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Conference Room Paper No. 1

C E P A L

Economic Commission for Latin America

Committee of High-Level Government Experts (CEGAN)

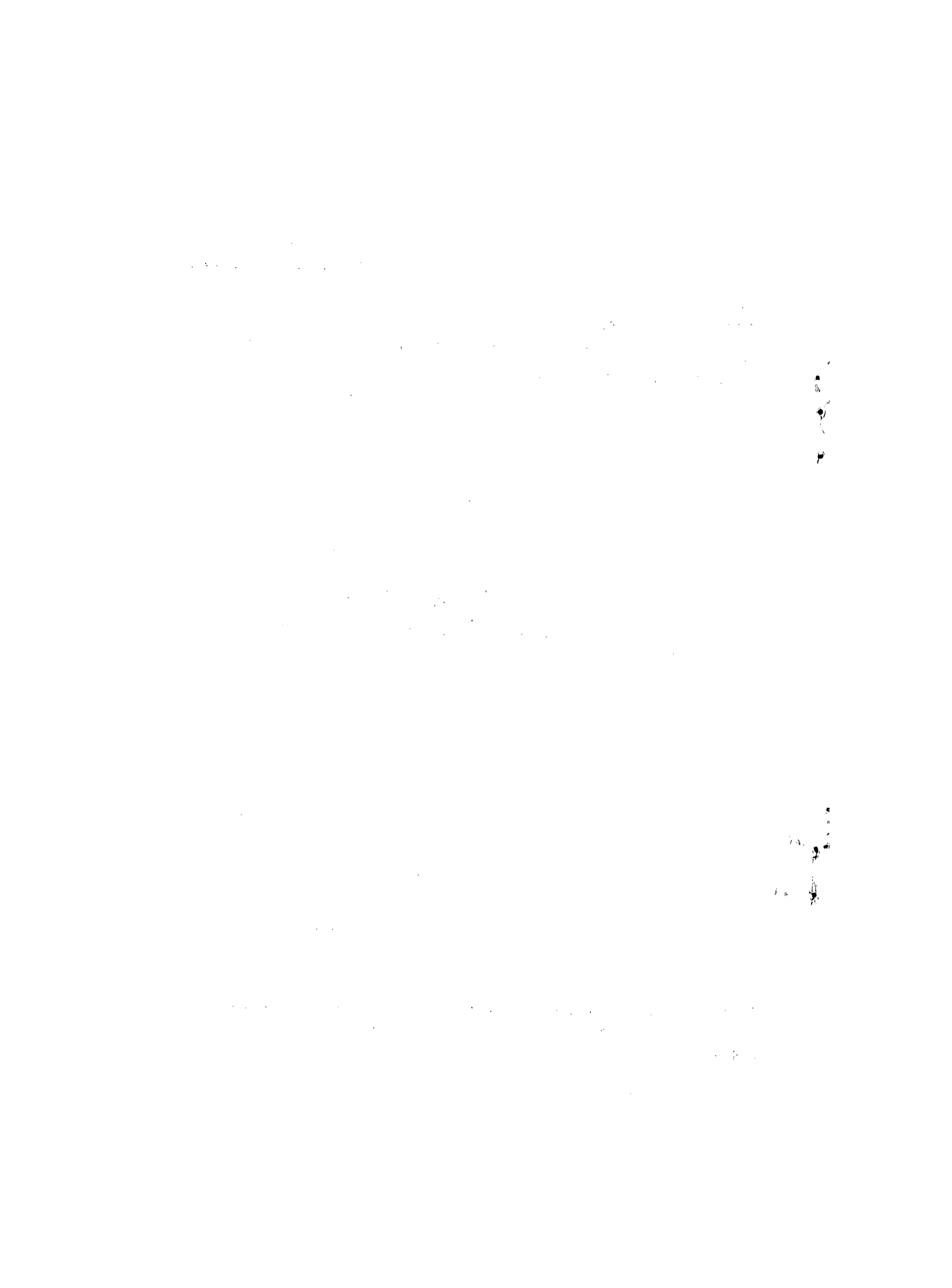
Fifth Session

Quito, Ecuador, 9-14 March 1981

LATIN AMERICA AND THE CARIBBEAN IN THE 1980s: REGIONAL PROGRAMME OF
ACTION FOR THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT
STRATEGY FOR THE THIRD UNITED NATIONS
DEVELOPMENT DECADE *

* Based on consultations effected by the secretariat with Latin American experts giving their opinion in a personal capacity.

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Chapter I

THE PRESENT SITUATION OF LATIN AMERICAN DEVELOPMENT

A. LATIN AMERICAN PROBLEMS AT THE NATIONAL, REGIONAL
AND INTERNATIONAL LEVELS

1. The central development problems prevailing in the countries of the region may be referred to three essential, dynamically interrelated aspects which characterize the situation at course of the socio-economic process. First, there is the continuing asymmetry in the structure of external relations, in terms of the nature of the flows of exports and imports of goods, the declining terms of trade and the rising external debt. Secondly, and largely on account of the nature of these external relations and of the factors of instability and uncertainty prevailing in the world economy, there has been a fall in the growth rate of most Latin American countries. Thirdly, and as a consequence of the present inappropriate socio-economic structures, extremely inequitable societies have developed. The unfavourable effects and repercussions of the external economic relations of dependence, limit or reduce the present or potential resources needed to bring about the conditions and changes required to overcome the social problems.

2. During the 1970s, profound changes took place in Latin America's forms of insertion in the world economy, and the region's process of internationalization and of linkage with the market economy industrial countries was intensified. The transnational corporations and private international banks played a predominant role in this process. For their part, the governments have applied policies of greater external openness in various economic, financial and technological respects. Concrete manifestations of these new relations and problems are to be found in the participation of the transnational corporations; in the rate and composition of external trade; in the trends of the terms of trade; in the magnitude of external financing and the sources providing it; and in the degree of external indebtedness. The persistent tendencies towards economic recession or slow growth rates in the developed countries in recent years, together with their inflationary

/processes, have

processes, have had a negative effect on the rates and forms of economic activity in the majority of the countries of the region.

3. The transnational corporations have an important share in manufacturing output. They dominate key sectors which are more dynamic and where technology is advancing most rapidly. They have a smaller share in traditional industries, where local enterprise tends to predominate. The bulk of their operations is directed towards the domestic market, and only to a lesser extent to exports. They act as a channel for a significant proportion of imports, of external financing and of the incorporation of technology by the countries of the region. The growing participation in the economic activity of the region of the transnational corporations which in their actions have not respected the principles upheld by the international community in the Charter of Economic Rights and Duties of States, has given rise to concern reflected in the efforts of the developing countries to prepare a code of conduct for the transnational corporations.

4. Exports have become diversified through the effects of two processes. Exports of manufactured goods increased, amounting to 20% of total exports for the region as a whole. At the same time, national exports of primary commodities were diversified and new flows of agricultural and mining products began to acquire considerable importance. Thus, the effects of industrialization and of production changes which have been taking place for some time in the Latin American economies have begun to extend to exports. However, exports of primary commodities continue to represent about 50% of exports. The serious problems of access to the markets of developed countries affecting the commodities exported by Latin America, the sharp fluctuations in the earnings generated by those exports and the unfavourable impact of inflation on their purchasing power are some of the main points of concern.

5. In the mid-1960s a trend towards greater liberalization of imports became visible, which in a large number of countries represented a new stage of economic policy. The composition of imports is particularly significant for the economic development process. In the first place, they consist largely of intermediate products, fuels and capital goods, so that the total demand for imports is closely linked with the course of domestic production and investment. Secondly, the value of these imports has increased appreciably

/in most

in most countries, as a result of the need for greater foreign supplies and particularly of the rise in prices, and represents a growing proportion of current foreign exchange earnings.

6. Despite the progress made in the diversification of exports, and particularly the inclusion of manufacturing branches, the foreign trade structure of Latin America continues to be typical of the developing countries. Firstly, although more diversified in all branches, exports contain a high proportion of primary commodities with a varying degree of processing and a relatively small proportion of manufactures. On the other hand, the imports which come mostly from the industrial countries include manufactures, including intermediate goods and capital goods on which economic activity in general and the formation of production capacity in particular depend. In addition, the small proportion of non-manufacturing imports often consists of foreign supplies of food products, of particular importance for many countries. Clearly, the composition of imports will be different in the case of countries which have adopted liberal policies with a high degree of openness to the exterior.

7. In the inflationary context dominating the world economy, the prices of commodities and manufactures have not developed at all uniformly, either in general or within their component branches, with the result that the effect of variations in the external terms of trade has varied in intensity and impact among Latin American countries. The terms of trade of the oil-exporting countries have improved in comparison with the markedly low level at the beginning of the previous decade. In the non-oil-exporting countries, on the other hand, the terms of trade have worsened in recent years, although to a varying extent. Taking these countries as a whole, it may be seen that the improvement in the terms of trade favoured them for a relatively short period, particularly in the two years 1973-1974; but their position subsequently began to deteriorate and the index of the terms of trade of goods and services in the last two years is significantly lower than at the beginning of the 1970s.

8. This leads to an uneven structure of external economic relations which the protectionist policies adopted by the industrialized countries tend to perpetuate, and which is based on an international division of labour that keeps the countries of Latin America in a situation of economic dependence.

/Thus, imports

Thus, imports consist of the goods essential for maintaining and increasing economic activity and the growth process; while exports contain a small proportion of manufactures, which must be expanded substantially in order to achieve a more balanced structure in trade relations and particularly in the faster growing branches of world trade.

9. There has been an enormous change in both the amount and sources of external financing in Latin America. The deficit on the balance-of-payments current account of the group of non-oil-exporting countries has risen considerably, amounting to an average of 3.3% of the gross domestic product in the 1970s, well above the 1.9% average recorded in the 1960s. Inflows of foreign finance tended in many countries to offset these current-account deficits and helped to increase foreign currency reserves, except in 1980 when the balance-of-payments current-account deficit increased considerably and the countries financed part of it with their reserves.

10. Another striking aspect is the fundamental change in the sources of financing. During the 1950s and early 1960s, the bulk of capital flowing into Latin America was official long-term capital, and consisted partly of direct investment. In contrast, in the 1970s a large proportion, about 85% in 1979, came from private bank and commercial sources, for the short or medium term, bearing rising interest rates: in 1980 the debt service represented about 45% of exports. Consequently, the burden of external financial services debt has risen with respect to the national income and the current value of exports. In addition, there is growing concern and criticism about the possibilities of continuing with this system of financing, due to factors linked with the functioning of private banks and the management of the debt by the borrower countries.

11. The result of this process has been an appreciable increase in the external debt, rising from some 10 billion dollars in 1965 to about 150 billion dollars at the beginning of 1980. In addition, as mentioned above, a situation of external vulnerability has arisen which is of particular significance for the future course of economic growth, especially in the case of the oil-importing countries.

12. The economic integration agreements have run into difficulties and in most cases have failed to achieve the targets and objectives they had

/set themselves.

set themselves. Nevertheless, significant progress has been made in multinational and bilateral investment in infrastructure, in multinational enterprises such as NAMUCAR and MULTIFER in the energy field, as well as in the expansion and diversification of intra-regional trade; the proportion of total exports going to countries of the region has increased, and includes a larger amount of manufactures - intermediate and capital goods - than exports to other areas; in the case of some countries, these trade flows have represented a significant growth factor in specific branches.

13. The course of the world economy and particularly trends in the industrial countries, with which Latin America maintains most of its external relations, particularly influenced this rise and fall of the growth rate, and the serious problems affecting the world economy have had clear effects and repercussions on the situation and prospects of future growth of the Latin American countries.

14. During the past decade, the economic growth of the Latin American countries varied considerably, with highly significant changes in rates and structures. The process was strikingly dynamic in some countries but comparatively slower in others, and broadly speaking the region passed from a boom period to one of particular weakness, followed in recent years by moderate recovery in a climate of great instability and uncertainty, particularly for the countries with foreign trade deficits.

15. The growth rate of the region as a whole during the 1970s (somewhat less than 6% a year) shows that in practice the region continued with its past moderate dynamism, without the increase which might have been expected given the more favourable experience of the early years of the decade. This was the result of the fall in the growth rate after 1975; and despite the recovery in some years, 1975-1980 formed the period of lowest growth since the war. During the second half of the 1970s, the great majority of countries had to tackle balance-of-payments problems caused primarily by the worsening of the terms of trade and the extraordinary rise in the cost of fuel imports; in most cases, they sought to adjust to the new circumstances, and strove to maintain some growth, partly on the basis of steady external borrowing.

16. Three essential aspects may be identified in the course of the past decade: (i) the boom in the early 1970s, when the annual growth rate of the region as a whole amounted to over 7%; (ii) the crisis of economic growth and

/the rising

the rising balance of payments current-account deficits in the mid-1970s; and (iii) moderate and unstable recovery from 1976 onwards. As of 1976, economic growth was very uneven, varying considerably from country to country, with an average annual rate of 5%. Only a very small number of countries influenced this average with higher growth rates, while most countries grew at a lower rate, and their problems and external vulnerability were heightened. 17. The growth in the volume of exports during recent years did not suffice to attenuate the seriousness of these problems, particularly for the non-oil-exporting countries, for a number of reasons:

(i) The rise in the value of imports, caused particularly by inflation in the industrial countries and higher oil prices. The change in prices represented, for example, in 1978 for the region as a whole, a rise in the value of imports, over their value estimated at 1970 prices, of 14 442 million dollars for fuels 1/ and 25 304 million dollars for imports of manufactures.2/ At the same time, for the net oil-importing countries, fuel imports rose significantly as a proportion of total imports or of current foreign exchange earnings from exports. Thus, for example, the value of net fuel imports in 1973 represented 8.4% of total import of goods, rising to 23.8% in 1979;

(ii) The worsening terms of trade;

(iii) The widespread inflation in the industrial countries which raised the prices of manufactured goods imported by the developing countries;

(iv) The rise in financial services on account of the mounting debt and the rise in interest rates;

(v) The need to recover specific import levels, following the decline in the mid-1970s, in order to underpin the growth of the domestic product; and

(vi) The need to keep monetary reserves up to certain levels, which have been rising due to world inflation and the nature of the capital inflows destined for short-term investment or speculative activities.

18. In these circumstances, the maintenance of some rate of growth, or an improvement in growth rates in recent years, has been achieved with great difficulty, particularly in the case of countries with foreign trade deficits,

1/ SITC 3.

2/ SITC 5 to 8, excluding 68.

/while their

while their external vulnerability has increased. This may be seen in the large current-account deficits in the balance of payments, which for the non-oil-exporting countries represented 3.4% of the product and 13.8% of domestic capital formation in 1979; in the high proportion of current export earnings which the servicing of the debt and profits of direct investment represent, amounting to 44.5% in 1979; in the size of the external debt; and finally in the worsening in the terms of trade on account of the rise in the prices of imports of manufactures, and particularly of petroleum.

19. Latin America has obviously undergone a process of economic growth and social change of considerable importance since the war; it is equally true that the nature of that process has led and still leads to the shaping of highly inequitable societies. The forces of production have developed, increasing production capacity and the sectoral and technological transformation of the economy; the productivity of labour and of enterprises has been raised, leading to higher national income; but at the same time the differences and segmentation of society have been accentuated; unemployment and underemployment persist, and a large section of the population still lives in conditions of poverty and even of abject destitution. These and other factors restrict the active economic and social participation of the population and generate powerful sources of instability.

20. The more striking features of this form of development may be seen in the inadequate socio-economic structure, characterized by a very high concentration of wealth and income in small segments of the population and a large section of the population remaining in conditions of extreme poverty; although there has also been often rapid growth of the middle social sectors, with major economic, social and political consequences. Another particularly important feature of postwar development is the process of change which has taken place in agriculture and in its economic and social interrelationships with other activities. The development of a modern entrepreneurial sector in most countries and the spread of technological progress in agricultural production are altering the structure and functioning of rural society and integrating it more fully with the rest of the system, while at the same time increasing the differentiation between agro-industry and traditional or peasant agriculture.

/21. The

21. The determinant or inherent factors of these structures are essentially linked with the concentrative tendencies of the prevailing economic system and the appropriation of a significant part of the surplus by small social groups inasmuch as it is used to increase ever more diversified superfluous consumption, as well as consumption investment, following the patterns of the industrial countries with a higher per capita income. In particular, this process is influenced by the concentration of the means of production and of land ownership, the forms and location of the development of the modern entrepreneurial sector, the growth of the liberal professions and the new employment structure which accompanies economic growth.

22. The latter structure is also related to the heterogeneity of productivity in economic activities, i.e., the significant differences in the product per person employed and in the varying growth rate of that variable in the different production entities and sectors. The socio-economic structure is also clearly linked with the institutional structure and the structure of power relations, and with the degree of participation of the various social groups, thus tending to strengthen rather than remedy this inequitable, concentrative and exclusive process.

23. In these circumstances, there are no sufficiently dynamic factors which will spontaneously change the nature of the socio-economic process, at least within the time-span required for the solution of these problems in view of the importance of the social tensions they generate. The most important challenge consists in an interrelated set of social problems affecting large sectors of the national population, representing a significant minority in some countries and the majority in others, such as the unfair distribution of income, critical poverty, unemployment and bad labour conditions, the low productivity of a considerable part of the labour force, the backwardness and marginalization of large urban and rural sectors, widespread semi-literacy and illiteracy which negatively affect the capacities of the labour force, and the limited share of most of the population in decision-making at all levels and in the economic, social and human development process.

24. Although health services have been expanded in nearly all the countries of the region, as indicated by the indices showing a widespread decline in infant mortality and a longer life expectancy at birth, even these services

/are far

are far from covering and satisfying the essential needs of the majority of the population, particularly in rural areas and marginal urban zones.

25. The situation of women in the region varies according to the socio-economic stratum to which they belong, which also conditions their form of participation in economic, political, social and cultural life, as well as the sources and manifestations of the discrimination against them.

26. The nature and magnitude of the problems to be addressed may be illustrated by the statistical indicators, referring to the region as a whole, on income distribution, the size of extreme poverty and the degree of occupation of the labour force and education. In the case of personal income distribution, 44% of total income is in the hands of 10% of families, while the 40% of the families at the lower end of the scale receive only 8%; the size and extent of poverty may be appreciated from the fact that 40% of the families of the region do not have sufficient income to meet their essential or normal needs. This means that at present some 100 million persons are living in poverty thus defined; and unemployment and underemployment affect the equivalent of 28% of the economically active population. Open unemployment is very high in many countries. Finally, the growth rate of primary education between 1970 and 1975 was 3.9%, barely higher than the population growth rate. Illiteracy rates vary between 5% and 40% of the labour force.

B. PROSPECTS FOR THE 1980s

27. The above account of the economic and social problems shows that if present trends are kept up the present situation could be maintained in many basic features and might even deteriorate in others.

28. The immediate prospects of the global economic evolution of the Latin American countries are not standard for all of them and in many situations they differ substantially. The majority of the countries will begin the 1980s in adverse conditions of extreme vulnerability as regards external variables. These include among other considerations the high level of indebtedness and the heavy burden of the external financing services, the problems which affect the continuation of the financial facility through the private international banks, prospects as regards the economic growth of the industrial countries

/and their

and their consequences on Latin American exports, the effects which the intensification of protectionist measures in these countries may have, and the persistent increase anticipated in the real prices of imports.

29. In the short-term there is no sign of fundamental factors which may have the effect of a significant improvement in these situations, unless important changes take place in the institutional organization and structure and operation of the world economy and in national policies.

30. The problem should be tackled through strategies and policies of an integral nature which affect the establishment of institutional and structural conditions which tend towards a new orientation of a development process to achieve specific economic and social ends. In determining these strategies and policies for the 1980s particular account must be taken of these different elements which characterize present initial conditions, and their prospects of evolution. However, in the preparation of a regional programme of action or in the preparation of national development plans, it is not a question of extrapolating present trends or of maintaining intact institutions and structures, but of examining the changes which should operate in the conditions and policies of an internal and external nature for dealing with social problems and speeding up the dynamism of economic development. It is therefore a matter of establishing objectives and goals of a normative or indicative nature, which will be recently feasible with the promotion of structural and institutional changes and the implementation of policy measures which will make up the integrated programme of action.

31. In carrying out the structural and institutional changes and implementing policy measures it is essential to bear in mind that the concept of integrated development implies that economic growth should go hand in hand with redistribution and also that activities of a social nature must be implemented in the framework of adequate economic dynamism, without which the dynamic and redistributive effects would be frustrated in the cases in question.

Chapter II

TOWARDS THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY
FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE ON THE BASIS OF
LATIN AMERICA'S OBJECTIVES AND SPECIFIC CONDITIONS

32. The Latin American countries are aware that the New International Development Strategy is far from adequately satisfying the needs of the developing world in general and of Latin America in particular. These limitations have been increased by the reservations or interpretative declarations formulated by the industrialized countries at the time of their adoption. The Latin American countries are, however, resolved to encourage the introduction of elements which will correct and strengthen the Strategy in the course of its implementation and are confident that they can depend on the understanding and political will of the developed countries for this purpose.

33. Development should be conceived of as an integral process characterized by the achievement of economic and social goals which will ensure the real participation of the population in the development process and its benefits, for which purpose it is necessary to make deep-seated structural changes in this context as a prerequisite for the integral development process aspired to. Both aspects are indissoluble parts of a whole and condition each other mutually, and it is difficult to envisage an effective strategy which does not consider them simultaneously and does not weigh them up in their true dimensions. For purposes of their presentation and for greater clarity, both spheres appear separately, but in the interpretation of the real processes and in strategy formulation they should, of course, be considered together.

34. The analysis of the nature and extent of the central problems of the Latin American development, the essential conclusions of which were considered in the last chapter, shows clearly that these are aspects concerning the structure and operation of the economic and social process, which are inherent in this process and whose solution requires institutional and structural changes at the internal level and in the context of the world economy, which will have the effect of a new functioning of the economy and society in order to achieve specific ends in connexion with economic growth and social wellbeing in a framework of fairer societies.

35. Latin American countries propose to achieve the following interrelated objectives during the 1980s:

(i) To speed up economic and social development and the structural change of the national economies;

(ii) To speed up the development of the region's technological capacities;

(iii) To promote a fair distribution of national income and to eradicate situations of poverty as rapidly as possible;

(iv) To structure an adequate economic policy which will tend towards the establishment of conditions which will enable inflationary processes to be controlled or obviated, at the same time avoiding measures of a recessive nature which will provoke unemployment and aggravate social tensions;

(v) To strengthen integration and the different forms of co-operation among the countries of the region in order substantively to increase international trade, to make a better use of natural resources and to reinforce the capacity for joint negotiation so as thus to expand the means towards greater economic and social development and a more adequate position in the world economy;

(vi) To promote the change of the structures of external economic relations so as to achieve a new international economic order and the proposals of the Charter of Economic Rights and Duties of States in order to deal with situations of dependence, achieve real participation in international decision-making processes and produce adequate conditions in the functioning of balance-of-payments accounts with the exterior;

(vii) To stimulate the active economic, social and political participation of the entire population in the economic and social development process, and the decision-making process at all levels, to ensure the participation of young people and the integration of women into economic and social development and the welfare of children;

(viii) To conserve the quality and increase the potential use of the environment, including measures to correct practices causing depredation, so as to improve living conditions and lay the bases for a type of development which can be maintained in the long term;

(ix) To conserve and stimulate the cultural authenticity and identity and development of the countries' own forms or styles of living, and

(x) Freely to exercise full and permanent sovereignty, including possession and disposal of all their wealth, natural resources and economic activity.

36. It is useful to establish objectives and goals of an indicative or normative nature, referring to the region as a whole, because they illustrate the intensity of the dynamism postulated, the nature and magnitude of the efforts which must be made and the depth of the institutional and structural reforms which must be implemented at the national and international levels.

37. However, it is the countries themselves which must establish their objectives and goals taking account of their particular conditions, their aspirations and their capacity for promoting the structural reforms required by a development strategy of the nature and scope proposed.

38. Moreover, as the IDS lays down, the region establishes its own goals in this document on the basis of the region's growth needs, circumstances and modalities.

39. The normative scenario of economic growth for the 1980s proposed in this programme of action considers the following elements, inter alia:

(i) A speeding up of economic dynamism of greater intensity than indicated by the projections of historical trends, so that through adequate policies a positive contribution may be made to the solution of the problems of unemployment and the eradication of poverty situations;

(ii) A minimum growth goal which will make it possible to double the per capita product in a period of not more than 15 years, as a general norm for all the countries, and

(iii) The materialization of the high economic growth potential observed in some countries, which means that the goal of growth may in some cases prove to be greater than the minimum established in the last point.

40. For the region as a whole the domestic product would double in the course of this decade as well as the annual growth target of around 7.3%. For Latin America this would mean an annual economic growth rate approximately equal to that recorded during the first four years of the 1970s. But there is a very important difference: while during that period growth was mainly concentrated in a very small number of countries, it is now proposed to speed up growth taking in all the countries of the region.

41. The output of the agricultural sector would have to grow more rapidly than in the past, since an annual rate of 4.4% should be recorded for the region as a whole. This target for agricultural output is in keeping with the

/global pace

global pace of the growth of the product, and is essential for offsetting the growth of domestic demand - which would stem from the growth of income from the aims to eradicate extreme poverty or situations of indigence - and the need to increase the region's exportable balances.

42. Industrialization should take on a relatively intensive dynamism, with an indicative annual growth rate of approximately 8.5% for the manufacturing sector, which means a far more rapid industrialization in greater depth than in the past. New activities with a greater technological content would have to be tackled requiring major capital investments in the branches of essential intermediate products and production goods. In this new stage, industrialization will have to take place under the best conditions of economic efficiency, since the materialization of the growth proposed requires a considerable expansion of trade in manufactures between countries of the region and exports to developed countries and other developing regions.

43. The achievement of these growth targets will require a larger increase in investments: their coefficient compared with the product will have to increase to 29% of the gross domestic product for the region as a whole, before 1990. In theory, it is considered that this will not constitute an impossible obstacle, since the region has given proof, particularly in its boom period, of a notable capacity for promoting large-scale investments. Domestic saving will have to increase appreciably, reaching 26% of the gross domestic product. As is desirable, external financing is reasonably in line with investment and exports.

44. However, it should be noted that the conditions and trajectories which appear in this scenario vary from one country of the region to another, and in many of them the speeding up of the growth rate will require relatively larger increases in investment and domestic saving, and therefore a more intensive effort than for others. It is also evident that the relative importance of external financing, in comparison with the product and investment, must also be significantly different from one country to another.

45. In the context of the dynamic growth process which composes the normative scenario of economic development which has been proposed, imports will tend to grow for nearly all the countries of the region as a whole at a slightly

/faster pace

faster pace than the growth of the gross domestic product, i.e., at an annual rate of approximately 8%. Consequently, the external purchasing power of the Latin American countries will tend to grow far more than in the past in order to meet this demand for goods and services.

46. This growth will come from three main sources: (i) volume and diversification of exports; (ii) evolution of the terms of trade and (iii) magnitude which external investment and financing may achieve.

Assuming that the terms of trade would remain at their 1979 level and that net external financing - equivalent to the current account deficit of the balance of payments - continues to register a relationship compared with the gross product during the 1980s similar to that which the countries of the region registered during the 1970s, for the region as a whole export earnings from goods and services should increase on a par with imports (8% annually during the decade), and towards 1990 net external financing would account on average for 2.8% of the gross domestic product, and around one-fifth of exports.

Chapter III

REGIONAL PROGRAMME OF ACTION TO SPEED UP THE ECONOMIC AND SOCIAL
DEVELOPMENT OF LATIN AMERICA AND THE CARIBBEAN IN THE CONTEXT
OF THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT
STRATEGY FOR THE THIRD UNITED NATIONS
DEVELOPMENT DECADE

A. National economic and social development

47. As was said in defining the region's objective, development should be conceived of as an integral process characterized by the achievement of economic and social goals which will ensure the real participation of the population in development and its benefits, which therefore makes it necessary to carry out deepseated structural changes in this context as a prerequisite for the integral development process aspired to. Both aspects are an indissoluble part of the whole, and condition each other mutually and it is very difficult to conceive of an effective strategy which does not consider them simultaneously. The specific policies for this integral development will be freely determined and implemented by the countries as part of their development plans and priorities and in line with their cultural identity, socio-economic structure and stage of development.

1. Economic development

48. The speeding of this growth and the productive and technological transformation of the economy are essential to ensure a process of increasing diversification, integration and strengthening of the national economies and to create bases to facilitate the implementation of a social policy. In particular, the intensification of economic dynamism is necessary to increase the productive capacity of the labour force, increase levels of employment, help the accumulation and facilitate the implementation of policies to improve the distribution of income and solve situations of extreme poverty by the active incorporation into the labour force of high-productivity activities. Economic growth is therefore a necessary condition, but it must be integrated with other policies in order to be able to arrive at specific aims linked to a better distribution of the

/results of

results of economic growth, the eradication of poverty and other social objectives pursued. The need to speed up the economic growth of the Latin American countries in the context of an integral strategy which proposes a fairer distribution of income and the increase of the social wellbeing of the entire population is subject among other reasons to the magnitude and gravity of the social problems which will tend to be exacerbated by the high rates of growth which will occur in the economically active population. It is clear that the productive incorporation of the available labour force will require a much more intensive dynamism of economic development than was observed in the region in the past and certainly far more than that which occurred on average in the second half of the 1970s. It should not be forgotten that with the acceleration of economic growth the increase in the product per employed person is also speeded up, as a result of the progress which should take place in the transformation of production and the development of new forms of production. During this process, as we know, the provision of capital required per employed person increases, and the volume of production to absorb the same quantity of labour rises sharply.

49. The fundamental basis of the speeding up of economic development should be contained in the domestic effort and the mobilization of the country's own resources; the region has shown that it possesses this potential development capacity, owing to its provision of natural and human resources and its capacity to boost a dynamic process of investment and increase the economic efficiency of its production to levels which allow to compete on the international market.

50. There is an urgent need to promote institutional and structural reforms in the Latin American countries in order to cause this development potential to materialize, and in particular to boost a large accumulation of capital which can only be achieved by means of substantial changes in the operation of the economies which among other objectives would lead to the containing of the high levels of consumption which are concentrated in a small sector of the population.

51. The objectives of speeding up the economic growth, improving income distribution, eradicating situations of poverty and promoting the economic and social participation of all the social sectors will give rise to strong

/inflationary pressures

inflationary pressures and will tend to cause disequilibria of an undesirable size and nature in the accounts with the exterior. This will stem from the growth and changes which will be recorded in domestic demand and in imports, to which should be added the persistent increase of the servicing of the debt accumulated.

52. Consequently, action must be programmed in the economic and financial field so that together with promoting the changes and transformations proposed, inflationary pressures can be avoided or controlled which would otherwise have an adverse effect on the implementation of the economic and social programme and would particularly damage the lowest income groups.

53. The effort should be particularly intensive in countries which traditionally show chronic inflation. All the countries will be affected by world inflation which seems to be becoming more intensive and spreading more than anticipated.

54. The objectives of agricultural and industrial output pursued will require from the governments appropriate programming for the policy measures and direct intervention in specific aspects. There are branches in which the sums invested are so considerable and the maturity periods so long that the national private sector cannot cope with the task, at least independently. In such cases the public sector could make its investments through its enterprises or in association with private national or transnational enterprises, or through arrangements with them. This, for example, is the case of a large part of the growth of the economic and social infrastructure, an indispensable base for increasing production and a better distribution of consumption and income.

55. Agricultural activity in many Latin American countries constitutes the point at which the problems of poverty and underemployment are most intensively manifested. Agricultural structures and policies should therefore consider these social aspects in the context of the development programmes of this sector.

56. A central role will devolve on agriculture in solving the nutritional problems which affect large sections of the population of Latin America. Simultaneously the sector should contribute to the growth of exports of commodities and the demand for inputs in agroindustry.

/57. Policies

57. Policies must be established to remove the obstacles which present forms of access to the use of land create for increasing production and solving social problems. Concentration of land should be avoided, particularly in the hands of transnational corporations, as should the growth of the minifundium, peasant settlement on marginal land and the underutilization of land in medium and large properties.

58. The agrarian reform policies taken as a permanent process of transformation and adjustment of the agricultural structure to the new national situations may be fundamental in many countries. Rational occupation of national territory aimed at expanding the agricultural frontier and legislation which promotes an intensive and generally national use of the land will be a part of or will supplement agrarian reform policies.

59. The agricultural policies should contribute to solving the employment problem. Among the activities and policies which should be promoted mention should be made of agricultural research and experimentation of for this purpose, greater access by peasants to land which is not used or which is underutilized, the rational occupation of national land for expanding the agricultural frontier, public investment programmes, extension of irrigation, training and administrative decentralization.

60. The policies for agrarian reform, increases in production and increased employment should be supplemented with policies for credit, marketing, and the supply of agrochemical inputs, and the strengthening of state services of support to peasant agriculture. In the majority of the cases an effort is made to eliminate the distortions of the market which render technology and physical and financial inputs inaccessible to the peasants and prevent them from placing their products in more dynamic markets.

61. Industrialization is a fundamental component of the economic and social development policy, and particularly of the measures aimed at a greater degree of autonomy in the implementation of the development process, more balanced external trade relations, and a fairer distribution of income and consumption.

62. During the decade important industries producing capital goods and basic intermediate inputs should be promoted or strengthened. The share in world output will thus be increased, cutting back the large-scale

/dependence with

dependence with the industrial countries now registered, and the bases will be laid for a more symmetrical and balanced trade with these countries.

63. Industrial supply will have to be reoriented in order to be able to satisfy the dynamism and the changes which will be generated in demand as a result of the modifications which take place in employment and the better income distribution proposed.

64. Industrialization policies will require the promotion and support of the governments in order to overcome the disequilibria and backwardness which now affect the sector. The countries will establish their own goals and objectives for industrialization and in their implementation the governments will take advantage of the experience accumulated in this type of policy and the capacity which the public enterprises possess in many countries.

65. The countries will develop policies aimed at improving their bargaining position with the transnational corporations. The strengthening of entrepreneurial capacity, personnel training, the delimitation of the activities of the transnational corporations and a technological policy will prevent the national sectors from losing importance in output. The acceptance en bloc of the technological and financial contribution of the transnational corporations should be avoided. When this contribution is broken down into its components it will be possible to carry out in the region part of the scientific and applied research, stages of design and engineering and greater complementarity with national enterprises.

66. The energy needs required for the product of the countries of Latin America to reach a level consistent with the regional goal in the next ten years would mean maintaining long-term trends, and also doubling the supply of energy. The difficulties implicit in such a high level of energy supply make it essential to initiate conservation policies or to reinforce those already in progress, particularly in the case of eminently wasteful consumption imitative of the industrialized societies. A larger quantity of technical and financial resources must be earmarked for the creation, prospection and development of new sources of energy, giving priority to hydrocarbons as the shortest-term solution. The increase in the rates of investment to expand energy supply in order to replace imports of oil would

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thus be concentrated in quantitatively larger sources of energy such as petroleum, natural gas and water power, and to a lesser extent in other traditional sources. However, where feasible, it is worth special consideration to take advantage of the experience which the region may have in the production of alcohol vehicle fuel, which could acquire high-priority interest, and it is necessary to use optional sources of energy such as nuclear, solar, geothermal, wind and tide energy as a means of reducing the present heavy dependence on oil, and consequently the external vulnerability of the non-oil-producing countries. All of this is closely linked with the conservation of the environment and therefore with the eradication of practices which causes the deterioration of nature.

67. National medium- and long-term action programmes on new and renewable sources of energy must be established and strengthened. For this purpose programmes of co-operation between developed and developing countries will be established and supported in the spheres of development, experiments and training, with experimental centres under similar geophysical and climatic conditions.

2. Social development

68. Economic growth is a necessary but not in itself a sufficient condition for ensuring full social and human development. For this purpose adequate institutional and political reforms must be introduced as part of an integral and organic conception of the development process. The results of this economic growth must be distributed more fairly so that, together with the active participation of the different social sectors, it will be possible to achieve fairer societies, where human beings find the greatest possibilities for a more complete development of their potential.

69. The success of the social development policies will be associated with the implementation of objectives and policies to increase the capacity of production, so that the structures of production and consumption can be transformed in order to meet the basic aspirations of the majority for a better life. Policies in this regard should take account of the consistence of the promotion of dynamic economic growth, greater social justice and the reduction of structural differences and social inequities. In order to

/achieve these

achieve these goals the effective participation of the population in the process of economic, social and human development should be promoted. Policies should be prepared and implemented favouring participatory structures, processes and organizations.

70. The objectives of distribution which have been proposed make it essential to have policies with an impact on the structure and dynamism of economic growth in the medium- and long-term measures which affect present distribution in the short-term. In the medium- and long-term the reduction of the heterogeneity of production and increased economic dynamism should notably alter the labour market, and increase employment and its structure of skills, all of which should give rise to a better distribution of income. In the short-term the need to increase national saving at the cost of the growth of consumption of the highest income groups will require action aimed at attracting or productively orienting the use of part of this income. Similarly, the need to go to the assistance of the least favoured groups, specially those affected by situations of critical poverty, will require changes in the present structure of distribution.

71. The measures for distribution will make it necessary in some cases to consider a prior distribution of assets, as in the case in the rural milieu where it is necessary to provide more access to land and the use of water to a substantial proportion of the peasants. In other cases it will be necessary to change income distribution by means of a direct supply of goods and services financed from resources derived from the tax system or to contribute to the previsional and social security funds. A clear definition of the groups which it is desired to assist will make it easier to handle the instruments of economic policy in order to avoid the effects filtering down to other social groups.

72. The redistribution policy will acquire special connotations when the aim is to reduce or eliminate situations of extreme poverty. In such cases public spending will be the instrument of the greatest importance and it will be necessary to focus it on the most needy social sectors and groups, particularly as regards the services of education, health and housing. Other policies of a structural nature are also required to combat poverty. Of these mention should be made of those aimed at guaranteeing in the rural

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milieu greater access by poor people to credit for production and support for the marketing of commodities, and in the urban milieu to giving own-account workers and small entrepreneurs access to credit, means of work and technical and commercial advisory services.

73. A very important place is that of specific policies aimed at children and young people which will have a major effect on the family group as a whole. The more important the decision of the countries to allocate resources for the development of children and young people, the higher the probability of breaking through the vicious circle of extreme poverty.

74. As a reflection of the intensive process of technological change which would be disseminated in the national economies and which would be of an almost general nature for the different groups of countries, a large increase will occur in the product per employed person. Despite the rise in productivity indexes a greater absorption of the labour force will be promoted which - for the region as a whole - will be similar to the increase taking place in the economically active population. This would not solve the problem of unemployment in relatively short periods, because of the large mass affected by situations of underemployment and open unemployment; however, better levels of productivity and income would be promoted in this sector of the population. The structure of employment would have to undergo important changes, not only in its sectoral distribution, but also in its structure in terms of the nature of jobs and their level of skills. Consequently, this raises the need for the training of the economically active population, which would have to receive very special consideration in some countries.

75. The heterogeneity which characterizes the production structure of the countries makes it necessary to define different occupational policies, depending on whether they are oriented towards the modern or traditional sectors and towards large-scale, medium or small enterprises. Thus, the policies in countries facing high rates of growth of the labour force will be different from those in which no major occupational problems are anticipated.

76. In the countries which face serious problems, the orientation of the structures of production and the promotion which may take place as regards

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the size of the enterprises may play an important role. In fact, as the external trade situation becomes more flexible, the options to promote a more efficient structure of production in relation to employment increase. As technological development increases in the region and the conditions in which technology is purchased improve, the possibility of choice is expanded including the size of factories. In the circumstances, the occupational criterion should play an important role in decisions.

77. In the low productivity urban and rural sectors is to be found the mass of underemployment and policies of a very different nature must be designed. In addition to the conjunctural emergency policies which should be adopted in critical cases it will be necessary to go to the assistance of the low productivity and potentially productive economic units in order to transform them into units capable of generating employment and income at adequate levels.

78. The effective organization of peasants, minifundium owners, small-scale fishermen, small merchants and landless day workers is indispensable for the success of the measures described. The countries will formulate policies aimed at reducing unemployment among young people and women and bringing job opportunities into line with aspirations.

79. The true democratization of education at all levels should be a goal of the countries of the region and the result of decided action in this field. A fundamental task for the next few decades, and one which cannot be postponed, will be to fight with all available resources and means to generalize complete primary or basic education for all children of school age, eradicate illiteracy and gradually and thoroughly intensify the programmes of integral attention for children of pre-school age living in adverse social conditions.

80. The elimination of illiteracy and semiliteracy through the joint action of consistent programmes for adults, and school and extracurricular work to incorporate all children and young people in functional and efficient educational services is considered to be the basic condition for the true democratization of education. This measure also implies a high priority strategy which also includes the elimination of absenteeism and the reduction of the rates of repetition and dropout, and the appropriate use of the mass communication media.

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81. In the effort to achieve a more direct link between education and the labour market, the countries should implement education systems which will efficiently train people for work and give individuals integral training with emphasis on the cultural heritage and universal values of mankind.

82. The elimination of the growing shortfall in urban and rural housing is a long-term goal which requires the concerted action of the governments. During the decade it will be necessary to increase the supply of housing for the low-income urban majorities by solving the problem of peripheral shantytowns. At the same time it is essential to improve the infrastructure associated with housing: electrification, drinking water supply and sewerage.

83. In order to do away with the growing shortfall in housing, State participation which would give high priority to the housing of the population with least resources will be essential in many cases. The countries will together seek the legal instruments which will permit an adequate functioning of the real estate market. Self-construction will receive incentives from the material and technical support of the State. The fulfilment of large-scale housing plans will require the promotion of the development of industry for the construction of low-cost housing.

84. By the year 2000 all the inhabitants of the region should have achieved a level of health allowing them to lead economically and socially productive lives. To this end, an adequate and comprehensive system of primary health care should be set up, in keeping with national priorities and individual characteristics, as an integral part of a global health system and of a general improvement in nutrition and basic infrastructure for the supply of drinking water and sewerage services covering in particular the rural and urban populations which do not receive attention or only insufficient attention. By the year 2000, no country of the region will have a life expectancy at birth of less than 70 and no country will have an infant mortality rate exceeding thirty deaths per thousand live births. Maximum efforts should be made to supply drinking water and basic sanitation to the entire population by 1990. Measures to cut down the levels of infant and general mortality should include integral attention for the family, appropriate nutrition, the education of mothers, the immunization of children and environmental sanitation programmes. Priority should be given to programmes for the prevention of disease and disability aimed especially at the marginal rural and urban groups.

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85. In order to correct the growing inequality between the small group of the population which receives broad protection from the social security systems and the majority of the population which is not covered, it will be a goal to extend social security coverage to the entire population, particularly in rural areas and on behalf of marginal urban groups. The system of contributions for financing social security systems should be changed to make them more equitable, and countries should take the measures they consider appropriate to improve the unity and uniformity of currently stratified systems.

86. The prevention of disabilities and the integral rehabilitation of the disabled should be tackled immediately as a form of dynamically incorporating the disabled into society. Their physical and psychological adaptation to society will be promoted by providing them with suitable assistance, attention, training and guidance; they will be provided with appropriate work opportunities, and research will be undertaken into ways of facilitating their practical participation in daily life; and the remainder of the population will be educated and informed about the right of this population group to participate fully in, and make its contribution to, economic, social and political life. In order to achieve these objectives, medical prevention and rehabilitation measures will be adopted, regular and special facilities will be provided for education, culture, recreation and sports, access will be provided to vocational training and work, architectural barriers will be removed, and existing legislation will be reviewed to ensure the rights of the disabled.

87. Population policies should be considered as part of global and sectoral development policies. It will be necessary to bring population measures and programmes into line with socio-economic goals and strategies. The countries will take the measures they consider necessary as regards migratory movements and levels of fertility with full respect for the fundamental human right to take a free and responsible decision as regards the number and spacing of children.

88. The active and real participation of the entire population in all aspects of the development process should be ensured. The establishment

/and improvement

and improvement of the national machinery which will guarantee the equality of women and men and the implementation of measures for their integration into the development process are important goals for the countries of the region. In this context measures should be encouraged which will guarantee the increased participation of women in the region's economic, political and social and cultural life. The role of Latin American women in society must be reassessed and an effort made to improve their social image.

89. The countries have committed themselves to deploying their best efforts to support the implementation of the Regional Plan of Action for the Integration of Women into Latin American Economic and Social Development, which is the special instrument giving the action priorities for the region.

90. These policies should give priority to women belonging to poor groups, particularly poor rural women. Activities should aim at relieving the burden of domestic chores and improving housing conditions, infrastructure, health, employment, education and other social aspects. All countries should attach high priority to the objective of mobilizing and integrating young people into development.

91. In formulating global development policies the environmental dimension must be incorporated in policies on population, human settlements, territorial reorganization, natural resources, technology, international relations, energy and subregional integration, on the basis of natural resources, particularly in drawing up strategies aimed at reducing or eliminating poverty and underdevelopment. In this way an effort will be made to leave future generations the benefits of a healthy environment and ensure a process of socio-economic development which can be maintained from the long-term environmental and ecological standpoint. In the planning of Latin American development consideration should also be given to the place of the environment in policies relating to the development of agriculture, industry and urbanization.

B. CO-OPERATION WITHIN THE REGION AND BETWEEN LATIN AMERICA
AND OTHER DEVELOPING REGIONS

92. Co-operation within Latin America and between it and other developing regions is exclusively the concern of the developing countries. In this context, the importance is recognized of the technical and financial support of the international community.

1. Co-operation within Latin America

(a) Priority action and areas

93. Integration and the various forms of co-operation among the countries of the region, the adoption of which depends on the sovereign decisions of those countries, shall continue to be one of the most powerful vehicles for increasing international trade, making better use of natural resources, strengthening co-operation with the rest of the developing world, reinforcing their joint negotiating capacity with the industrialized countries and transnational corporations, and in general for undertaking action to broaden the paths leading to greater economic and social development of the countries of Latin America and the Caribbean and achieving a more appropriate position in the world economy. To that end, it is essential to support with unqualified political will and the required concrete measures the machinery for integration and co-operation existing in the region, and also to continue advancing in the search for and application of instruments and forms of co-operation to supplement and improve them.

94. In order to strengthen the integration treaties and agreements in force in the region, it will be necessary to give the required support to the following tasks:

(i) Setting up machinery granting real preference to products originating in the region, particularly those which need large markets or big scales of production, such as capital goods, or products representing essential activities for those countries;

(ii) Granting of special consideration to the relatively less economically developed countries, to ensure their full participation in the integration processes and avoid the polarization of trade and imbalances in the benefits reaped, as usually occurs when only the more traditional

/integration instruments

integration instruments are used. This means mobilizing effective co-operation on behalf of those countries through preferential tariff treatment, the use of financial resources, the implementation of joint projects, technological collaboration and other action aimed at creating broader markets for their products and at the same time providing the means for increasing their exportable supply;

(iii) Ensuring that, within a framework of flexibility and partial action (dominant elements in ALADI), the final objectives of integration and the indispensable convergence of such action are borne in mind; this will avert the formation of watertight compartments obstructing the multilateral interrelationship which is important for strengthening and unifying the region and fostering the Latin American Common Market;

(iv) Linking up the integration plans, even though they retain their institutional individuality.

95. In order to avoid the duplication or overlapping of efforts of the various secretariats of integration and co-operation bodies of Latin America and the Caribbean, it is desirable to establish permanent links among them. The strengthening of the systems and structures which link the Latin American and Caribbean nations economically and politically at the same time signifies the strengthening of their negotiating power and greater weight in the face of the dominant economic blocs and the transnational corporations. SELA plays an outstanding role in the co-ordination of Latin American foreign policies which should be strengthened in view of the concrete challenges facing most of the nations.

96. To overcome the difficulties affecting the integration arrangements of the region to a varying degree implies major efforts aimed at a balanced combination of legitimate national short- and medium-term interests with the long-term benefits to be achieved through closer economic and political unity among the countries of the region.

97. In addition to the essential support of the countries of the region for the formal integration systems existing in Latin America and the Caribbean today, and for the SELA action committees, there are other fields of action in which co-operation can make an important contribution to solving the problems affecting some or all of the countries. These co-operation activities

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may be undertaken through the machinery of the integration agreements. The programmes selected have the common feature that they are to be implemented through co-operation among Latin American countries; this means in turn that the efficiency of the resources devoted to them will be increased.

(b) Joint use of natural resources and compensation of regional imbalances

98. This involves the initiation or continuation of action to achieve, inter alia: (i) self-reliance in the regional supply of important items such as food and raw materials in general; (ii) environmental conservation, defined as the rational use of resources, particularly non-renewable resources; and (iii) better returns from exports of basic commodities, by increasing their value added and by greater participation of the countries concerned in the distribution and marketing stages and in the international negotiations aimed at securing proper prices for those products.

99. Latin America has sufficient natural resources to sustain a high regional growth rate; however, those resources are not equally distributed among all the countries of the region. A major task of co-operation is therefore to ensure the supply of commodities in each of the Latin American and Caribbean nations. Forms of co-operation must also be sought which tend towards more appropriate marketing of exports of commodities of the countries of the region in international markets, for example through producers' associations or the creation of Latin American marketing companies.

100. In the case of water resources, co-operation has taken place in various activities, particularly the electrical sector. There has been a considerable growth in binational projects for hydroelectrical purposes, chief among which are the projects of Salto Grande, Itaipú, Yaciretá, Laguna Merín and Corpus.

101. Co-operation in the mining sector - where there is a notable lag in the integration of the mining, metallurgy and engineering stages, and of capital goods and intermediate inputs - is urgently required, in view both of the relatively small size of domestic markets and the scale and diversification required for mining production, and of the uneven growth of the demand for different types of products. Priority should be given to multinational Latin American projects or agreements of an integral nature, i.e., covering joint activities in prospecting, infrastructure, mining and manufacturing production and marketing agreements. The first steps could be aimed at the

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formulation of co-operation projects designed to increase the knowledge and development of the region's mining potential.

102. In addition, a regional or subregional criterion should be borne in mind in the use of natural resources when their exploitation has major repercussions, such as, for example, on economic or environmental areas of other countries of the region.

(c) Energy

103. There are already many important co-operation activities in this field, such as the process of electrical interconnexion at a scale exceeding the individual capacity of the systems of the neighbouring countries where binational hydroelectric power stations are built or operated. In this connexion, mention should also be made of the energy co-operation programme of Mexico and Venezuela with the Central American and Caribbean countries; and the activities undertaken by ARPEL, OLADE and CIER as specialized regional agencies. Nevertheless, co-operation remains inadequate in important areas, such as the use of non-conventional energy sources; the processing and channelling of complete, rapid and accurate data, particularly concerning oil and petroleum products; manpower training, business management and in general all aspects of energy economics and technology. In Latin America the progress made in know-how and experience has varied, so that very fruitful horizontal co-operation may be undertaken.

104. In addition to the positive action mentioned above, the countries of the region should see to the instrumentation of the what is set forth in the report of the Meeting of the Ad Hoc Intergovernmental Group of the Group of 77 on Economic Co-operation among Developing Countries (Vienna, Austria, 3 to 7 June 1980), concerning the decision of the oil-exporting developing countries to ensure that the domestic needs of other developing countries are supplied on a priority basis at official prices. This priority should be granted in keeping with their earlier undertakings to supply the other developing countries through direct contracts between the governments concerned, at official prices.

105. The need to tackle, in a framework of regional co-operation, the problems of the balance of payments and of access to a stable energy supply faced by the countries more badly hit by energy shortages has been recognized by the Extraordinary Meeting of Ministers of OLADE (Costa Rica, 6 to 8 July 1979).

/The declaration

The declaration adopted at that meeting states, inter alia, that long-term energy development programmes should not be neglected, in order to tackle the structural roots of the present situation which are, fundamentally, the limited exploitation of endogenous energy sources in the relatively less developed and the intermediate countries.

(d) Physical integration of means of transport and communication

106. An effort must be made to overcome the obstacles stemming from large geographical distances and to encourage better use of existing infrastructure through the facilitation of passenger and goods traffic and the interconnexion of different means of transport. Greater collaboration must be sought in areas which are not internationally competitive, including various public services such as metropolitan railways, drinking water, irrigation and urban sanitation.

107. With regard to transport, there is much room for facilitating the movement of persons and goods, by eliminating administrative and organizational obstacles. Co-operation in the field of physical infrastructure and transport, while already of long standing in some countries of the region, should be increased in order to be able to undertake the large-scale investments needed for improvements and interconnexion, as well as the many measures required to facilitate them.

(e) Co-operation in industry

108. The heterogeneity of the countries of the region means that each must set different objectives in order to achieve more advanced stages of industrialization. Thus, the large and industrially more advanced countries may move towards more balanced and diversified structures, underpinned by higher exports of manufactures and greater output of capital goods, intermediate inputs and final consumer goods which must be manufactured on a large scale because of their high level of technical complexity. The medium-sized countries may seek to specialize, possibly in areas linked with their predominant basic activities, or with exports likewise connected with those activities, and with markets which have been expanded by regional integration and co-operation. Finally, for their industrial development the small countries, in view of their limited domestic markets, may make greater use of integration and co-operation agreements, inasmuch as those processes

/include effective

include effective machinery for the equitable distribution of opportunities and tend to a high degree of specialization in their industrial structures.

109. Co-operation may take place in broad sectors, through more specific branches or through arrangements between public or private enterprises of different countries. The main areas could be the joint programming or complementarity of manufacturing activities which involve large-scale investments and are capital-intensive, and where domestic markets are small or unfavourable, as in the case of petrochemicals, aluminium, ship-building or steel-making. In this connexion account should be taken of the positive experience stemming from the sectoral industrial development programmes offered by the Andean Group, and their dynamic growth should be encouraged. The development of capital goods is a special case, as their manufacture encourages steady progress in technology and engineering and provides the countries involved with the capacity of choosing between production alternatives. The region as a whole could aspire to achieving a high level in its scientific organization; groups of countries could co-operate in certain branches of technical specialization, supported by an integrated production system. The major projects of the basic sectors, which generate a large part of the demand for capital goods, open up opportunities for fruitful complementary action among enterprises of the region.

110. In the field of regional co-operation, at the Second Latin American Industrialization Conference held in Cali, Colombia, it was agreed to step up efforts to increase regional and interregional co-operation, particularly in the industrial field (basic industries, agroindustry and small and medium-scale industry) and for that purpose it was considered that the creation of multinational enterprises and the various possibilities of industrial complementarity should be encouraged. This co-operation could also be intensified between Latin America and Africa.

111. With regard specifically to technical co-operation, it was recommended that national research and training centres of multinational scope should be set up for the developing countries, and existing ones strengthened. The contribution of the developed countries and of international agencies is important for this purpose, as is the strengthening of co-operation between SELA and CEPAL, with the collaboration of UNIDO.

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112. In the institutional sphere, it was recommended that the integration machinery and groups existing in Latin America should be strengthened in order to revitalize them and encourage their increasing convergence.^{1/}

113. The New Delhi Declaration and Plan of Action ^{2/} for its part, proposes among other things that co-operation among developing countries for the establishment of joint industrial projects covering the entire range of manufacturing production should be strengthened. It also proposes co-operation in the formulation of common positions with regard to the exploitation of national resources, particularly through the strengthening of producers' associations; the conclusion of long-term agreements on the strengthening of industrial capacity; and the extension of the practice of setting up multinational production enterprises among developing countries.

114. With regard to the trade in manufactures and semi-manufactures, the above-mentioned Plan of Action proposes identifying and implementing further measures to achieve substantial increases in the direct trade among developing countries, as an element of capital importance for their industrialization, and also proposes the granting of preferential treatment for reciprocal trade in such products.

(f) Agriculture and food

115. With regard to agriculture, the regional programme of action should contribute to the growth of agricultural output at least at the rate envisaged in the IDS and specify what efforts are to be made and the regional, financial and technical requirements for achieving them.

116. As at present food production in the region barely satisfies demand, reserves, when any exist, are minimal. In these circumstances the supply of food may become a political weapon in the international sphere with a direct effect upon the region. To increase substantially the production of food should be a vital step towards improving the nutritional situation of the underprivileged population of Latin America. Through international co-operation, renewed efforts should be made to develop and make full use

^{1/} See Report of the Second Latin American Industrialization Conference (Cali, Colombia, 10-14 September 1979).

^{2/} See Third General Conference of UNIDO, New Delhi, India, 21 January to 9 February 1980.

of the region's food-producing capacity (especially in the case of cereals), as well as its capacity for producing fertilizers, agricultural machinery and equipment and chemical products for agricultural use. The region should pursue the target of regaining its position as a net exporter of cereals as rapidly as possible.

117. There is much room for action in the sphere of agricultural technology in external trade and regional self-reliance. Complementarity in production in accordance with climatic features or types of land available (intensive or extensive crops) could give rise to long-term agreements among groups of countries.

118. As concerns the export of agricultural commodities, regional co-operation should be strengthened in the greatest possible number of products. COMUNBANA is an important example of such co-operation, which could be extended to other products. Fishing is another activity where co-operation activities may be essential to protect natural resources and tend towards their rational exploitation and the joint use of natural resources shared by two or more countries.

119. The various activities begun by SELA should be deepened, including: the creation of regional machinery for information as to surpluses, shortfalls and prices; conclusion of medium- and long-term marketing agreements between countries or groups of countries; creation of multinational marketing enterprises; establishment of common or co-ordinated storage systems on a regional or subregional basis; agreements between agricultural research agencies and institutions for the execution of joint projects; promotion and creation of enterprises providing technological services, especially to collaborate with the less developed countries; and establishment of a regional agricultural insurance system.

120. The region is seriously affected by the world food trade situation. Latin American countries, traditionally efficient food producers, are being harmed by the growing difficulties which they are facing in access to their traditional markets, from which they are being displaced by heavily subsidized products from developed countries. This circumstance aggravates the unbalanced nature of the relations between the two groups of countries, and increases the dependence of the Latin American countries which are net food

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importers. As a result, measures should be taken to give priority to the intra-regional trade in agricultural products at fair prices. In addition, the necessary efforts should be made to take advantage of the region's joint purchasing and selling capacity in foodstuffs, with the creation of suitable regional marketing machinery. Links between national marketing bodies, as well as between export and import groupings of the region, should be promoted.

121. The Sixteenth FAO Regional Conference for Latin America (Havana, 1-6 September 1980), bearing in mind the gravity of the food situation in many developing countries and the worsening of the availability of food in various countries of the region (which is far from possessing machinery to ensure food security) agreed to make renewed and redoubled efforts to step up food production as well as the necessary investment to that end, and encourage the stockpiling of foods as a precondition for increasing food security. The efforts to improve that security therefore mean that increasing priority must be paid to food and nutrition in the activities undertaken in this field at the regional level, and also that intra-regional co-operation should be directed inter alia towards improving marketing infrastructure, including transport networks, storage facilities and market information, and there must be a more generous international response to the needs of the developing countries in the field of food security. To these ends, a regional programme of self-reliance in food and nutritional development should be drawn up and implemented, including the creation of a Latin American rural development centre.

(g) Science and technology

122. The areas where major results could be achieved in regional co-operation include:

(i) The selection and importing of technology. The region will continue incorporating technology at a growing pace, particularly technology from the industrialized countries, which means that measures must be taken to safeguard the interests of the purchaser countries. In this connexion, the support services are important of the Latin American Technological Data Network (RITLA); the recently created Andean Technological Information System and the Andean Technological Development Project; and the Technological Information Exchange System (TIES), sponsored by the United Nations Industrial Development Organization (UNIDO).

Organization (UNIDO). It would also be desirable to explore the possibility of gaining access to the technology of medium and small enterprises of the developed countries, which may be more appropriate for the region than the technology offered by the large transnational corporations, and the incorporation of technological progress in science and technology policies and plans (for example, microelectronics, genetic engineering, enzyme technology and energy-related technology), and other technological sectors where development is relatively slower and less risky for the countries.

(ii) The strengthening of indigenous technological capacities and solutions. The scientific and technological infrastructure existing in the region may transcend national boundaries for the purposes of co-operative efforts in some fields such as natural resources and food. Sectors such as the pharmaceutical sector, where production and technological research is heavily concentrated in a few transnational corporations, may be singled out as being of special interest.

(iii) With regard to the use of human resources, the countries of the region have for some time been concerned about the strong reverse transfer of technology, and have been seeking ways of curtailing it or at least of ensuring that a large number of the scientists and technicians who emigrate remain within the region itself, for which purpose more information regarding employment opportunities is needed. In addition, educational policies in the region could be co-ordinated with a view to achieving some degree of specialization in investment for education and the training of skilled personnel.

(iv) Obtaining the support of international and regional financial agencies for co-operation projects in the field of scientific and technological development which meet the specific needs of the countries of the region.

(v) Technical standardization: in view of the present process of internationalization of technical standards, it is necessary for the region to be able to advance in technical standardization, which is of such importance for national industrial development and export policies.

123. At the Latin American meeting held in Montevideo, Uruguay, in December 1978, in preparation for the World Science and Technology Conference, it was agreed that the action programme on regional, scientific and technological

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co-operation should be oriented systematically and permanently towards the elimination of monopolistic or oligopolistic exploitation in regional technological trade.^{3/} It was also agreed that regional co-operation should give preference to: scientific and technological research for the exploitation, exploration, conservation and use by countries of their natural resources; research relating to the problems of education, health, housing, environmental pollution and nutrition and the establishment of co-operative programmes for the creation of technology in areas such as the processing of pharmaceutical products and medical and hospital equipment.

124. It was further agreed that regional co-operation should aim towards increasing the scientific and technological capacity of the region through the co-ordinated training of human resources, strengthening subregional and regional research institutions and the creation and strengthening of regional scientific and technological support services including, among others, the Latin American Regional Technological Data Network (RITLA). It was considered in the Programme of Action that one of the more salient aspects of regional co-operation in this field would also be the joint programming of scientific and technological activities around specific projects.

125. At the eighteenth session of CEPAL, it was also recommended in this field that public sector machinery should be set up or improved with a view to fostering the search for and distribution of appropriate technology enabling the State to fulfil its responsibilities in the purchasing in world markets of suitable technology for development; the conclusion of preferential agreements for the development of technology and its transfer between Latin America and other developing regions; the creation in Latin America of subregional and regional centres for the development and transfer of technology which could serve as links with the national centres of other developing countries, or the strengthening of existing centres of this kind; the establishment or strengthening of subregional, regional or interregional centres in Latin America for the development and transfer of technology in specific key sectors.

^{3/} Science and Technology in Latin America: Regional Diagnosis and Programme of Action (E/CEPAL/L.183/Rev.3).

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126. Finally, at the Meeting of the Ad Hoc Intergovernmental Group of the Group of 77 on Economic Co-operation among Developing Countries (Vienna, Austria, March 1980) it was recommended that as far as possible preference should be given to the employment of experts from developing countries, and the establishment was recommended of regional and subregional sectoral centres of advanced technology.

(h) Financing

127. It is necessary to strengthen, both at the regional level and within the integration systems, the financial machinery designed to facilitate trade operations at those levels, to finance projects concerning integration industries and support countries with balance of payments deficits. Examples of such machinery are the Andean Development Corporation, the Plata Basin Financial Fund and the Santo Domingo Agreement. Co-operation aimed at obtaining financing from new zonal and extra-zonal sources will remain highly important, as will the instrumentation of an export guarantee system, in view of the long-term credit needs of many countries of the region, the pressing need to create and consolidate new export flows and the demand for financing which will stem from more trade in capital goods. Equally fundamental is the machinery for the compensation of reciprocal trade and credit balances, which have worked satisfactorily for more than a decade, and also the machinery for balance of payments support.

(i) Technical co-operation

128. With the aim of facilitating agreements and the adoption of joint positions by the region concerning the subjects and action referred to in the above-mentioned Plan of Action, it is recommended that the appropriate regional bodies, especially SELA and CEPAL, should be strengthened.

129. It is also recommended that SELA in co-operation with CEPAL and the regional and subregional organizations for Latin American integration, should draw up a programme of studies designed to identify the characteristics of the problems of the region in each of the areas included in the above-mentioned Plan of Action; and that on the basis of those studies, intergovernmental meetings of experts from Latin American countries should be convened to identify the problems which arise from the commitments to, and characteristics of the economic integration of Latin America, and adopt joint positions most in accordance with the interests of the region,

130. Consultancy

130. Consultancy and engineering services, which are relatively new in the region, should become a significant item in regional foreign trade. All the countries to a greater or lesser degree possess the experience and know-how respecting technology used in the production sectors most characteristic of their economies or in infrastructure projects. The problem then is to identify the machinery for combining these capacities in order to ensure that greater use is made of national consultancy and engineering services within and outside the region. In particular, there could be good prospects for increasing the use made of capital goods produced in Latin American and Caribbean countries, as the origin of such products is significantly conditioned by the origin of the design of the goods and of engineering products. The possibility of co-operation in large-scale energy, transport and communication projects, mining projects or the establishment of industrial plants may give rise to continuity in the use of specialized know-how and eliminate the abrupt fluctuations affecting the demand for consultancy and engineering services within each country. With regard to forms of co-operation, these might consist in partnerships between engineering enterprises of various countries or the creation of multinational enterprises for the execution of joint projects, or technological complementarity in those sectors where greater experience and know-how has been acquired in a specific sector (mining, forestry, agriculture, fishing, oil prospecting and exploitation etc.).

(j) Export promotion

131. Despite the progress made in this field, non-traditional exports of the countries of the region remain at a low level compared with the proportion of output sold in the domestic market, which leads to a weak external trade structure, with shortcomings in management and international marketing techniques, and inadequate knowledge of potential external markets. All this signifies limited bargaining power when dealing with possible purchasers, in view of the relatively small exportable supply. These problems are accentuated in the relatively less developed countries of the region, which are almost entirely without export promotion machinery. Regional co-operation among governments and enterprises may help to improve promotion instruments (export guarantees, for example), combine exportable supplies, undertake advertising campaigns, create

campaigns, create producers' associations of exportable goods and multinational external marketing enterprises, and in general carry out collective activities which make it easier to compete in a protectionist and increasingly competitive international market.

132. In order to achieve the global targets for Latin American exports, it is essential to step up the growth rate of intra-regional exports. In this context, active support should be given to the programme being implemented by UNCTAD for the establishment of the generalized system of preferences for developing countries, the creation of multinational export enterprises and co-operation among public external trade enterprises.

133. The example of sectoral exporters' associations and joint marketing enterprises for final goods and inputs suggest lines for future action in these forms of regional co-operation.

(k) Co-operation with countries in special situations

134. The countries of the region present a heterogeneous picture of different national situations which are reflected in their stages of development and diversification of their economies, and in other economic and social indicators. This picture alone makes it difficult to generalize and seek solutions to the economic and social problems of the region; but is even more complicated if it considers the existence of less advanced developing countries, islands and landlocked countries. In the efforts required to maintain unity and solidarity in the region vis-à-vis the problems which affect it and are common to it, measures should be established which as far as possible will alleviate or solve the specific situations facing these countries, so that they can go ahead with their development.

135. The integration systems and multilateral machinery for regional co-operation pay explicit attention to this fundamental area of co-operation. In practice, however, serious difficulties have arisen, there are apparently problems relating both to the practical means used and to the specific difficulties of the less developed countries for using them; nevertheless, all parties recognize its importance for overcoming some of the main elements of the gap between the more and less developed countries of the region. One of the priority objectives should be the integration of the English-speaking Caribbean countries into the rest of the region, a project calling for specific co-operation activities which should be identified and undertaken by common accord among the parties.

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136. On the basis of the recommendations of the ministers of the member countries of the Caribbean Development and Co-operation Committee (CDCC) concerning subregional co-operation, and with a view to the instrumentation of the strategy for the Third United Nations Development Decade, better and broader relations should be sought between the Caribbean economies and those of the remainder of the region.

137. As far as the less developed countries of Latin America and the Caribbean are concerned, concentrated efforts should be made to undertake co-operation activities in areas of major interest to them, such as energy, economic planning and administration, access to the sea, markets, development of infrastructure, training of technicians and professionals and acquisition of strategic raw materials.

138. For the other relatively less developed Latin American countries, it might again be possible to explore the fields where collaboration with the more developed countries of the region might be useful (landlocked situation, small domestic markets, lack of natural resources or of skilled personnel).

(1) Regional co-operation in negotiations with transnational corporations

139. There are various ways of improving the position of the countries of the region when dealing with the transnational corporations, but the most important are: (i) information concerning the structure and behaviour of the main corporations, and on their operations in the region and in the rest of the world; (ii) co-ordinated action by countries presenting common positions and combining their individual negotiating power through instruments such as Decision 24 of the Andean Pact and the binational Plata Basin projects; (iii) the establishment of a co-ordinated Latin American position on the basis of common principles with regard to the restrictive business practices of the transnational corporations; and (iv) the determination of the areas and fields where the transnational corporations may make genuine contributions to countries without distorting their production and foreign trade systems and their consumption patterns. The search for other sources of technology and other markets should not be excluded, such as the medium and small enterprises of the industrialized countries or enterprises of recently developed countries or of countries with centrally planned economies.

140. At the same time, it is important to prepare guidelines for the future negotiations on direct investment between government and transnational corporations, on the basis of recent experience in this regard both in Latin America and in other regions of the world. High priority is assigned to more intensive use of the potential bargaining power of the Latin American countries, of which limited use has been made until now.

2. Co-operation with other developing areas

141. Co-operation among developing countries of different areas will become one of the key elements of the strategy aimed at bringing about a substantial increase in the use of the developing countries' capacities and potential, at strengthening their capacity for collective self-reliance and at reinforcing their bargaining power with the developed countries.

142. The past decade has shown the potential of trade links among developing countries. The market of those countries is relatively more important for their manufactures than for raw materials and fuels. At the same time, economic co-operation among Third World countries is becoming increasingly important in international actions and dialogue. Thus there are concrete foundations for intensifying mutual economic relations.

143. The general system of trade preferences for developing countries is an important starting point for strengthening trade among those countries. The system is global and aims at including all developing countries, covering all products subject to tariffs, and considering all or the most important foreign trade instruments, and wherever possible other machinery for encouraging production activities. The implementation of this system will pave the way for deeper South-South economic co-operation, as on account of its scope it is closely related with other aspects concerning which efforts are currently under way to increase co-operation.

144. It is important to use and expand the co-operation possibilities stemming from the recommendations of the Ad Hoc Intergovernmental Group on economic co-operation among developing countries, which include inter alia preferential treatment for the technology of other developing countries and the granting of priority by energy-exporting countries, without prejudice to their national interests or to the undertakings they have entered into, to other developing countries in order to ensure the energy supplies of the latter through direct contracts between the governments of the importing and exporting countries or their corresponding agencies, at official prices, so as to be able to meet their net domestic needs.^{4/}

^{4/} Report of the Meeting of the Ad Hoc Intergovernmental Group of the Group of 77 on Economic Co-operation among Developing Countries (Vienna, Austria, 3-7 June 1980).

145. In this context, the possibility should be explored of preferential treatment (as far as possible) for enterprises of developing countries in calls for bids by other developing countries for the execution of projects. It would also be useful for the future development agency of the developing countries to adopt the criterion that the enterprises of developing countries should receive a preferential margin in projects financed by it.

146. Within the general framework of co-operation among developing countries, there is a clear need to encourage co-operation between developing countries with surpluses and the rest of the Third World. In the present circumstances, it is important to manage the direct inflow of loans and investment from the surplus developing countries to the deficit nations of the Third World, and of Latin America in particular. An increasingly large part of this transfer of resources should take the form of direct capital transfers. In addition, some countries of Latin America which are in a position to do so should begin or, where appropriate, continue and deepen the mobilization of capital and the supply of technical assistance for other developing nations, particularly with a view to undertaking joint investments.

147. It should be stressed that the machinery set up by the Treaty creating ALADI envisages the possibility of establishing preferences for developing countries outside the Association both in Latin America and in other areas.

148. In recent years efforts have been made to establish some forms of co-operation between Latin America and Africa. This effort should be supported and increased in the forthcoming decade, and the corresponding regional economic commissions should devote themselves to this task. With a view to developing such co-operation in a systematic manner, a programme of action representing an appropriate framework for many multilateral and bilateral initiatives should be drawn up and agreed upon. The aspects this programme could envisage should fall into three major categories: execution of studies, publication of information, and creation of forums for a regular dialogue between the two regions. Studies should lead to a better understanding of the reality of the two regions in order to be able to identify the main areas of co-operation. The periodic publication of information should initially concentrate on statistics on the economy and trade of the two regions. Finally, the creation and operation of specific

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forums should make it possible directly and periodically to link representatives of the two regions in order to learn about and evaluate their problems and experience.

149. Co-operation with the developing countries of Asia should also be encouraged, for which purpose the action of the corresponding regional economic commissions should likewise be co-ordinated.

3. International co-operation

150. Latin America's position on the various topics dealt with in this chapter regarding relations with the developed world fits in with the general framework of the position of the Group of 77. A fundamental objective of international action must be the establishment of the New International Economic Order and, within that, of guidelines for a new economic order in Latin America. To this end, the region must carry out vigorous concerted action in line with the basic positions maintained by the group of developing countries on the entire range of problems affecting them (trade, industry, agriculture, technology, transport, etc.). These proposals must be expressed in the negotiations with the developed countries and in the formulation and implementation of defence mechanisms to check the harmful effects of the present international crisis at the national level.

151. The dynamism of the external sector must be promoted on the one hand through an increasingly large and diversified flow of exportable goods and, on the other, through growing access to international markets. The first aspect calls for the intensification and diversification of the industrialization process and for further progress in the export and the national or regional processing of primary commodities. As regards access to markets, the protectionism of the developed countries must be checked, and more significant participation must be won in the formulation of international economic policy.

152. The second area of action concerns the external financing of Latin America, seen against the background of the international recession and inflation which, among other factors, have helped to reduce the growth rates and increase the current account deficits and external indebtedness of many Latin American countries. The 1980s will call for new efforts to increase

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access to the resources of international financial institutions and money markets. It is necessary in this way to procure substantial financial resources on terms which favour the development process.

153. These two topics will be dealt with below, together with those regarding transnational enterprises, energy, industry, agriculture and food.

(a) International trade

154. The Latin American countries express their profound concern over the consequences which the resurgence of protectionism on the part of the developed countries threatens to have in the 1980s; this protectionism, which has assumed very varied forms that significantly affect Latin American exports, must be vigorously combated. The protection mechanisms have tended to assume the nature of international agreements in which the non-tariff restrictions have gained greater importance than the tariff restrictions. In the light of these new circumstances, the Latin American countries must concert a programme of action which will lead to concrete measures. In order to increase Latin America's negotiating power in these matters, a common Latin American position must be maintained as regards preparing for and formalizing the negotiations, selecting the areas and products to be considered and identifying more accurately the barriers to be removed.

155. Among the types of concrete action to be carried out in various forums in order to combat the protectionism of the industrialized countries, the following should be considered: (i) similar tariff treatment for the exports of developed countries which apply protectionist policies; (ii) persistent and co-ordinated action to secure fuller and more significant participation in negotiations and international operative mechanisms - especially UNCTAD and GATT - for the concerted defence of Latin American interests; (iii) the abandonment of such concepts as gradation, selectivity and access to supplies; (iv) a joint effort to bring about the restructuring of the production mechanisms of the developed countries, with the object of transferring to other countries those activities which are not internationally competitive, instead of applying protectionist measures.

156. With regard to non-tariff barriers, special attention should be paid to the harmful effects which have been caused by quantitative restrictions, "voluntary" restrictions (including those of the Multifibres Agreement),

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sanitary licences, regulations and prohibitions, and variable duties and components. In the fact of the expansion and strengthening of these mechanisms, the Latin American countries should organize measures to: (i) establish information systems to provide effective indication of what these barriers are, how they are applied, and where, since the tangled web of restrictions emanating from the various sets of regulations must be clearly exposed if it is to be checked; (ii) use all available negotiating power in order to eliminate these measures in the case of products of interest to Latin America; (iii) consider the possibility of active retaliation through the imposition of special restrictions on the exports of protectionist developed countries.

157. The Tokyo Round adopted a set of measures which significantly modify the organization of international trade, and together with the General Agreement on Tariffs and Trade they will form the basic structure of the new trade order. In view of the difficulties which the developing countries will have in acceding to the Tokyo Round agreements, it may be concluded that a large number of them, even if Contracting Parties of GATT, will not be able to participate in the taking of the decisions which will govern international trade and thus directly affect them. It is therefore of the greatest importance that the developing countries in general and the Latin American countries in particular should determine the level and form of their participation in the new decisions on world trade.

158. With regard to basic commodities, consultations should be stepped up with a view to making the best possible use of the experience and resources of the region. Among possible action is the following:

(i) Establishment, within the framework of the New International Economic Order, of financial machinery capable of providing the resources needed for the identification, exploration and development of the basic commodities of the region, on the basis of the principle of respect for the permanent sovereignty of countries over their national resources and economic activities;

(ii) Strengthening of the present producers' associations and the creation of new ones in the light of co-operation possibilities and the international negotiations in progress;

(iii) Establishment of a system of self-sufficiency in agricultural products;

/(iv) Creation

(iv) Creation of offices of the producer countries of the region in the commodity exchanges which operate in the developed countries so as to observe the evolution of the transactions which cause fluctuations in international commodity prices and ensure that the information they channel on world supply and demand and weather factors is correct and does not distort real trends in this respect;

(v) Establishment of common regional positions with a view to negotiations within the permanent bodies which govern the international commodity agreements and those taking place within the Integrated Programme for Commodities;

(vi) Compliance by the developed countries with the political commitment entered into at UNCTAD IV (resolution 93), with the consequent formalization of new commodity agreements and promotion of the functioning of the Common Fund. In this respect, the developed countries should agree to the inclusion in all commodity agreements of measures for the dynamic stabilization of international prices and machinery for the periodic review of the price bands in the light of increases in production costs. Similarly, the developed countries should not make attempts to transfer outside UNCTAD the commodity negotiations which are being carried out within the framework of the Integrated Programme;

(vii) Application of common strategies, agreed upon within SELA, vis-à-vis protectionist measures affecting regional exports of commodities and vis-à-vis the sale of the strategic reserves of such commodities by the developed countries;

(viii) Establishment of special machinery to facilitate consultations and exchange of experience among the countries of the region, with a view to modernizing farming and processing methods and thus increasing productivity;

(ix) Increase of research and development within the region with the object of identifying new commodity uses;

(x) Adoption by the Latin American countries of appropriate plans for expanding and diversifying production of and trade in foodstuffs;

(xi) Establishment, as far as possible, of a joint programme for the marketing and distribution of the commodities produced by the region;

(xii) Establishment of a regional financial institution to provide technical and financial support for the development of national marketing and distribution systems in the Latin American countries, and in particular financing of the creation of national reserves and storage installations, and the constitution of horizontal diversification funds.

159. With regard to the export of manufactures, it is necessary to promote action aimed at modifying the operation of the Generalized System of Preferences in the light of the erosion of the margins of preference caused by the tariff concessions resulting from the 1979 GATT negotiations. The System is not very effective because of its voluntary nature and the fact that it is subject to unilateral decisions by the countries granting the preferences. It is therefore necessary to insist on the need for modifying its legal nature so as to reduce the factors of uncertainty and instability from which it suffers. In particular, it is necessary to strive for: (i) the inclusion in the preferences of many products subject to customs duties, such as processed agricultural products; (ii) elimination of the quota system; (iii) regulation of the possibility of having recourse to safeguard clauses; (iv) harmonization of the systems of preferences of different countries; (v) inclusion of non-tariff restrictions in the system and establishment of the practice of prior consultation whenever it is necessary to limit the system's application, and (vi) completion as soon as possible of the negotiations to establish a code of conduct on non-discriminatory safeguards, based on objective criteria including those regarding the need to provide sufficient proof that serious damage has been caused and regarding measures to assist reconversion, with special and differentiated effective treatment in favour of the developing countries. The foregoing list is by no means exhaustive but simply by way of example. In addition to these aspects, it will be necessary to strive for the modification or elimination of other undesirable features such as the principles of gradation, selectivity and competitive need which are contrary to the very basis of generalized and non-discriminatory preferences.

160. The export promotion policy of the Latin American countries must form part of the global strategy linked with sectoral policies, particularly in the industrial sector, in order to make it possible to fix priorities regarding the products or lines of production which are to be promoted. The incentives should be applied in a coherent manner, utilizing exchange, fiscal, taxation, tariff and financial elements. Instruments designed to give guidance and support should also be used, such as trade information, the simplification of formalities, standards regarding the use of packings and containers, attendance
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at international fairs and exhibitions, the promotion of export consortia and marketing enterprises, bonded warehouses abroad, and arrangements regarding freight and associated services. In addition, the countries of the region must co-operate in the establishment of common operational machinery in such fields as the financing and insurance of export credits and other similar operations which may not be of great magnitude when each country is taken individually. The same should be done in such matters as training, information and market studies, while action should be taken to promote institutional forms and arrangements designed to develop exports by medium- and small-scale enterprises.

(b) External financing

161. The increased investment and imports needed to secure the faster growth compatible with the achievement of the goals and objectives of the IDS call for a considerably larger flow of financial resources in real terms to the developing countries. In this connexion, the international community should pay urgent attention to the important proposals recently made by the Heads of State and Government regarding the need to achieve a considerable increase in real terms in both concessional and non-concessional financial flows to the developing countries.

162. The Latin American countries should strive, through the appropriate international forums and agencies, to ensure that a substantial proportion of these credits is provided on terms and at interest rates which suit the lead times and financial requirements of the investments that must be effected in the developing countries. In addition, every effort must be made to avoid the perilous postponement of the essential basic adjustments required between deficit and surplus countries. It will be necessary to stress in all the appropriate forums the need for the surplus countries to share responsibility for this adjustment. It should be made clear on every occasion that the present indebtedness of the Latin American countries is more the result of the difficulties through which the world economy is passing than of the domestic policy problems of those countries.

163. Increasing international financial flows (especially official flows) and adapting their volume, composition, quality, form and distribution to the needs of the developing countries will call for: (i) a big increase in
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transfers of official resources, especially through public institutions, in order to make available the long-term funds needed to finance the investments required by the development process and the changes in the energy situation; (ii) access to private resources, and especially new bank sources, on better terms and conditions, and (iii) new forms of co-operation among international public and private financing institutions to channel resources from the countries with financial surpluses to the Latin American economies, without these resources being subject to conditions which adversely affect the development process.

164. If the countries involved so request, support should be given to the renegotiation of their external debt, with the participation of UNCTAD and on conditions which relate not only to the short term but also to the medium and long terms.

165. The proposal for the establishment within the World Bank of a long-term financing facility for the acquisition of capital goods by the developing countries should be repeated.

(c) Monetary problems

166. In view of the evident stagnation of the reform of the international monetary system, the Latin American countries should strive at all appropriate forums and occasions for the early reactivation of action to secure this reform and to achieve significant participation in the relevant negotiations, on the basis of the Immediate Action Programme of the Group of 24 adopted by the Group of 77 in September 1979 in Belgrade, Yugoslavia.

167. Stress should be laid on the importance of securing a relative increase in the quotas of the developing countries in the International Monetary Fund and the doubling of the annual allocation of Special Drawing Rights as from 1982.

168. It is repeated that there is a need for: (i) ensuring fairer and more effective participation by the developing countries in the taking of decisions in the institutions of the international monetary system, and (ii) advocating that the multilateral monetary and financial institutions should grant credits without invoking political criteria, while in addition they should not make their balance of payments support financing conditional on the acceptance by the developing country of measures and programmes which involve social costs and damage, thus running counter to the fundamental purposes and objectives for which they were created.

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169. In order to halt the continued imbalance in the process of adjustment between countries with current account surpluses and those with deficits, consideration should be given to the possibility of promoting the establishment of a link between the allocation of Special Drawing Rights and the achievement of adjustment by surplus countries. Thus, for example, those countries which have net reserves amounting to more than a certain percentage of their imports and growing at a rate higher than a certain agreed figure should have their future allocations of SDRs reduced or even eliminated. Of course, a system of this nature could only operate equitably between countries which make their payments in assets other than their own currency. Otherwise, the countries issuing reserve currencies, of which there is an increasing number, would have an advantage over the others in the adjustment process.

170. In view of the situation of non-convertibility of the dollar in the international monetary system, which has led to permanent uncertainty regarding the relation between the value of this currency and that of gold, Latin America should proceed further with the co-ordination of its monetary, exchange and trade policy with currencies and countries which show greater stability in their external economic transactions.

(d) Transnational enterprises

171. Governments should seek to evaluate the activities of transnational enterprises in the light of short, medium and long-term criteria, in order to ensure that their presence and impact on the economy of the countries is compatible with the national projects and development policies of the latter. To this end, the possible fields of action of such enterprises should be clearly defined. Likewise, measures must be taken to strengthen the machinery for the systematic supervision of the activities of these enterprises in order to ensure the maximization of the advantages and the minimization of the disadvantages brought about by their presence.

172. The governments of the countries of the region must unify their criteria and present common positions at the various stages of the process of discussion, approval and application of the code of conduct for transnational enterprises.

173. The exchange of information and experience regarding agreements with transnational enterprises should be made into a regular and permanent process,
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with the aim of strengthening the negotiating capacity of each of the countries of the region.

174. The Latin American countries should uphold their view that the transnational corporations should conform to the following principles:

(i) Transnational corporations must comply with the laws and regulations of the host country and, in the event of litigation, they must submit to the exclusive jurisdiction of the courts of the country in which they operate;

(ii) They must refrain from any interference in the internal affairs of the States where they operate;

(iii) They must refrain from interference in or disruption of the relations between the Government of the host country and other States;

(iv) They must not serve as instruments of the foreign policy of another State or as a means to extend to the host country legal provisions of their country of origin;

(v) They shall be subject to the permanent sovereignty exercised by the host country over all its wealth, natural resources and economic activities;

(vi) They must comply with national development policies, goals and priorities and make a positive contribution to attaining them;

(vii) They must supply the Government of the host country with the relevant information on their activities in order to ensure that these are in keeping with the national development policies, goals and priorities of the host country;

(viii) They must carry on their operations in such a way that these result in a new inflow of financial resources for the host country;

(ix) They must contribute to the development of the domestic, scientific and technological capacity of the host country;

(x) They must refrain from restrictive trade practices.

175. The Latin American countries should make efforts to exchange among themselves and with other developing countries the information they possess on negotiations with the transnational corporations, so as to enhance their individual and collective bargaining power. In this regard, it is considered necessary to strengthen the Latin American focal point in the CEPAL secretariat

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so that, in co-ordination with the United Nations Centre on Transnational Corporations, it can collect and disseminate all the information on the corporations on a regular and systematic basis.

(e) Technology

176. The governments should make an effort to formulate technology policies which fit in with the main lines of their development policies and are in keeping with the Latin American strategy as regards the procurement of technology outside the region, the transfer of technology within it and autonomous forms of generation of technology.

177. A fundamental activity in this respect is the dissemination and knowledge in a more extensive and accurate manner of the different technological options, both within the country where the various agents of the process of accumulation and production are familiar with the existing possibilities, and among the countries of the region. The technically more advanced Latin American countries have the possibility of advantageously competing in many fields with the generators of technology in the central countries and of transferring their experience to countries which are less advanced in this field.

178. Proper institutional organization and the necessary financial support are basic requisites whose presence will permit the concentration of efforts in a manner which transcends the small scale and the dispersed and sometimes redundant nature of past activities, which have restricted the possibility of real technological progress. The orientation of these efforts in the light of the special features and needs of the individual countries will not only make it possible to carry out indigenous technological initiatives, but will also promote a critical and selective attitude towards foreign technology.

(f) Restructuring of world industry

179. In order to prevent the developed countries from continuing to apply protectionist measures to protect their inefficient industries, and in order to achieve a new international division of labour, it is necessary to restructure world industry in a way which will encourage optimal, rational global growth in industrial production in the world.

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180. In this regard, the developed countries must establish effective assistance measures for redeployment in all sectors where inefficiency and lack of competitiveness call for structural readjustment.

181. For the above purposes, monitoring machinery must be created to analyse periodically world production and trade in order to identify the sectors which require structural readjustment, and to review the efforts of the developed countries in the adoption of the measures and policies required to promote the process of redeployment in the sectors identified and facilitate the shift of the production factors from these sectors.

182. In order that the restructuring of world industry should work in favour of the interests of the developing countries, it is essential that these countries should play a full part in all the decisions taken in this regard, so that the new international division of labour represents a harmonious and equitable balance between the interests of the developed countries and those of the developing countries, and ensures that industrial development in the developing countries is not concentrated solely on basic and light industries, and that the latter can also develop products in the heavy industry and high technology sectors, in accordance with the guidelines of their industrial policy.

(g) Transport

183. Maritime transport should continue to be emphasized during the third United Nations development decade, since it remains the principal means by which foreign trade is conducted. The approach adopted for the Second Decade should be expanded to embrace not only the behaviour of liner conferences but also the manner in which they introduce and respond to technological change. A problem of continuing importance is the difficulty in obtaining liner rate reductions to reflect port improvements. It is also necessary to study the adaptation of the region's merchant marine policies in order to deal with unilateral decisions of the liner conferences and their negative effects on the developing countries. In addition, during the next decade the developing countries should achieve full participation in the formulation of policies or decisions at the international level for this sector in keeping with those adopted for the region.

/184. Another

184. Another serious problem for Latin America concerns the introduction of new transport technology, particularly that associated with the use of containers.

185. In the next decade, the Latin American transport system should be reshaped on the basis of the physical linking of the Atlantic and Pacific subsystems in South and Central America so as to make it possible to incorporate the interior of the continent into economic activity and eliminate the problems resulting from the traditional peripheral development. In addition, account must be taken of the use of different modes of transport and combinations of them, and the necessary technological advances must be introduced.

186. With regard to international land transport, encouragement should be given to Latin American meetings aimed towards integration, such as the annual meetings of Ministers of Public Works and Transport of the countries of the Southern Cone, at which promising results have been obtained.

(h) Co-operation with developed areas

187. With a view to the discussion of the problems of co-operation between Latin America and developed areas, it is highly desirable to promote the holding of periodic meetings aimed at overcoming the obstacles which at present stand in the way of the intensification of those relations and the achievement of better attention to Latin American interests.

188. In the coming years it will be necessary - after prior unification of the region's positions within the framework of SELA - to activate and strengthen the negotiations carried out by Latin America to solve the current difficulties in its economic relations with the United States, which adversely affect the economic and social development of the countries of the region. Among priority topics must be that of the reduction and elimination of the tariff and non-tariff barriers faced by products that could be exported by Latin America when they attempt to enter the United States market; there is also the question of the action needed to expand the range of products and make the latter country's Generalized System of Preferences more flexible, while at the same time avoiding the introduction of the principle of gradation and selectivity. Efforts must also be made to induce the United States to adhere to measures to reduce fluctuations in commodity

/prices and

prices and in the export income of developing countries. A fundamental need in this respect will be support for the commodity agreements which are being negotiated or considered in UNCTAD within the Integrated Programme for Commodities. Furthermore, the negotiation should be of an integral nature and should therefore deal, inter alia, with such matters as financing and technology as well as trade.

189. Latin America's trade relations with the European Economic Community have been unfavourably affected by, on the one hand, the protectionist nature of the Community's Common Agricultural Policy and, on the other, by the granting of preferential arrangements, especially those benefiting developed countries. These circumstances have adversely affected Latin America's exports of commodities and manufactures. Moreover, reference should be made to the contradiction between the sluggishness of trade relations on the one hand, and the growing interest in the Latin American market shown by European industrial enterprises and financial institutions, on the other. In view of these considerations, it is clearly desirable that there should be global negotiations covering two-way trade, financial flows and agricultural, industrial, technological, transport and marketing problems. There is also the need to promote and negotiate profound changes in the discriminatory policies applied, especially as regards protectionism and the Common Agricultural Policy. In addition, the Community should refrain from subsidizing its agricultural exports - a practice which has led to the custing of Latin American countries from some traditional markets - and it should stop imposing "voluntary restrictions" on Latin American exports.

190. In view of the importance assumed in recent years by trade and economic co-operation with the Eastern European countries which are members of the Council for Mutual Economic Assistance (CMEA), the special forms assumed by economic relations with countries with different economic and social systems, and the prospects for further expansion and closer collaboration within the framework of these relations, it would appear that: (i) although reciprocal trade between Latin America and the CMEA countries has registered high growth rates it is still very far from making proper use of the potential of this type of trade relations; (ii) the imbalance in the trade flows (heavy deficits by the CMEA countries) and the asymmetrical structure of the trade (Latin

/American exports

American exports of primary commodities, as against imports of manufactures from CMEA) constitute two of the main limitations on an increase in this trade, and for the gradual correction of this situation it is necessary to take such measures as better and more intensive trade promotion, long-term supply contracts, co-operation in the markets of third countries, etc.; (iii) as regards financing and systems of payments, there has often been a low level of utilization of lines of credit at the same time as greater flexibility in conditions of payment and an increase in the use of convertible currencies in trade; (iv) the systems of payments should be brought up to date; (v) as regards institutional aspects, the network of trade and economic co-operation agreements established over the last 25 years provides a sufficient basis for maintaining reciprocal economic relations, even though the mechanisms thus established could be improved in the future, and (vi) as regards co-operation in areas other than trade, important areas are clearly those of activities connected with the transfer of technology, the establishment of joint ventures, and tripartite co-operation in third countries.

191. As part of the policy to diversify the external relations of Latin America, it is important to increase the links between the region and Japan in trade, technology and financing. Product coverage must be expanded and the obstacles restricting the access of both primary goods and manufactures to this market must be removed. Japan's Generalized System of Preferences must be improved and applied to the full, and agreements implemented in order to make it possible to increase exports of commodities and semi-processed products. New agreements must also be reached in the field of technology.

C. INSTITUTIONAL ASPECTS

192. The topic of institutional aspects will be discussed in Quito. In order to facilitate consideration of this item, the secretariat will prepare a first inventory of the regional bodies which carry out relevant functions, especially in the field of the measures recommended in this document as regards regional co-operation.

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