted at the present Meeting, the Brazilian delegation considers that:

- (a) The development and integration of the internal transport of the developing countries must be encouraged, in particular a system of harbours with facilities suited to the special requirements of the transport of the particular products of the region in which the ports are situated.
- (b) It is essential that there should be international and national control of the activities of shipping companies, including those organized in the form of shipping conferences. This control should apply both to questions of transport of goods, and to those concerning the activities of the traditional carriers aimed at preventing the merchant fleets of the developing countries from participating in this trade. For this purpose the cargo manifests of the enterprises in question must be standardized, especially with respect to the basic weights and measures used in establishing freight rates.
- (c) Once it has been recognized that the general principle should be established of differential treatment in favour of the less developed countries, without reciprocity, and covering everything related to transport, in order to establish conditions favourable to the expansion of the merchant fleets of the less developed countries, special attention should be given to the following measures:
  - (i) Legal and/or administrative provisions of an internal nature to encourage national enterprises; preference in the use of ports, allocation of cargo to national flag vessels, subsidies, etc.
  - (ii) Bilateral or multilateral agreements on allocation of cargo, at the governmental level, and/or formation of cargo or revenue pools, at the enterprise level.

/(iii) Expansion

- (iii) Expansion of available resources through specific financing by international financial agencies to promote development programmes and keep merchant fleets up to date.
- (d) With respect to industrial patents, the studies now being prepared by the United Nations should be accelerated. Similarly, for the developing countries it is a matter of urgency that three basic restrictions should be adopted as regards the use of foreign patents:
  - (i) There should be proof of the value of the patent in increasing the productivity of the enterprises that wish to use it.
  - (ii) There should be a limit on the transfers of royalties, which should be determined on the basis of the income obtained as a result of using the patent.
  - (iii) There should be control of the period of validity of the patent, in order to avoid payments that are not due, and to permit the developing countries to make full use of technical advances."

76. With respect to insurance, the delegation of Chile stated:

"As a means of facilitating world trade operations, the aim must be to standardize contractual clauses and general conditions in policies covering the risks of maritime, land and air transport. As this question raises legal problems that require special studies, and as an international institution exists, the International Association of Insurance Law (AIDA) with headquarters in Rome and national committees in many countries, it would be appropriate to entrust such studies to this body.

"Furthermore, any well grounded study should be based on comparison of the statistics on the movements shown in the balance of payments of each country as originating in insurance and reinsurance operations. The existing figures are not comparable, since different criteria are used in compiling them. It would be most useful to arrive at an international agreement on the presentation of such figures in a form that would reflect the quantitative and qualitative situation of each country as an importer or exporter of insurance. For this purpose the United Nations could be asked to assist by preparing basic tables that national institutions could use to collect the statistical information on the operations concerned.

"In addition projects should be prepared for establishing private regional reinsurance agencies organized by the developing countries, as a means of limiting the transfer of funds to countries with stronger economies in the form of balances from reinsurance operations. This proposal also involves the idea of establishing

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within a reasonable period, funds from the accumulated reserves that could be invested in regional development plans. At the same time the bodies concerned would be asked to include reciprocity clauses in reinsurance agreements to ensure that the outflow of foreign currency for reinsurance granted (exports) would be offset by earnings from reinsurance accepted (imports).

"The above proposals could be supplemented by persuading international reinsurance enterprises to channel the investments of firms from the developing countries towards those same countries, in order to assist their economic growth.

"As regards the insurance of export credits, there has been a great increase in the large countries in the organization of insurance systems to protect domestic exporters against risks deriving from insolvency of purchasers as well as from acts of a political nature or from calamities, especially for insuring short and medium term credits. Such a system, which is already operating successfully, and which would provide a useful supplement to expansion policies, should be studied with a view to adapting it to the characteristics and requirements of insurance in the developing nations. If this system were to be established, the international reinsurance markets would have to give reinsurance facilities that would allow the dispersion and international compensation required by such operations."

77. Lastly, the representative of Cuba stated his delegation's position as follows:

"The developed countries must abstain from taking any unilateral or multilateral measures in reprisal for decisions taken by the developing countries for reasons of economic development and/or national security, in relation to existing regimes governing the ownership of natural or artificial lines of communication between the oceans."

#### E. GEOGRAPHICAL DIVERSIFICATION OF TRADE

78. The analysis of foreign trade in primary commodities, industrial goods and invisible items made in the course of the Meeting, and summed up in paragraphs 28 to 77 of the present report, related chiefly to trade flows between the developing countries and the industrialized market economies. The view was expressed, however, that the complete solution of the problems arising in connexion with the external sector in the Latin American countries would also entail a substantial geographical diversification of their foreign trade. In that connexion, the focal point of the discussion was an examination of the possibilities that might be offered by the centrally-planned economies, as well as by other developing areas, special attention being devoted to the regional integration process in so far as it affected Latin America's trade with the rest of the world.



(a) Trade with the centrally-planned economies

79. The relevant data and background information presented by the ECLA secretariat testified to the existence of markets in the centrally-planned economies which, by virtue of their size and characteristics, might afford significant opportunities for the expansion of foreign trade, of direct interest to the developing countries.

80. The experts were unanimously agreed as to the desirability of increasing trade between the Latin American countries and the centrally-planned economies. But in the light of a few Latin American countries' limited experience of trade with the economies in question - which was also considered in the course of the discussion - it was noted that there were several serious obstacles to be overcome before such possibilities could be exploited. They derived, on the one hand, from the differences in the organizational patterns of the market economies and of those that were centrally-planned, and, on the other, from the characteristics which the latter's foreign trade had exhibited up to that time.

81. The scale of imports, their evolution and the terms on which they were effected were determined in the countries concerned not by the operation of the price system as in the market economies, but by decisions on the part of their central economic organs. Thus, tariffs, traditional types of preferences and, in general, the usual instruments of trade policy could not serve as means of expanding and maintaining regular flows of goods between them and developing countries such as those of Latin America. In turn, the policy of import restriction pursued by the centrally-planned economies, the composition of their purchases from countries at relatively less advanced stages of development - in which traditional basic commodities had so far predominated -, their persistence in basing their trade on bilateral payments agreements, and the non-transferability of the balances accumulated, had all constituted hindrances to the expansion of their foreign trade with the developing countries.

82. With reference to bilateral payments agreements, however, it was pointed out that they might sometimes augment the net payments capacity of developing countries. In that context the Cuban delegation stated that, in endorsing conclusions (1) and (2) on the topic under discussion, 4/ it wished to place on record the fact that the long-term bilateral agreements concluded by developing countries with the centrally-planned economies were calculated to encourage the former's economic development and, consequently, the diversification of their exports. Similarly, it would not be easy for the centrally-planned economies to pay for their imports in convertible currencies, as long as the obstacles of every kind that were placed in the way of trade with them by some of the industrialized countries continued to subsist.

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4/ See below, Part III, section E, sub-section (a).

83. In summing up its discussion of the foregoing subject in terms of conclusions, the Meeting bore in mind the need for the final solutions reached to be definitely consonant with the principle that under the new world trade order the industrialized centrally-planned economies should offer the developing countries advantages and preferences of equivalent effect to those the countries in question hoped to obtain from the developed market economies. In view of the different patterns to which the preferences granted by the centrally-planned economies would have to be adjusted, and the aim of opening up real export possibilities for the under-developed countries, it was deemed essential that the former should establish quantitative trade targets to be attained within specific periods, incorporating them in their long-term plans and crystallizing them in their short-term decisions concerning their foreign trade with the developing economies. In magnitude and composition the targets fixed should match the trade requirements of the developing countries, and, in the case of manufactured and semi-manufactured goods, they should be supplemented by appropriate systems of preference designed to encourage the expansion of such exports.

84. Mention was also made of the possibility of establishing a regional office to facilitate negotiations between the Latin American countries and the centrally-planned economies. While the idea was thought to be interesting, it was considered that to formulate a conclusion on the point would be premature.

(b) Promotion of trade among the developing countries

85. Although trade among developing countries in different regions of the world had so far been on a relatively small scale, the experts agreed that its promotion and expansion should constitute one of the important objectives of Latin America's trade policy in the future. The developing countries would indubitably find it very helpful to establish specific systems of preferences expressly designed to serve that end. Obviously, one of the primary characteristics of such systems would have to be that the preferences were not made extensive to the more highly developed countries.

86. Again, the peculiar situation of the developing countries, determined, inter alia, by the need to adapt the composition of their foreign trade to an internal structure of production that was bound to be continually changing as a result of the dynamic effect of development itself, implied the formulation and application of preferences in accordance with suitable new patterns. That consideration, combined with the necessity of preventing trade relations among the developing countries from assuming a piecemeal character as the result of special treatments of the type described, and losing the multilateralism that should characterize them, induced the experts to recommend that such preferences should be established on the basis of decisions that the countries concerned adopted by common accord as to the principles and procedures best suited to encourage their reciprocal trade. Similarly, the study and solution of the problems in question should be assigned high priority in the activities of whatever institutional mechanisms might emanate from the United Nations Conference on Trade and

Development, with due care to ensure that the pertinent regulations facilitated the necessary agreements between developing countries, not merely as exceptions to the existing most-favoured-nation clause, but as expressions of a new principle in international trade.

87. The Meeting suggested that, as part of the above-mentioned joint activities, special attention should be devoted to possible measures to eliminate those obstacles to trade among developing countries that derived from the lack of adequate means of transport and communication, and from the fact that little had been done to develop their reciprocal trade channels and banking and other ties.

88. The Cuban delegation said that apart from those mentioned, there were other types of obstacles and pressures - in particular, the economic blockade - which some developed countries applied to those in process of development, as in the specific case of its own country.

89. In discussing the procedures whereby trade should be promoted, the participants stressed the importance of problems stemming from the shortage of the means of payment commonly used in international transactions, which would militate against the desired expansion of trade, if the principles of convertibility and multilateralism were rigidly enforced.

90. Lastly, with a view to the removal of the obstacles that might be encountered in that direction, the experts emphasized the need for the preferences currently enjoyed by some industrialized countries in specific developing countries to be eliminated at the earliest possible date, and for the subsequent establishment of new preferences of the same kind to be avoided.

(c) Regional integration and Latin America's foreign trade

91. In the context of regional integration, the experts indicated the progress made by the Latin American countries in the gradual and progressive integration of their economies, through the Central American programme since 1952, and through that of the Latin American Free-Trade Association as from 1961. In the future, economic integration would necessarily constitute one of the most important means of stimulating steady economic growth in Latin America. The same possibilities for international economic co-operation were also opening up for other developing regions. It was therefore desirable that international measures should be adopted to promote integration processes which, with due regard to the peculiar characteristics of the developing countries, would be of real help in speeding up the growth of their economies, while at the same time increasing trade, both within regions in process of integration and between them and the rest of the world.

92. In the opinion of the participants, the measures in question should be adjusted to a framework of general rules and principles for international trade which by their nature and flexibility would permit the untrammelled

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development of movements towards regional economic integration, as one of the key factors in the reconstruction of the world economy. In that connexion, it was noted that the integration of the developing countries, far from conducing to their economic isolation, would be reflected in their more active participation in the world economy, and in the growth of international trade. Recognition of that fact by the developed countries would forestall interventions on their part that might cramp the favourable influence of integration on the expansion of trade or adversely affect the implementation of the pertinent multilateral agreements.

93. Several delegations said that if Latin America's attitude was to be fully consistent with the principles of equity in trade policy that it wanted the world to observe, it should apply them to the countries at relatively less advanced stages of development within the region itself, in the integration processes that were taking place in the continent. In that context, the delegations of Bolivia, Ecuador and Paraguay placed on record their keen satisfaction in associating themselves with the other participants in the conclusions of the Meeting, which reflected not only the legitimate aspirations of all the developing countries vis-à-vis the industrialized economies, but also the aims pursued by the countries at relatively less advanced stages of economic development in their relations with the other countries of Latin America. They therefore trusted that the conviction expressed by the participants in the conclusions of the Meeting in progress - which would be put to the developed countries at the forthcoming United Nations Conference on Trade and Development - would likewise find expression in regional decisions with regard to the relatively less developed countries.

94. One of the specific problems of major importance that engaged the attention of the experts related to the necessity of facilitating inter-country payments within regional integration areas that already existed or might be established among relatively less developed countries, as well as the need to increase the available means of financing their reciprocal trade. To that end, in the experts' view, it would be indispensable to promote the establishment of suitable mechanisms which, while serving the purposes indicated, would at the same time lessen or do away with the limitations that might derive from unfavourable conditions in the economic relations of countries in process of integration with the rest of the world.

95. The Meeting then discussed the implications for Latin America's foreign trade of other tendencies towards changes in the traditional geographical distribution of trade and, specifically, the incipient repercussions of particular multi-national economic integration movements in which groups of industrialized countries were taking part. The main factors differentiating such movements from those organized by the developing countries, from the standpoint of their effects on world trade, were clearly defined, and general guiding principles were formulated for the activities of the United Nations Conference on Trade and Development.

## F. FINANCING OF TRADE AND DEVELOPMENT

96. The Meeting considered that the problems of financing trade and development were of great importance because, while it was indeed true that Latin America's economic growth would have to depend primarily on its internal effort, it was no less true that the stated objectives could be achieved more easily if external funds were available in sufficient quantity and on suitable terms. Although the new world trade order would, over the long term, help to reduce the decisive effect of external financing, greater external support would be required to help the developing countries avail themselves of the new opportunities offered by the new trade order in the form of more active trade currents.

97. The Meeting considered in detail the various aspects of the subject, particularly problems relating to development financing proper, compensation for the long-term deterioration of the terms of trade, financing of short-term fluctuations and financing of exports and imports.

98. With respect to development financing, it was pointed out that the present levels of external financial co-operation fell short of the needs of the developing countries and that multilateralism, in spite of the advantages it offered, had lost ground to bilateralism in external financing. Moreover, in view of the magnitude of the commitments assumed by many developing countries in respect of the servicing of their external debt, as compared with their foreign exchange earnings, the experts agreed on the need for a revision of the terms of borrowing so as to adjust them to the capacity for payment of the developing countries.

99. In the matter of long-term compensatory financing, it was stated during the Meeting that the deterioration of export prices had assumed chronic features in some countries and that, in such cases, special financing formulas should be devised which were different from those proposed for short-term compensatory financing. According to those who held that view, those special formulas should include automatic granting of compensation, which would not have to be refunded, and would essentially imply a net transfer of funds from the countries benefiting from the drop in export prices to the countries which suffered a loss as a result of the price decline. It was emphasized that compensatory financing schemes should be geared to the long-term, since that was particularly important for many developing countries.

100. In connexion with short-term financing, the Meeting considered that the amount and terms of short-term financing made available to developing countries fell short of what was needed to offset the decline in their export earnings. The experts examined, in particular, the compensatory credit system put into operation by the International Monetary Fund since February 1963. They felt that while it constituted a definite step towards the solution of short-term financing problems, it needed radical modification if it was to fulfil its purpose more efficiently.

101. The role of credit as an instrument for promoting exports from developing countries was dealt with during the discussions. It was pointed out that lack of adequate export financing might make it difficult or even impossible for the developing countries to take advantage of the trade policy measures instituted in the industrialized countries to promote their exports. The same considerations were raised in connexion with the insurance systems which covered the risks to which the exports of the developing countries were exposed, and it was felt that here too specific action was needed to strengthen the competitive capacity of the developing countries. In connexion with that basic objective, other factors were also considered, such as the need for the capital exporting countries to contribute to the financing of the investment programmes of the less developed countries on terms that would allow it to be used, under certain conditions, for the purchase of manufactured goods from other developing countries. With the same end in view, the experts felt that policies should be adopted designed to standardize the use of suppliers' credit in the short and medium-term financing of exports, in order that the terms of payment should not constitute determinants of the direction of international trade flows.

102. The delegation of Brazil, supported by others, suggested that part of the funds released through the reduction of military expenditure already undertaken by the Great Powers and which, it was hoped, would be intensified as the disarmament process progressed, should be channelled into the economic development of the non-industrialized countries, under the aegis of the United Nations, as had already been proposed in 1953 by the United Nations General Assembly in its resolution 724 (VIII). Moreover, the subject should be discussed, if possible, at the CECLA meeting or any other suitable forum with a view to reaching a concerted Latin American position to be defended at the Geneva conference.

103. In that connexion, the delegation of Cuba, referring to the conclusions on the subject, 5/ expressed a number of reservations. With respect to the first conclusion, it stated that since it did not provide that the funds released by disarmament should be used for the financing of development, and that the Latin American countries as a whole had agreed to discuss the subject at CECLA or some other suitable forum, the Cuban delegation maintained that the forum chosen should be one which was open to all the Latin American countries. Moreover, as it would not attend the meeting of CECLA mentioned in conclusion 5, it could not subscribe to the proposal in the last part of the conclusion. It was unable to support conclusion 6 inasmuch as it referred to the recommendations of an organization to which Cuba did not belong, nor could it endorse conclusion 8 which contained a reference to the IDB. The Cuban delegation further requested that the following statement be reproduced verbatim:

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5/ See Part III, section F, below.

"It must be pointed out that the laying down of the principles which will govern the administration of the funds for compensatory financing and for the promotion of economic development referred to in the conclusions of this report, is essential, as is also the consideration, from the standpoint of the principle of universality, of the question of composition of the administrative staff of these organizations. The Cuban delegation believes, moreover, that the solution of the problems deriving from deterioration of the terms of trade and relating to economic development will largely depend upon the thoroughness and decision with which the structural problems of national economies are tackled and solved."

104. The delegation of Brazil, supported by Cuba, stated that it had proposed the deletion of the word "maximum" in the first sentence of conclusion 1, in order to prevent the external financing transactions of the developing countries from being hampered by the interpretation that might be placed upon the concept of "maximum domestic savings effort" by certain applicant countries, particularly those with a very low rate of domestic investment because of their condition of under-development.

105. The representative of Brazil requested the inclusion in the report of the following statement:

"Since international financial organizations are not simply institutions designed to apply the savings of developed countries in such a way as to meet the standards of banking, their voting system should be reorganized so as to express the common interest of developed and developing countries in the task of financing trade and international development. Along these lines, the system now in force in the organizations which supervise performance of international commodity agreements, whereby exporter and importer groups have the same number of votes, should be considered as a possible model to be applied, mutatis mutandis, to the case of capital exporting and importing countries."

He wished to submit to the consideration of CECLA and possibly to the Conference on Trade and Development the need, deriving from the new exigencies of development and international trade, of a new financial organization under the aegis of the United Nations and/or a recasting of international financial organizations by providing them with a new structure. The new structure should take into account the need for adequate participation of developing countries in the decision-making process and the desirability of making these organizations truly universal.

## G. THE INSTITUTIONAL STRUCTURE OF WORLD TRADE

106. Having considered the trade in goods and services, the diversification thereof and the financing of trade and development, the experts reached the conclusion that, in order to solve the problems of the developing countries in all these fields, and to do so harmoniously and with due attention to their interests, a new technically and legally qualified organization would have to be established. The new organization would be responsible, on a permanent basis, for maintaining satisfactory order in world trade and for providing an impetus to its expansion as a basic instrument for the economic growth of those countries. To that end, there would have to be established, within the United Nations system, a special organization with a membership open to all countries and with sufficient authority to guarantee the fulfilment of the decisions and agreements of the United Nations Conference on Trade and Development, and to provide in the future a vigorous and lasting impetus to every aspect of international trade, considered as such and in relation to the needs of economic growth.

107. The experts believed that the absence of such an institution or any limitations placed upon it in terms of size of membership, scope of action, availability of funds or authority to give practical effect to its decisions, would mean that the agreements reached at the Conference could only be implemented imperfectly, if at all. Moreover, it was pointed out at the Meeting that institutions of limited authority could not, by reason of their complexity, undertake successfully the study and solution of the problems that might arise in the future. It was emphasized nevertheless that no attempt was being made to prejudge any of the proposals that might be submitted at the Conference regarding the structure of an international organization which, based on the same principles and seeking the same objectives, would fully meet the needs of the developing countries.

108. The delegations pointed out that the establishment of that international organization might provide a permanent solution to the institutional problem raised. They recognized, however, that in view of the urgent need to overcome some of the chief obstacles to international trade, immediate-action bodies of a provisional nature would have to be set up until such time as the permanent organization was established. Those bodies would have to be agreed to and set up during the United Nations Conference on Trade and Development, with the latter as their central organ. To that end, the Conference should establish a standing committee and several ad hoc committees, provided with a sufficient budget of their own, which would work with the help of a qualified secretariat, also independent and permanent, in close co-operation with the Economic and Social Council and with the regional economic commissions of the United Nations. Those committees would be responsible for giving speedy and satisfactory effect to the decisions of the Conference. They would also have to make a thorough study of international trade problems in relation to development, evaluate the need for organization, achieve the gradual

/and smooth



and smooth integration of existing institutions, and prepare detailed projects for the proposed permanent organization, all that to be done in the light of the basic guidelines adopted at the Conference. The results of those activities would be submitted to the consideration of the Conference at a new meeting to be held within a year or two.

109. With regard to the ad hoc committees, the experts suggested that three might be established initially: a committee concerned with the relations between the developed and developing countries, which would speedily transform the Conference's decisions and recommendations into a special agreement that would govern the trade relations between the two groups of countries; a committee concerned with relations between the State-trading countries and the market-economy countries; and a committee that would function in close contact with the United Nations regional economic commissions to strengthen the links and solidarity between the developing countries as a whole, particularly those of different continents.

110. Lastly, it was pointed out that during the period of transition prior to the establishment of the permanent organization, GATT, as negotiating body between its present Contracting Parties, would continue to concern itself with promoting world trade within its present sphere of competence, having regard to the general guidelines approved by the Conference.

#### H. OVER-ALL EVALUATION

111. The closing meeting afforded an occasion for an over-all evaluation of the results and possible future implications of the Meeting.

112. On behalf of the delegations present, the representative of Argentina summed up the conclusions reached, which defined the position of the Latin American countries more precisely and indicated points on which unanimous agreement existed. The restrictive and discriminatory import policy of the developed countries and the aggressiveness of their export policy had caused a deterioration in Latin America's foreign trade. The new rules and principles for international trade that had been discussed at the Meeting were calculated to open up new avenues for Latin America's primary commodities, to promote the industrialization of the countries of the region and to enable it to take a share in trade in invisibles, all of which were objectives envisaged for the United Nations Development Decade. With such ends in view, it would be necessary to establish trade flows that would accelerate the economic progress of Latin America, and to modify or eliminate the bilateralism that had so far prevailed in the case of trade with the centrally-planned economies, which would be asked to accord the region the same sort of treatment as it hoped to obtain from the other industrialized countries.

113. Stress had been laid in the discussion on the need to agree upon preferential regulations in favour of developing countries, as well as to solve the problems relating to communications, transport and banking connexions that hampered their trade. A warning had also been given against the danger of a recrudescence of autarkical policies, and of discriminations that favoured some under-developed countries to the detriment of others. The experts had reached unanimous agreement on the subject of financing, and had advocated the contribution of international funds and an internal savings effort as means of reducing the gap between income levels in the under-developed countries and in the industrialized economies. In the course of the proceedings, attention had been drawn to the need for a new world agency under the United Nations system, to study international trade and ensure the implementation of the decisions adopted at the United Nations Conference on Trade and Development.

114. The Executive Secretary of ECLA pointed out that Latin America had made a great stride forward in reaching a consensus of opinion at the Meeting of Experts as to the concerted position it was to adopt at the United Nations Conference on Trade and Development, but it was incumbent upon the Governments to maintain that united front in their subsequent foreign trade negotiations with the rest of the world.

115. The conclusions reached at Brasilia undoubtedly provided a basis for negotiations with the other under-developed countries and with the industrialized economies, but the significance of the Meeting of Experts was even more vital and far-reaching, since it would have repercussions of a very special kind on the success of the economic integration movements currently in progress in Latin America.

116. The technical conclusions emanating from the Meeting at Brasilia, in conjunction with other instruments already in force, such as ALALC, for example, would contribute to the realization of one of Latin America's most cherished ideals: the establishment of a common trade policy. And another step had been taken along the road to that ideal, inasmuch as the region's efforts to attain it had been unified or at least co-ordinated. That was an achievement transcending the bounds of the Conference at Geneva.

117. In closing the proceedings of the Meeting, the Chairman stressed the complexity of a task which entailed not only the indication of practical solutions for the problem represented by the division of the peoples into an increasingly affluent minority and a majority whose relative situation was steadily deteriorating, but also at the same time, an endeavour to secure unified action on the part of a large family of nations.

118. International trade had been the instrument of a regressive distribution of income, to the detriment of those countries that were most in need of such trade in order to press on towards economic development, inasmuch as, on the one hand, the prices of their exports had declined; and, on the other, demand for them had contracted. The differences in the income-elasticity of demand for primary products and for manufactured goods, together with the expansion of the developing countries' imports, combined with the foregoing situation to account for the negative effects of international trade on the economy of the Latin American countries.

119. The world had at last realized that it was essential to put a stop to such trends, as the convening of the United Nations Conference on Trade and Development showed. It was no longer a matter of striving for concessions or favours that the wealthier nations might grant to the less privileged countries, but of altering out-dated regulations which, with the passage of time, would become as great a burden to those they were intended to benefit as to those they victimized.

120. Latin America represented an important branch of the large family of economically under-privileged nations, and was perhaps the one that had suffered most through the mode of operation of international trade. Moreover, it constituted the most homogeneous of the groups of under-developed countries. Hence the exceptional responsibility incumbent upon it during the phase in progress, which offered new ways of approach to the effort to rebuild the foundations of the world economy.

121. The Meeting marked the occasion of the first attempt to define the bases of a common economic policy for Latin America, to be defended in a gathering at the world level. Perhaps to the surprise of some, but to the satisfaction of all, it had been shown that the limits within which Latin America could act in unison were sufficiently wide to embrace almost everything that was of concern to the region. In particular, the Latin American countries were agreed upon the necessity of striking at the roots of the problem, by altering the "rules of the game", currently based upon a fallacious equalitarianism which ignored the qualitative differences existing between the industrialized economies and the economic structure of the under-developed countries. The time had come for the reciprocity grounded upon that false equalitarianism to be superseded by a treatment capable of counteracting the effects of those deep-lying forces which made for the aggravation of the disparities in question.

122. On the basis of that general principle - the application of discriminatory treatment in favour of the under-developed countries - a new system would have to be built up, designed to promote the development of the world economy on the one hand, and, on the other, to close the existing gap between the richer peoples and the poorer. Such objectives could only be attained under a new system of international division of labour. To that end, it would be essential to create the requisite

institutional conditions for an expansion of all trade flows, irrespective of prevailing levels of development and political systems. Thus, in a closer union of the peoples would be found the solution to the vast problems created by the international interdependence that modern technique itself made inevitable in the contemporary world.

#### I. OTHER BUSINESS

123. The discussions of the experts were facilitated by the background information, analyses and conclusions contained in the ECLA secretariat document entitled Latin America and the United Nations Conference on Trade and Development (ST/ECLA/CONF.13/L.2), as well as by the secretariat's technical co-operation during the Meeting.

124. In view of the steps thus taken by the secretariat to comply with the requests formulated by the States members of the Commission at the tenth session of ECLA, and of the contributions that it had been making for many years to the understanding and solution of the Latin American countries' foreign trade and development problems, the Meeting of Experts decided to incorporate in the set of conclusions reported in Part III a recommendation to the effect that the ECLA secretariat should continue its technical studies designed to facilitate the work of the Latin American delegations at the United Nations Conference on Trade and Development, and that after the said Conference it should convene a meeting of the ECLA Trade Committee to evaluate the results achieved and consider the establishment of a permanent system of consultations on trade and development.

/III. CONCLUSIONS

### III. CONCLUSIONS APPROVED AT THE MEETING

125. The Meeting of Latin American Government Experts on Trade Policy approved the following conclusions:

#### A. GENERAL PRINCIPLES

1. The United Nations Conference on Trade and Development should attempt, within the framework of General Assembly resolution 1785 (XVII), to establish a new structure of international trade, as an essential condition for ensuring its more rapid, orderly and steady growth. To this end the Conference should:
  - (i) Formulate the principles and operating rules that should govern world trade with the essential aim of transforming it into an effective means of promoting the economic development of the developing countries.
  - (ii) Establish procedures and institutional machinery suitable for ensuring that the Conference's decisions are carried out, and in particular, that the trade problems of the developing countries are the subject of systematic, detailed and continuing consideration under the aegis of the United Nations.
  - (iii) Adopt specific measures, in line with the aims referred to in sub-paragraphs (i) and (ii) above, to help bring about an immediate increase in the external earnings of the developing countries.
2. The trade requirements of the developing countries that are to be served both by the new structure of world trade and by immediate measures taken for this purpose are those which, if met, will promote the attainment and maintenance of growth rates sufficient to ensure for the developing countries a substantial reduction in the gap that separates their income levels from those of the developed countries, with a view to closing this gap.
3. The new structure of world trade must be based on the need for general, non-discriminatory preferential treatment in favour of all the developing countries. This treatment involves establishing the following basic principles, among others:
  - (i) Reciprocal measures should not be required of the developing countries in respect of concessions or preferences granted by the developed countries.

/(ii) The

- (ii) The developed countries should guarantee the developing countries access to their markets on a non-discriminatory basis. Existing forms of discriminatory and preferential access that are considered indispensable in order to maintain the export earnings of certain developing countries should be replaced by compensatory financial measures.
  - (iii) The developed countries may grant preferences to the developing countries without granting them to other developed countries.
  - (iv) The developing countries may grant preferences to each other without granting them to the developed countries. These preferences shall be granted without prejudice to the rights and obligations deriving from regional associations among developing countries.
  - (v) In view of the different growth rates obtaining in the developing countries, provision should be made to a differential treatment in line with the particular characteristics of the countries at a relatively less advanced stage of economic development. This treatment should be based on the granting to such countries of special privileges that do not constitute a trade discrimination between developing countries.
4. The new structure of international trade should ensure the general expansion of world trade and promote its integration through the establishment of machinery and rules suitable for trade among countries at the same stage of development; at different stages of development; and with different economic systems. The new rules and measures intended to serve the trade requirements of the developing countries should apply equally to all the developed countries with market economies, and, in an equivalent form, to all the industrial countries with centrally-planned economies.
5. If the trade requirements of the developing countries are to be fully satisfied, international financial policies must be in line with trade policies conducive to the new structure of international trade, and the competent financial bodies must co-ordinate their activities with those of the bodies concerned with trade.
6. In view of the urgency of the problems confronting the developing countries and the insufficiency of their external earnings, piecemeal measures cannot be effective. Consequently the measures set forth below, relating to various types of specific products and to other questions, must be regarded as components of a single integrated policy on world trade.

/B. PRIMARY

B. PRIMARY COMMODITIES TRADITIONALLY EXPORTED

1. The developed countries should abstain from taking measures which, directly or indirectly, constitute obstacles or are in the nature of reprisals against measures adopted by the Governments of the developing countries, by reason of their economic and social development requirements, with a view to regulating the systems of mining, processing and marketing of their natural resources, including measures involving changes in the system of ownership.

2. The developing countries should share increasingly in the benefits of technological progress, as a means of promoting their economic development; however, when their traditional trade flows are disturbed by the production of synthetics as substitutes for commodities, the developed countries should take steps to offset these effects by co-operating with the developing countries in the search for appropriate solutions.

(a) Tropical commodities

1. The high internal taxes that the industrial countries normally apply to the consumption of tropical commodities severely limit expansion of demand, and deprive the developing countries of valuable opportunities to increase their exports. Consequently the aim should be to abolish these taxes no later than 31 December 1965.

2. The customs duties that the industrial countries apply to imports of such tropical commodities should also be abolished by 31 December 1965. Similarly, all forms of discrimination against exports of tropical commodities from Latin America should also be abolished by the same date. The abolition of charges and discriminatory measures should also apply to products manufactured from basic tropical materials.

3. The customs duties and internal taxes imposed by industrial countries on final products containing a high percentage of tropical raw materials exported by the developing countries should be reduced to a level that will not hamper the expansion of the industrial activity concerned in the country of origin, and will contribute to the expansion of internal demand in the importing country.

4. As soon as possible a detailed study by experts should be undertaken, on the reasons for the high costs in some industrial countries of processing and marketing certain tropical products exported by Latin America, with a view to suggesting measures to avoid mark-ups considered as excessive.

5. It is essential that the developed countries support the negotiation of appropriate agreements on tropical products, always provided that they have the basic aim of promoting the development of the developing exporter countries and establishing more favourable terms of trade.

/(b) Temperate

(b) Temperate-zone agricultural commodities

1. The developed countries should undertake to modify their agricultural policies which, through such action as the price mechanism, different types of import restrictions and discriminatory treatment of all kinds, are the cause of distortions in the present structure of world production and trade, such modifications to be effected by means of the abolition of protective measures in favour of their agricultural production.

For this purpose, the first stage should be the setting of an over-all ceiling on the different forms of protection in order to bring about an improvement in the external purchasing power of the developing countries and thereby enable them to achieve their economic and social growth targets. The ceiling should be enforced before 31 December 1965, after which time the developed countries should carry out a programme of progressive reductions in the different forms of protection with a view to their complete elimination within the United Nations Development Decade.

In addition, quantitative restrictions and internal taxes applied to the trade of the developing countries should be abolished before 31 December 1965.

Similarly, subsidies for exports of agricultural commodities should be abolished by the same date.

2. The disposing of agricultural surpluses on special terms should not be effected at the expense of the export opportunities and intra-regional trade of the developing countries or of the agricultural development prospects of the countries receiving such surpluses.

International co-operation should, in fact, be provided in such a way as to increase the purchasing power of those countries so that they can buy their agricultural supplies where it best suits them. This will give the disposal of surpluses a more multilateral character which, in conjunction with the elimination of subsidies, will contribute to a better distribution of world agricultural production.

So long as surpluses are available for economic aid of this kind, their disposal should be undertaken on a multilateral basis with the participation of the countries concerned in each programme as well as the traditional supplier countries, through a special mechanism which should be set up by the United Nations Conference on Trade and Development.

3. In the case of commodities, with low income-elasticity of demand of which there is an excess supply, commodity agreements could, without prejudice to the foregoing recommendations, contribute to improving world trading conditions. To be effective, such agreements should conform to the following general guiding principles, with due regard for the type of product concerned:

/(i) In



(i) In some cases the price paid for imported products and those produced domestically should be fixed at an appropriate level between the prices prevailing in the main high-cost and low-cost production areas.

(ii) In establishing prices, account must be taken of the inter-relationship of the different products and the risks of substitution. In some cases this would involve the conclusion of multi-commodity agreements.

(iii) Any limitations imposed on supplies should not be based on the assumption that the developing countries are prepared to accept the present distorted structure of world agriculture, but should ensure that these countries achieve a volume of exports that is sufficient to meet their own development needs.

(iv) Any increase in consumption that is achieved in future should primarily benefit the non-subsidized producers, with a view to drawing progressively closer to what may be regarded as a rational structure for world production.

(c) Mineral ores and fuels

1. The industrialized countries should gradually abolish the measures of protection and discrimination of all kinds applied to basic commodities of mineral origin and fuels from the developing countries so that these may compete on an equal footing with each other and with exports from and local production in the industrialized countries.

These objectives should be achieved within the United Nations Development Decade. In any case, gradual liberalization should be initiated before 31 December 1965, by which date customs duties should have begun to be lowered and quantitative restrictions and internal charges imposed on such products should have been abolished.

2. The foregoing commitment should be extended to intermediate products of mineral origin in order to encourage a higher degree of processing of the basic materials in the country of origin and to enable them to be sold directly on the world market.

3. The developed countries should abstain from taking measures which, directly or indirectly, constitute obstacles or are in the nature of reprisals against measures adopted by the Governments of the developing countries, by reason of their economic and social development and national security requirements, with a view to regulating the systems of mining, processing and marketing of their fuels and minerals including measures involving changes in the system of ownership.

/4. The

4. The Governments of the developed countries and international financing organizations should support the concession of medium and long-term loans to domestic enterprises in developing countries for the prospecting, mining, processing, and/or marketing of their own fuel and mineral resources.
5. The support of the developed countries is essential to the conclusion of suitable agreements on this type of commodity, provided always that such agreements are necessary to raise prices or to maintain them at a higher level for the purpose of increasing to the maximum the foreign exchange earnings of the developing countries.
6. Supplies of mineral ores and metals, including those deriving from strategic reserves stockpiled in the developed countries, should be disposed of in accordance with international regulations designed to ensure that there is no dumping, that the prices of the commodities in question are not reduced and that world trade is not distorted to the detriment of exports from the developing countries.

#### C. EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES

1. The developed countries should accord preferential treatment, on a non-reciprocal basis, to imports of manufactured and semi-manufactured products from the developing countries. The preferences should be granted by all the developed countries in favour of all the developing countries, in accordance with the following provisions:

(a) Provisions applicable to finished manufactured products

- (i) The industrialized countries should forthwith grant entry, free of duties and other charges of equivalent effect, to imports of all finished manufactured products from the developing countries, whenever such imports represent, for each product, not more than 5 per cent of the domestic consumption of the importing country concerned. Moreover, any industrialized country may grant similar preferences to imports exceeding the above-mentioned limit without extending them to other industrialized countries, providing that they apply them to imports from all the developing countries.
- (ii) The duty-free import quotas referred to in conclusion (i) will not include imports from developing countries which already enjoy previously established preferences, without prejudice to the provisions laid down in point 7.
- (iii) Imports from the developing countries that exceed the limits indicated in conclusion (i) shall be subject to the relevant tariffs and to the application, when appropriate, of the most-favoured-nation clause.

/(b) Provisions

(b) Provisions applicable to semi-manufactured products

The developed countries should, during the period provided for in the Development Decade, have gradually reduced and abolished the tariffs on imports of semi-manufactured products from the developing countries. This process of gradual liberalization should be initiated before 31 December 1965.

2. In giving effect to the foregoing conclusions, the developed countries should determine the measures required to adapt their production pattern so as to increase the purchase of semi-manufactured and manufactured products from the developing countries, thereby co-ordinating their trade in manufactured goods with the countries concerned.

3. To ensure that the benefits of the preferences referred to in point 1 actually reach those developing countries which are at a relatively less advanced stage of development, these preferences will have to be supplemented by:

(i) The formulation of special programmes of international technical and financial assistance, to enable such countries to make effective use of the preferential treatment granted to them and to convert it into a flow of industrial exports to the developed countries.

In the case of the developing countries that are in the process of economic integration, these supplementary programmes should be preferably carried out, through the regional institutions they have established.

(ii) The relevant organs of the world trade organization that may be created by the Conference must periodically evaluate the extent to which such preferences are proving to be of benefit to the majority of the less developed countries; if necessary, they should suggest further suitable ways of extending such benefits to those countries which, because of their relatively less advanced stage of development, have not succeeded in availing themselves fully of the opportunities offered by the preferential treatment they receive.

4. In all the negotiations providing for tariff reductions in respect of manufactured products, that may be conducted between countries or groups of countries prior to the entry into force of the agreements of the United Nations Conference on Trade and Development, the following principles should be borne in mind:

(i) Products of particular importance for the export trade of the developing countries should in no case be included among the exceptions that may be made;

/(ii) Full

- (ii) Full advantage should be taken of the system of linear negotiations to introduce, concurrently with any tariff reductions for finished products, at least equivalent tariff reductions for items at an earlier stage of processing;
  - (iii) No restrictions of any kind should be applied that might tend to limit the benefits to be expected from the tariff reductions in question.
5. The adoption by the developed countries of measures favourable to the the developing countries should not be conditional upon reciprocal concessions by the latter.
6. The developed countries should eliminate quantitative restrictions and charges other than existing customs duties in respect of semi-manufactured products for final use or consumption, and should undertake not to establish new barriers that would lessen the efficacy of the concessions accorded. Similarly, they should eliminate any other discriminatory measure hampering or preventing the free access of manufactured products from developing countries to the markets of the industrialized countries.
7. Steps should be taken forthwith to eliminate the preferences granted to some of the under-developed countries by certain developed countries, provided that these preferences have not already led to the creation of trade flows. When such trade flows have been established, the developed countries should limit the application of preferences to the volume of trade attained in the last few years, without prejudice to the gradual reduction and eventual elimination of such preferences.
8. As regards other obstacles to the export of manufactured and semi-manufactured products by the developing countries, suitable mechanisms should be established to ensure that trade restrictions originating in trusts, cartels and patents do not defeat the aims of the different measures to promote the export of industrial products by the developing countries.
9. Having regard to the need for expediting the industrial growth of the developing countries so as to enable them to diversify their foreign trade in the shortest possible time by exporting manufactured and semi-manufactured products, the developing and the industrialized countries should make every effort to create within the United Nations a specialized agency for industrial development.

/D. TRADE

#### D. TRADE IN INVISIBLE ITEMS

1. Developing countries should have the right to arrange for the maritime transport of their trade cargo by the media that suit them best, as well as to completely unobstructed freedom of transit for such cargo.
2. It should be recognized that the expansion of the national or regional merchant fleets of developing countries is a factor of importance for their economic growth.
3. The principle of preferential treatment for developing countries, on a non-reciprocity basis, in all matters relating to transport, should be established.
4. A system should be created to ensure the effective participation of the Governments of developing countries in decisions affecting maritime transport conditions and prices.
5. Regular shipping services among developing countries, as well as between them and potential purchasing centres, should be instituted.
6. Developing countries should have an increasing share in international insurance and reinsurance transactions, in the interests of their balance of payments.
7. Regional reinsurance institutions should be set up by the countries in question.
8. Standard clauses should be used in transport insurance policies, and insurance statistics in general should be standardized.

/E. GEOGRAPHICAL

## E. GEOGRAPHICAL DIVERSIFICATION OF TRADE

### (a) Trade with the centrally-planned economies

1. The centrally-planned economies should undertake to establish quantitative targets for trade with the developing countries, and include them in their long-term plans and short-term policy decisions concerning foreign trade. These targets should be compatible with the trade requirements of the under-developed countries, and will form part of the new framework envisaged for the expansion of international trade, conducing to a more rational distribution of world production and trade in respect of certain products. In the case of manufactures and semi-manufactures where special procedures to encourage exports from the developing countries to the industrialized economies are required, the establishment of these quantitative targets should be accompanied by preferential systems in favour of the developing countries.

In every case, the developed centrally-planned economies should grant the developing countries access to their markets, financing arrangements and other opportunities on terms not less favourable than those the developing countries are seeking to obtain from the industrialized market economies, as one of the objectives of the United Nations Conference on Trade and Development.

2. The countries with centrally-planned economies should endeavour to conduct their operations in convertible currencies and on non-discriminatory basis, and to expedite, in the immediate future, the adoption of measures whereby balances deriving from trade operations with the under-developed countries can be made transferable from one socialist country to another.

### (b) Promotion of trade among the developing countries

1. If real advantage is to be taken of the developing countries' reciprocal trade potential, preferential rules and principles specially designed to serve this end must be adopted. Developing countries should be free to grant one another concessions that need not be extended to the industrialized countries.

2. Before these preferential regulations are formulated in specific terms, the developing countries in order to forestall difficulties of various kinds that might be caused by the indiscriminate extension of special preferences, should make an over-all study of the principles and procedures that might prove most efficacious in encouraging their reciprocal trade; special attention should be given to this subject by any relevant institutional mechanisms emanating from the United Nations Conference on Trade and Development, as part of the reconstruction of world trade that should be its ultimate aim.

3. The preferences accorded to certain developed economies by specific developing countries should be abolished at the earliest possible date, and at the same time the establishment of new preferences of this kind should be prevented.

/4. With

4. With international co-operation, an attempt should be made to examine and eliminate the problems and practices that militate against the trade of the developing countries, such as difficulties of communication and transport between areas in process of development, lack of trade, banking and other mechanisms or ties, etc.
5. Special consideration should be devoted to illiquidity problems, which particularly affect the developing countries, and would hamper their reciprocal trade if principles of unconditional multilateralism were applied.

(c) Regional integration and Latin America's foreign trade

1. The regional economic integration of the less developed countries should be promoted, with due regard for the special features of the various countries concerned, as an effective way of accelerating their economic development and expanding their intra-regional or inter-regional trade.
2. Care should be taken to see that, in the remodelling of the instruments under which world trade is conducted, priority is assigned and sufficient flexibility imparted to the regulations and procedures required for the implementation or consolidation of the economic integration processes of the developing countries.
3. Mechanisms should be promoted whereby payments can be facilitated within integrated regional groupings of less developed economies, and their intra and inter-regional trade can be liberally financed.
4. Every effort should be made to ensure that the scope and effects of the economic integration of developing countries are fully understood, in order to prevent certain forms of intervention on the part of the industrialized countries which might reduce or offset the expansion of inter-regional trade resulting from integration processes, or might affect the implementation of the policies concerned.

F. FINANCING OF TRADE AND DEVELOPMENT

1. The industrialized countries must recognize their responsibility in respect of helping to provide the international funds which, in combination with the maximum domestic savings effort that the less developed countries can reasonably be expected to make, will enable the latter to achieve a rate of growth that will reduce the disparity between their income levels and those of the industrialized countries. Their minimum contributions should be sufficient to bridge the gap between estimated import requirements of the developing countries and prospects for the expansion of their capacity to import; a fair distribution of effort implies that all the industrialized countries should contribute an adequate proportion of their respective gross domestic products.
2. Multilateralism should, as far as possible, be the guiding principle followed in external financing arrangements with respect to amounts, mode of payment and procedures, which should be adjusted to development programmes (sectoral, national or regional) with due allowance for the special development requirements of the borrower countries and for their present levels and differing rates of economic development.

Consequently, external aid should not be channelled entirely towards the financing of specific projects, nor should it be contingent upon purchases by the borrower country from the country providing assistance. Provision should also be made for the possibility of partly or totally financing the local cost of the specific project or development programme for which funds are needed.

3. In establishing terms for the servicing of external financing, account should be taken of the magnitude of the commitments already assumed by the developing countries in relation to their accrued external debt, so that the amount of resources they have to earmark for meeting their total obligations does not exceed a reasonable proportion of their respective capacities for payment. To this end, international financing agencies as well as the Governments and institutions of the developed countries, should effectively contribute to a revision of the terms for such borrowing on a basis of long maturity periods and low rates of interest.
4. Efforts must be intensified and resources increased in order to provide countries, on request, with such technical assistance as will enable them to expedite their development and to use whatever external resources are made available to them with the maximum degree of efficiency.
5. An indispensable step is to establish appropriate mechanisms whereby the developing countries can be compensated for any future damage to their interests that may result from the deterioration of their terms of trade. In view of the status of the studies and discussions already carried out on this subject, it is recommended that a comparative evaluation be made of the various existing projects, together with other suggestions to which thorough consideration has not yet been given, with a view to the adoption of a decision at the meeting of CECLA, which may lead to the selection of the system best fitted to serve the ends in view.
6. The compensatory credit system put into operation by the International Monetary Fund since February 1963 constitutes a definite step towards the solution of short-term financing problems, but it needs radical modification if it is to fulfill its purpose more efficiently. In this context, the following recommendations formulated by OAS (at the Meeting of the IA-ECOSOC Special Committee on Basic Products, 5 to 9 August 1963) should be adopted forthwith:
  - (i) In determining the magnitude of the decline in export earnings, more importance should be attached to their behaviour trends in the three-year period preceding the year in which the decrease takes place than to projections of exports for the two years immediately following it;
  - (ii) An exception should be established whereby compensatory credits are treated as completely independent of the structure of the gold tranche and of other successive credit tranches, so that the fact of obtaining compensatory credits neither directly nor indirectly militates against a member's chances of obtaining a current credit;

(iii) The



- (iii) The amount allocated by the Fund to compensatory financing over and above its current transactions, should be increased from 25 to 50 per cent of the member country's quota.

These proposals should be supplemented by others, with the aim of making the scheme more automatic in its operation, simplifying and standardizing the criteria for granting funds, improving repayment terms and specifying the requisites to be fulfilled by member countries wishing to make use of the facilities in question.

7. Problems relating to insufficient international liquidity cannot be approached from the standpoint of the situation of the industrialized centres alone; the position of the developing countries must also be taken into consideration, and in their case, rather than transient circumstances, basic problems are involved, whose solution will entail fundamental changes of direction in world trade flows.

8. The lack of an adequate credit instrument for promoting exports from developing countries constitutes a factor that decisively limits their competitive capacity vis-à-vis exports from the industrialized countries. The use of international credit, through the appropriate mechanisms is therefore considered necessary for the financing of the developing countries' exports, especially those requiring medium and long-term financing. Similarly, with the financial co-operation of the developed countries, insurance systems will have to be established that will cover all the risks - not merely those of a commercial nature - to which the exports of the developing countries are exposed.

With the same end in view, the industrialized countries should facilitate the establishment of uniform export credit financing and insurance practices for the developing countries and co-ordinate them with the international financing mechanisms which, by means of appropriate credit systems, can strengthen - as one agency has already begun to do - the competitive capacity of the developing country.

Similarly, the capital exporting countries should accord their contribution to the financing of the less developed countries' investment programmes on terms that will allow it to be used for the purchase of manufactured goods from developing countries, including the recipient, provided that the goods so purchased from part of the investment financed and that provision is made to ensure strict observance of the basic principles of competition as regards price, quality and delivery deadlines.

9. The industrialized countries should adopt policies designed to standardize the use of suppliers' credit in the short and medium-term financing of exports, and aiming at more favourable terms for the importer, with regard to time limits, rates of interest and other requisites,

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than have been in force hitherto. This will prevent the terms of payment from constituting a determinant of the direction of international trade flows, to the detriment of basic considerations of price, quality and delivery deadlines.

### G. THE INSTITUTIONAL STRUCTURE OF WORLD TRADE

1. An international organization within the United Nations system must be set up as soon as possible to deal with world trade problems, and, more particularly, to meet the needs of development. This new organization should have a membership open to all countries, it should have sufficient authority to guarantee the fulfilment of the decisions of the United Nations Conference on Trade and Development and of the United Nations itself in the field of world trade and development, and it should be capable of providing, on a permanent basis, the main impetus of all activities relating to world trade regarded as a means of economic development.
2. Until such time as the instruments for setting up a permanent organization of this kind have been perfected, it is essential to establish immediate-action bodies with, as their central organ, the United Nations Conference on Trade and Development, which would reconvene within one or two years. The Conference would have a standing committee and a permanent and qualified secretariat, as well as its own budget, and ad hoc committees as required, all of which would work in close co-operation with the Economic and Social Council and with the regional economic commissions of the United Nations, to promote the critical evaluation, revision, and, in due course, the co-ordination of the world trade and development activities of the other international bodies acting in this field. This analysis should identify areas of duplication or inconsistency, together with any gaps or shortcomings in the work of these bodies, in order to prepare for their gradual and smooth integration within a new structure. The committees would also further the groundwork for a future trade organization, while in the meantime formulating, as necessary, practical rules directed towards implementing the trade policy that emerges from the principles adopted by the United Nations Conference on Trade and Development. A number of committees would operate under the direction of the Conference, including:
  - (i) A committee concerned with the relations between the developed and developing countries, which would speedily transform the Conference's decisions and recommendations into a special agreement that would govern the trade relations between the two groups of countries.
  - (ii) A committee concerned with relations between the State-trading countries and the market-economy countries.
  - (iii) A committee that would function in close contact with the United Nations regional economic commissions to strengthen the links and solidarity between the developing countries as a whole, particularly those of different continents.

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During the period in question GATT, as the negotiating body between its present Contracting Parties, should continue to concern itself with promoting world trade within its present sphere of competence, having regard to the general guideline approved by the Conference.

#### H. OTHER MATTERS

The meeting of Latin American Government experts on Trade Policy expresses its appreciation of the co-operation afforded by the ECLA secretariat to the Latin American countries in their efforts to adopt a concerted position at the United Nations Conference on Trade and Development. Similarly, the Meeting records its gratitude for the valuable preparatory work done by the secretariat, including its report entitled Latin America and the United Nations Conference on Trade and Development and the organization of the Meeting at Brasilia, which are positive and substantial contributions towards the working out of a trade and development policy for the Latin American Governments.

In the light of these facts, the Meeting of Government Experts recommends that the ECLA secretariat should:

1. Continue to prepare papers on specific technical questions to facilitate the work of the Latin American delegations to the United Nations Conference on Trade and Development;
2. Continue to co-operate as actively as at present with the delegations of the Latin American countries during the Conference;
3. Convene a meeting of the ECLA Trade Committee, after the Geneva Conference, with the aim of evaluating the results achieved at Geneva and formulating specific recommendations to the Latin American Governments on the trade policy that should be pursued in the light of those results, and invite to the said meeting of the Trade Committee the Latin American organizations competent in the field of trade and development, in particular the Organization of American States (OAS), the Latin American Free-Trade Association (ALALC), the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), the International Development Bank (IDB) and the Inter-American Committee on the Alliance for Progress (ICAP).
4. Consider, at the said meeting of the Trade Committee, the establishment of a permanent Latin American system of consultations on trade and development, as suggested in resolution B-3/E63, adopted by the Inter-American Economic and Social Council at its second annual meeting at the expert level; for this purpose the ECLA secretariat should consult the Latin American Governments as soon as possible, to gather their opinions on the systems to be established, and should formulate its own suggestions which, once they have been studied by the Trade Committee, would be submitted to the eleventh session of ECLA, to be held in 1965.

Annex

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