

REGIONAL APPRAISALS
OF THE
INTERNATIONAL DEVELOPMENT STRATEGY

QUITO, ECUADOR, 1973
CHAGUARAMAS, TRINIDAD AND TOBAGO, 1975

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THE QUITO APPRAISAL
(resolution 320 (XV) adopted by ECLA
at its fifteenth session in Quito, Ecuador, 1973)

THE CHAGUARAMAS APPRAISAL
(resolution 347 (XVI) adopted by ECLA
at its sixteenth session in Port of Spain,
Trinidad and Tobago, 1975)

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ECLA has thought it appropriate to assemble in a single booklet the Quito (March 1973) and Chaguaramas (May 1975) Appraisals, which set forth the opinion of the member Governments of the Commission on the course taken by economic and social development and on the present international economic situation.

It should be recalled that at the beginning of the 1970's the States Members of the United Nations adopted an *International Development Strategy for the Second United Nations Development Decade* (IDS). This resolution (2626 (XXV)) provides that every two years the economic and social position of the developing countries shall be reviewed and appraised with respect to the goals and objectives laid down and in accordance with the policies and measures set forth in it. That review, to be carried out within the United Nations, is to be the responsibility of the regional commissions, the United Nations specialized agencies, the Committee for Development Planning, the Economic and Social Council and the General Assembly. The process culminates in a document summarizing the main features of the review* and the positions of the Latin American Governments, which endows it with special interest.

The Quito and Chaguaramas Appraisals are the result of a fruitful joint effort by ECLA and the member countries of the Commission. In both cases ECLA submitted detailed technical reports to the Committee of High-Level Government Experts (CEGAN) a Committee which meets prior to the sessions of the Economic Commission for Latin America.

It should also be recalled that in 1974 the States Members of the United Nations adopted important resolutions closely linked to the IDS, such as the *Declaration on the Establishment of a New International Economic Order* (3201 (S-VI)), the *Programme of Action*

*See *International Development Strategy: First Over-All Review and Appraisal of Problems and Policies*. E/S268 - ST/ECA/177, United Nations, New York.

on the Establishment of a New International Economic Order (3202 (S-VI)) and the *Charter of Economic Rights and Duties of States* (3281 (XXIX)). These items are to be discussed at the forthcoming special session of the United Nations General Assembly, and thus the Chaguaramas Appraisal should be viewed as an important background document on the Latin American position.

Finally, it should also be pointed out that because of the changes which occurred in international economic relations in the period 1973-1974, in the Chaguaramas Appraisal it was necessary, besides refining the analysis of economic and social development, to make a thorough study of the present international economic situation and put forward a plan of action on the subject.

Resolution approving the Quito Appraisal

320 (XV) APPRAISAL OF THE INTERNATIONAL DEVELOPMENT STRATEGY

The Economic Commission for Latin America,

In pursuance of General Assembly resolution 2626 (XXV), which provides for regional appraisals within the United Nations of the progress made in the implementation of the International Development Strategy (IDS).

Considering that the Commission should make an appraisal of the first two years of the implementation of the Strategy at the current session.

Having examined the document entitled "Latin America and the International Development Strategy: First Regional Appraisal" (E/CN.12/947), prepared by the secretariat, which contains an analysis and critical comments designed to facilitate that appraisal.

Having examined the report of the first meeting of the Committee of High-Level Experts (E/CN.12/962) convened by the secretariat in compliance with resolution 310 (XIV) of the Commission,

1. *Notes with appreciation* the secretariat's contribution to the first regional appraisal of the International Development Strategy for the Second United Nations Development Decade embodied in document E/CN.12/947;

2. *Approves* the Quito Appraisal as the first regional appraisal of the IDS for the Second United Nations Development Decade undertaken by the member countries of the region, which also records the views and reservations of the other member States of the Commission;

3. *Decides* that these two documents, together with the report of the proceedings of the fifteenth session of ECLA containing the reservations and observations pertaining thereto, should be transmitted to the Committee for Development Planning and to the Economic and Social Council.

177th meeting

29 March 1973

The Quito Appraisal

A. THE CONCEPT OF INTEGRATED DEVELOPMENT

1. A central preoccupation in the review and appraisal of the International Development Strategy should be the concept of integrated development and the differences existing between the phenomenon of economic growth and actual development.

2. Integrated development cannot be achieved through partial efforts in particular sectors of the economy or the social system, but only through concerted progress in all aspects. It is exceedingly difficult to make an appraisal of the development process thus defined, since it is not sufficient to refer to one or more indicators, but it is necessary to observe to what extent concerted progress in all sectors is helping to promote a new type of society oriented towards rapid human development.

3. The growth of economic variables has frequently failed to bring with it qualitative changes of equal importance in human well-being and social justice. This is shown by the continued existence of serious problems such as mass poverty, the incapacity of the system of production to provide employment for the growing labour force, and the lack of economic and social participation of broad strata of the population. Clearly, however, these qualitative changes are more difficult to achieve when the economic variables do not grow at satisfactory rates. In line with this approach, achievement of the quantitative targets of the Strategy should constitute the complement necessary to achieve human development, which is the ultimate aim of the process.

4. The traditional structures, inasmuch as they put obstacles in the way of change, hinder social progress and economic development. Accordingly, even more strenuous efforts must be made to effect the qualitative and structural changes mentioned in the IDS, which are indispensable to establish the bases that will permit the achievement of the social and economic objectives of the Strategy. Failure to stress the vital importance of this aspect of development and to put these qualitative and structural changes into practice largely explains the unsatisfactory results achieved by many Latin American countries.

5. These structural changes, which are an essential condition for any integrated process of development, especially one set out in the broad human and social terms in which the IDS states this objective, include:

the control and sovereign utilization of natural resources; the reform of land tenure systems as required in order to promote both social justice and agricultural efficiency; the establishment of such forms of public or mixed ownership of property as each country may consider appropriate in those activities which, in its view, require such measures in order to promote self-sustaining independent economic development; and any other type of substantive reform needed to secure that objective.

6. At the same time, accelerated, harmonious and independent growth is essential to the success of these qualitative and structural changes, and consequently, of the objectives of the Strategy, since accelerated growth of the economy as a whole makes it easier to obtain the resources necessary for the investments required for human development.

7. When, in its efforts to implement the Strategy, a country simultaneously tackles all aspects of development and promotes the structural reforms needed to achieve integrated development, experience indicates that imbalances occur in the initial stages which make it difficult to continue the process. The social injustices and tensions which have accumulated over the years manifest themselves in demands which domestic resources cannot meet. In order to correct these imbalances, the international co-operation received by such a country should not be subject to restrictions, as has so often been the case. Some countries undertaking structural changes in conformity with the IDS sometimes have to face hostility and economic aggression from abroad. This is particularly serious since, in the light of the commitments undertaken in the strategy, countries engaged in reforming their structures should receive international support for those reforms.

B. ECONOMIC GROWTH

8. The Latin American countries display a high degree of heterogeneity in their economies and societies, for they have a wide variety of structures and situations and also present marked differences as regards the development strategies and policies they are pursuing. Thus, the per capita product ranges from 100 to 1 000 dollars and similar disparities exist, sometimes on an even larger scale between different sectors or regions and between urban and rural areas. Furthermore, there are not only differences as regards economic circumstances but also different approaches to the development process, with each model having different options or methods of implementation. At present, medium- and long-term policies are being implemented whose basic principles, both political and economic, differ substantially. Hence,

there is no single model to which the appraisal can refer. Nevertheless, there is a marked degree of Latin American solidarity which makes it possible to deal with common problems.

9. In the last two years, the growth rate of the product was generally insufficient. Although the region as a whole exceeded the growth target established in the IDS, most countries fell short of it. Similarly, while industry in the region as a whole achieved the sectoral growth target set in the IDS, this was the case in only a few countries; the situation was still worse in agriculture, which lagged not only behind the target set in the IDS but also behind population growth. As a result, the effectiveness of the development process, viewed as an integrated process, is still being undermined in some cases by the difficulty of achieving adequate growth rates.

10. The internal efforts made in the Latin American countries have not been accompanied, in most cases, by international co-operation or even by acceptable terms as regards prices and systems of marketing raw materials, trading practices for manufactures, liner conference practices, contracts for the transfer of technology, and external financing. Consequently, a fundamental part of the resources needed for national development is subject to circumstances beyond the control of the Latin American countries, such as the economic growth—especially in industry—of the developed countries, and market conditions over which they have no influence. A few countries have increased their export income despite the decline in the volume of their exports, but this has been due to the application of policies for the protection of their natural resources. At the same time, there is growing external indebtedness which has raised the total debt servicing commitments of some countries to half of their total income from exports of goods and services.

11. The overall indicators of economic growth give a broad outline of the situation in the region, but may not be representative of individual cases. Moreover, the same indicator may vary in significance if the cases to which it is applied differ appreciably. It is therefore necessary to complement the series of economic indicators with a series of social indicators that reflect the characteristics of the various countries, sub-regions and social groups.

C. HUMAN DEVELOPMENT AND SOCIAL CHANGE

12. In the words of the International Development Strategy, “the ultimate purpose of development is to provide increasing opportunities to all people for a better life”. It goes without saying that the

achievement of this objective requires a profound social change and a new unified approach to development. It is therefore necessary to assess the impact of economic changes on the social situation and their relevance to it. It must be appreciated, however, that the quantitative, qualitative and structural changes and the reduction of existing regional, sectoral and social disparities "are both determining factors and end-results of development". Consequently, as the Strategy puts it, rapid economic growth and structural changes should be viewed "as integrated parts of the same dynamic process and would require a unified approach".

13. Analysis of the past decade and the first two years of the Second Development Decade indicates that important changes in the social situation have taken place in Latin America. The population grew from 210 million in 1960 to 279 million in 1970, and it will have risen to 372 million by 1980. The percentage of the population living in localities with over 20 000 inhabitants rose from 33 to 41 per cent. At the same time, the negative aspects of urban concentration and the deterioration of the environment have got worse. The proportion of the population feeling the impact of societal change and unequal economic growth has increased to the point where these phenomena are beginning to affect almost the entire population. Unemployment problems have become more serious, since a substantial proportion of the supposed growth in employment has taken place in the tertiary sectors, i.e., services and commerce, which are characterized in the region by typical situations of unemployment and low productivity. On the other hand, overt unemployment has clearly increased over the long term. All this has placed large sectors of the population in an even more marginal position as regards both consumption and employment.

14. The concentration of the population in urban areas has been accompanied by improvements in the quantity, and in some cases the quality, of certain social services, particularly education and health. The educational sector has expanded somewhat, but although there has been a decline in the number of illiterates, illiteracy continues to be one of the most serious problems in the region. Moreover, although the proportion of Latin American children that have never attended school is now small, a high proportion still fail to complete the full primary cycle. At the same time, it should be noted that considerable efforts have been undertaken to give education a new direction in keeping with the requirements of the process of development.

15. Although surveys on nutrition in the home are still very limited, the food balances are sufficient to show that the present per capita availability of calories and proteins continues to be below international

standards in many countries, that little progress has been made in 1970 and 1971 compared with the 1960's, and that, if present conditions and trends persist, the deficit will not be fully eliminated even by 1980. In this situation of inadequate supply, and in view of the prevailing inequality of income, it must be assumed that the level of nutrition in the lowest income groups and the most under-privileged areas is far below acceptable minima. Surveys carried out in 16 Latin American countries show that the phenomena of underfeeding and malnutrition, especially of children under five years of age, could have the gravest and most unfavourable consequences on the future quality of the population.

16. Most of the national authorities of the region made calculations on the housing deficit at the beginning of the 1960's and arrived at alarming conclusions, especially when projections of the urban housing deficit were made on the basis of the rate of formation of new families and the rate of deterioration of the stock of existing dwellings. Since then, the deficit has increased to the point where studies made by various international agencies show an estimated deficit of between 15 and 20 million housing units.

17. The behaviour of the main indicators indicates that health conditions improved appreciably in the 1960's. It is possible, however, that in many cases this improvement is only apparent, the favourable increases in statistics being due to more efficient collection of data. The fact remains that in Latin America there are still many countries with less than 5 doctors per 10 000 inhabitants; that the now traditional shortage of hospital beds is growing still worse because the increase in the number of beds is less than the increase in population; that for various reasons medical services continue to be beyond the reach of broad sections of the community in much of the region, and that in several countries the child mortality rate between 1 and 4 years of age has reached the appalling level of between 15.7 and 32.4 per thousand.

18. The unified approach to development must not be restricted to the diagnosis of each sphere of social action and the proposal of recommendations. The very concept of development must be improved and the fragmentary approach to economic growth and human development discarded. The factors affecting these two problems cannot be determined merely in the light of economic growth: it is necessary to take an integrated view of all the social, economic and political determinants. Moreover, human development is not just a question of expanding sectoral action in education, health, etc., but must include a social system that gives priority to the equality and dignity of man and respects and fosters the cultural expression of the population.

19. The objective of income redistribution, in the form set out by the Strategy, remains unfulfilled in most countries of the region. Surveys made in a number of countries confirm that income in most of Latin America is more concentrated than in most of the developed market-economy countries, and much more concentrated than in the countries with socialist economies. The objectives of development in Latin America must be the creation of a new society and a new type of man. Social participation in all forms of the development process must be increased in order to achieve a juster society.

D. MOBILIZATION OF INTERNAL RESOURCES

20. The primary responsibility for the development of the developing countries rests upon themselves.

21. Considerable progress has been made in connexion with planning systems in recent years. In some countries, the planning bodies have been given a greater say in the adoption of basic decisions on economic and social issues. Techniques for developing plans and programmes have been improved, and there is now more awareness of their relationship with the political processes and the particular circumstances found in the various countries. There is still ample scope, however, for progress towards a planning system of truly operational significance.

22. Important changes have taken place in the institutional systems of economic and social relations in several countries of the region. These cover a wide spectrum, including the system of ownership and the structure of enterprises; links with foreign investment; machinery for the protection of primary products; the systems of land tenure; the administrative machinery, and economic policy instruments.

23. The nature of these changes is closely bound up with the political definitions or characteristics of the various countries, a fact which has to be taken into account in view of the widely differing situations found in the region. From this standpoint, transcendental changes have been and are taking place in Latin America, mainly in connexion with natural resources, public enterprises and public administration. In order to institute these changes the Governments have adopted various policy measures and have used a wide range of mechanisms in line with the particular conditions prevailing in each country. However, the common characteristic has been the adoption of measures designed to give the State fuller participation in the management and control of the production process.

24. Institutional changes with regard to natural resources in the last few years have been aimed at more efficient utilization of resources and fuller participation of the State in their development. In some countries the nationalization of enterprises, the association of the State with foreign enterprises, and modifications in the concessions and arrangements for the exploitation, marketing and shipping of basic natural resources have been the principal means used to bring about these changes. The greater participation of the State in the development of natural resources is a particularly significant fact in a region where two-thirds of exports revenue is accounted for by ten agricultural commodities, six mining products, and petroleum.

25. Agrarian reform has proceeded at an accelerated pace in some countries of the region. Most countries have enacted agrarian reform laws and set up special bodies for carrying them out. What has been achieved in the region as a whole cannot be considered satisfactory, however, since the systems of land tenure, use and development are still largely inadequate to satisfy the increasing economic and social development needs of the Latin American countries.

26. Another aspect worthy of note is the renewal of financial systems and the growing importance of a variety of new institutions which are being set up to meet the demand for financing deriving from the new methods of development. A further noteworthy feature is the continuing expansion of public initiative and the accompanying changes in the tax structure and in the composition of investment and public expenditure. Taking an overall view, there is a clearly discernible trend towards the diversification of public activity which goes beyond the traditional area of action and involves new responsibilities and aims.

27. To sum up, it may be inferred that the majority of the Latin American Governments have been or are currently making significant efforts to introduce institutional changes designed to promote economic and social development, but in many cases they have been hampered by a number of external factors, such as inadequacies as regards financing, technology and technical assistance, and the deterioration in the terms of trade.

E. LATIN AMERICA'S POSITION WITHIN THE CONTEXT OF INTERNATIONAL RELATIONS

(a) Targets of international co-operation and their achievement

28. As regards international co-operation, the balance of achievement of the aims and targets of the International Development Strategy at the end of the second year of the second United Nations Development Decade must be generally regarded as disappointing.

29. Thus, for example, the aim of securing international action before 31 December 1972 on the commodities mentioned in UNCTAD resolution .16 (II) as laid down in paragraph 21 of the IDS has not been fulfilled. The only progress achieved in that connexion is represented by the negotiation of the international cocoa agreement, the ratification of which by some of the main importing countries is pending. As regards the other commodities listed in the above-mentioned resolution, no concrete action has been taken.

30. The conclusion of international agreements or arrangements covering new commodities has been opposed by certain importing countries, with the exception of the International Cocoa Agreement, the negotiation of which took more than 10 years. The support expressed in paragraphs 21 and 22 of the IDS for the negotiation of agreements and their revision in order to make them more efficacious contrasts with the attitude adopted by some developed countries in this respect. It must be considered that there has been a regression in this field, as the present international agreement on wheat contains no operational clauses on exports and prices, and the situation existing as regards the International Coffee Agreement makes its renewal a matter of doubt.

31. The International Cocoa Agreement provides for the creation and operation of a buffer stock, which would be the second in existence for a commodity of importance to the Latin American countries. As regards the pre-financing of such buffer stocks, the IDS only mentions, in paragraph 23, the need to consider all possible sources. The source of financing, however, has been exclusively the developing countries exporting cocoa. The decision of the International Monetary Fund to grant loans to the developing countries to finance buffer stocks provides these countries with the means of contributing to the financing of these stocks, but may aggravate short- or medium-term external debt problems.

32. The aim of reaching an agreement, before the third session of UNCTAD, on a set of general principles on commodity pricing policy, as described in paragraph 24 of the IDS, has not been fulfilled either. The discussions held during UNCTAD III have not led to any agreement, and responsibility for continuing them has been delegated to the Trade and Development Board. The situation has become worse owing to the international monetary fluctuations. This disappointing experience backs up the conclusion that commodity pricing policy—where it is not possible to conclude commodity agreements—should be regarded as the responsibility of the exporting developing countries. The Latin American country which is a member of the Organization of Petroleum Exporting Countries and the exporting members of the International Coffee Organization have acted accordingly.

33. The standstill recommendation has not been complied with insofar as there have been many instances of new restrictions being introduced, or existing restrictions tightened, on imports of products of special interest to the developing countries. It is essential that this principle should be effectively applied, thus avoiding unilateral recourse to the general escape clauses by the developed countries. It would also appear necessary to take account of the new situations that arise when several developed countries form a customs union, since the process of standardizing tariffs and other trade barriers, such as is currently taking place in the enlarged European Economic Community, often means a deterioration in the tariff or non-tariff treatment previously enjoyed by the developing countries.

34. Progress has also been extremely limited in improving the conditions of access to markets of developed countries. In practice, the priority which the Strategy accorded in paragraph 26 to the adoption of unilateral or joint measures for the reduction or elimination of duties and other barriers to imports from developing countries, with a view to achieving specific results before 31 December 1972, has not been applied to any significant extent. Apart from the trade liberalization measures adopted by Japan in 1971 and 1972—removal of quantitative restrictions on certain products and 20 per cent reduction in duties on industrial products—and the EEC tariff cuts on coffee and cocoa, it is difficult to point to any real progress in this field, especially since Japan's liberalization measures mainly concern industrial products and only apply to a small number of processed agricultural products of importance to Latin America. These developments emphasize the urgent need for the developing countries to diversify their exports.

35. Similarly, very little effort has been made to help the developing countries to carry out research programmes designed to increase the competitiveness of natural products against synthetics and substitutes.

36. The objective of promoting and expanding the export trade of developing countries in manufactures and semi-manufactures has been partly achieved as a result of the application of the generalized system of preferences between mid-1971 and the first few months of 1972. Progress in this respect, however, has been limited. The United States, which is the leading industrialized country and is Latin America's most important customer, still has not implemented its scheme. As regards Japan, the information available is still preliminary but indicates that the effects have been relatively insignificant. Two facts may contribute to this: the very restrictive nature of the quota system and the high concentration of Latin American exports in the category of raw materials, for which no concessions have been granted. While no conclusions can yet be reached regarding results in other countries, the small share of manufactures in Latin American exports and the limitations and safeguards that characterize preference schemes mean that only very few countries in the region will be able to obtain benefits of any significance. The Latin American countries should therefore intensify their efforts to ensure that a revision and extension of the various schemes of general preferences is initiated at the next session of the Special Committee on Preferences. In addition, they should endeavour to induce the developed countries which have not yet put their schemes into operation to do so as soon as possible.

37. In relation to the real possibilities offered for the expansion of exports of manufactures from developing countries, it is necessary to reaffirm the serious nature of the forthcoming multilateral trade negotiations. In the first place, the majority of the European countries have already established the necessary conditions for the full liberalization of trade in industrial products within the EEC and between the Community and former members of the European Free Trade Association. The creation of new preferences among the industrialized countries of Western Europe will increase the difficulty of access of Latin American manufactures to these markets. Secondly, if the trade negotiations are successful, the liberalization of trade in industrial products will be extended to the rest of the developed countries. The preferential tariff margin from which the developing countries at present benefit under schemes of general preferences will therefore be reduced or will disappear. These countries will thus suffer, especially if no adequate compensation is provided either by giving non-tariff preferential treatment to products affected directly or indirectly by the tariff cuts, or by extending the preferential treatment to products of

interest to the developing countries which are currently excluded, or through any other measure of a compensatory nature.

38. With regard to invisibles, the IDS establishes as one of its main objectives that of promoting the net earnings of developing countries from invisible trade. For maritime transport, the attainment of this objective means increasing the region's participation in world shipping through the creation and expansion of national fleets. However, with a few exceptions, the situation of the Latin American countries is deteriorating instead of improving. Latin America is lagging behind in terms of both the growth of the world merchant fleet —its share in world tonnage declined from 4.1 per cent in 1955 to 2.4 per cent in 1972— and its qualitative composition. Moreover, the continual increases in freight rates imposed by the shipping conferences have made Latin America's imports more expensive and have reduced its possibilities of diversifying exports. Consequently, the balance-of-payments deficit under the head of transport for all the Latin American countries continues to increase, and it is a matter of urgency that they should have an adequate measure of co-operation from the developed countries so that they can attain the goals of the IDS, both in maritime transport and in insurance and tourism. In such co-operation, stress should be laid on the need for the Latin American countries to take advantage of the new maritime transport technology or to be able to share adequately in it through new international arrangements.

39. In particular, attention should be drawn to two fields of action in maritime transport: (a) the conference convened by the United Nations General Assembly to prepare a code of conduct for shipping conferences, in connexion with which adequate advantage must be taken of the periods between the successive meetings of the preparatory committee in order to establish a common Latin American position; and (b) the work which the secretariat of UNCTAD is carrying out, in co-ordination with ECLA and other agencies, on the options open to the developing countries in the field of international intermodal transport. Since these studies are being undertaken with a view to the convening in 1975 of a conference for the preparation of a convention, priority should be given to the studies designed to ensure that Latin America's interests and problems are taken duly into account.

(b) Recent development and future prospects

40. In addition to the scanty progress made towards the fulfilment of the objectives of the international Development Strategy, there have been a number of recent developments and immediate prospects which

inspire deep concern regarding the evolution of the Latin American external sector in the immediate future. These developments have a generally adverse effect on the possibilities of achieving the goals and objectives of the IDS and constitute a negative prospect for the relations of Latin America –and of the developing countries in general– with the developed nations.

41. The enlargement of the EEC through the entry of Denmark, Ireland and the United Kingdom could mean that preferential trade arrangements may be extended to the developing countries which formerly enjoyed British Commonwealth preferences, while the three new members may accord similar treatment to the developing countries already associated with the EEC. The reverse preferences which this might entail could prove to be an obstacle to co-operation among the developing countries, since they might restrict the scope for the exchange of reciprocal preferences between the latter. A solution to the problem of discriminatory trading areas should therefore be urgently pursued at the international level.

42. The EEC's Mediterranean policy, which has so far been based on arrangements of a preferential nature, is evolving towards the formation of yet another free trade area in addition to that formed with the ex-members of EFTA. This is a further cause for concern, in that it signifies the extension, accentuation and consolidation of discriminatory trade policies to the detriment of other developing countries. These developments also represent a clear trend towards verticalization of the EEC's economic relations with other countries a trend which is unfavourable for the developing countries inasmuch as it helps to establish a situation where certain developed countries have overt influence over some groups of developing nations. It is equally clear that it tends to create conflicting interests among these countries.

43. The EEC's common agricultural policy, based on concepts of protectionism and self-sufficiency, is a source of concern because of the unfair competition which it represents for the exports of Latin American countries. The unfavourable repercussions which the high guaranteed prices have on demand for agricultural products and the impact of the severe restriction or elimination of competitive imports from outside the Community are aggravated by the existence of exportable surpluses that are disposed of outside the EEC with the aid of high subsidies. It is therefore particularly important for the Latin American countries that the 1973 multilateral trade negotiations should cover and resolve the question of trade in agricultural products.

44. The state of affairs described above implies a worsening in the conditions governing access by Latin American products to the Western European market.

45. The trends and prospects as regards trade with the United States are also discouraging. Trade relations with that country have been characterized over the past decade by a chronic imbalance between exports and imports which has resulted in the accumulation of a large and growing trade deficit to the detriment of Latin America. With a few exceptions, exports to the United States expanded more slowly than any other sector of Latin America's foreign trade between 1961-1965 and 1966-1970. The growth of Latin America's sales to the United States over the last decade has been hindered by the maintenance and, in certain cases, the actual strengthening of protective trade barriers despite the undertakings given in international and regional forums to the effect that there would be easier access to the United States market for products from the developing countries in general and the Latin American countries in particular. In actual fact, not only has no progress been made towards liberalizing trade with the Latin American countries, but in some instances restrictions—particularly non-tariff restrictions—have been tightened. The quite marked protectionist trends that still remain and are even becoming more acute are clearly apparent in the draft legislation before the United States Congress relating to the forthcoming trade negotiations.

46. Furthermore, the Special Committee for Consultation and Negotiation (CECON) of the Inter-American Economic and Social Council (IA-ECOSOC) has not made any significant progress towards liberalizing access for Latin American products to the United States market. The hopes that the CECLA member countries placed in the Latin American Consensus of Viña del Mar as regards strengthening inter-American co-operation have failed to materialize, and there is no sign of a policy specifically aimed at taking account of Latin American interest.

47. The problems that have been arising in the world monetary situation since 1971 and have recently become more acute, and the agreements for the forthcoming 1973 multilateral trade negotiations, are additional causes for concern. Decisions in these two important spheres will define the broad lines of a new system of international economic relations. It is essential for the developing countries to participate to a satisfactory degree in the working out of these decisions and for their interests to be given priority attention in them. This means that the developing countries themselves bear a heavy responsi-

bility for working out a clear position. The basic question is whether the multilateral trade negotiations are to be an exercise in solving the problems that the market economies at the centre have among themselves, or whether they will really come to grips with the problems of both the developing and the developed countries.

48. Another important aspect relating to the forthcoming trade negotiations is the attitude that will be taken by the developed countries which are members of GATT during the course of the negotiations as regards adopting decision on the developing countries' problems. It is anticipated that the negotiations may last three years. It is therefore essential to think of ways and means of ensuring that during this period the developing countries will be able to continue progressing towards their objectives either within the framework of the generalized system of preferences or outside it. Otherwise, all initiatives to promote the trade of the developing countries would be frozen until 1975 or 1976, well into the Second United Nations Development Decade. If this period were to end without the developed countries achieving any significant targets for the liberalization of trade, such as those included in the IDS, the fulfilment of the Strategy will be jeopardized in a key area.

49. Despite all the differences observed in the growth rates of the export trade in 1971 and 1972, certain unfavourable characteristics are common to most countries: (i) irregular or inadequate export growth rates compared with those of world trade, and (ii) a high degree of dependence on exports of primary products in most of the countries of the region, making them excessively vulnerable to fluctuations in the external markets. It is therefore urgently necessary to provide suitable instruments for implementing the trade policy measures included in the IDS, as well as measures such as export diversification to reduce the high degree of dependence on primary products.

50. The Latin American countries have made substantial efforts to expand and diversify their exports of manufactures and semi-manufactures, which increased at an annual rate of 18 per cent between 1960 and 1970, with a quickening towards the second half of the decade. For the region as a whole, the absolute value of these exports is still relatively minor, although in certain countries they have reached significant levels. Intra-regional trade, associated with efforts to promote regional economic co-operation, has played a very important part in this growth, not only because it has represented a high proportion of total exports of manufactures and semi-manufactures, but also because it has provided very useful experience on the basis of

which countries have been able to begin to export such products to the rest of the world.

51. With respect to trade relations with the socialist countries, and in line with the recommendations made in paragraph 38 of the IDS and reiterated at the third session of UNCTAD, it is important for the socialist countries of eastern Europe gradually to introduce elements of flexibility and multilateralism in their trade and payments arrangements with the developing countries. The generalized systems of preferences of such countries should exempt products originating in the developing countries from the administrative import regulations usually applied by the socialist countries.

F. EXTERNAL FINANCING

(a) General aspects

52. It is important that the transfer of external savings towards the developing countries should make an effective contribution to promoting the domestic efforts of those countries and should, in particular, help to raise their domestic savings coefficients, since in many instances it is doubtful whether this has been the case. Moreover, the orientation of investment financed out of external resources is an important factor, and such investment should be suited to and of priority importance for the promotion of national development processes.

53. It is appropriate to reiterate that developing nations that undertake profound social changes and different structural reforms may require unrestricted financial and technical assistance from the international community, since their mobilizable domestic resources are often insufficient to meet the diverse additional and simultaneous demands that are generated. There have been recent cases in Latin America where this has not been the approach taken, and indeed the level of external co-operation furnished to some nations that have been engaged in such changes has actually fallen.

(b) Volume and terms of the inflow of financial resources to the developing countries

54. In the first years of the Second Development Decade, progress towards achieving, by 1975, net transfers of external resources from the developed countries amounting to 1 and 0.7 per cent of their GNP has been very unsatisfactory. As regards official assistance, the current trend and future prospects in the next few years are especially

frustrating, since the current average rate achieved by the member countries of the Development Assistance Committee (DAC) of the OECD is around 0.35 per cent and international experts have estimated that this level will remain relatively stable until 1975. The scant progress, and even retrogression, in assistance provided by most of the leading industrialized countries within DAC has had particular impact on the flow of official assistance.

55. Latin America has felt particularly keenly the effects of the unfavourable trend in the total level of official assistance, which has forced it to take out more and more loans on increasingly hard terms, mainly from private sources, in order to finance its external savings gap. This has led to a rapid deterioration in the average terms for loans to the region, and this trend has been accentuated by the fact that there has also been some degree of deterioration in the terms for the official assistance granted it. These circumstances, together with the servicing of existing foreign investment, have meant that the region is devoting an ever larger proportion of its income from external sources, and also from its exports of goods and services, to servicing foreign capital.

56. It is vitally important for Latin America to improve its access to the official assistance provided by the developed world. At the same time it must press energetically, in conjunction with the rest of the Third World, for the 0.7 per cent target to be met rapidly and effectively by the industrialized countries. In fact, at the beginning of the 1970's, 50 per cent of the net transfers effected consisted of purely commercial financial flows, which clearly distorts and is in contradiction with the purpose of that target. For these reasons, it is especially vital for Latin America to secure an objective redefinition of the 1 per cent target in the terms that have been proposed in a number of forums, such as UNCTAD and the Group of 77, in the sense that the target should not include elements that must be distinguished from assistance, such as direct investment and suppliers' and purchasers' credit, and should be net of reserve flows of interest.

57. UNDP assistance to the region should take into account, among the indicators for establishing the indicative planning figures, the internal effort made to achieve economic and social development and the capacity of each country to profit by international co-operation now or in the future.

58. Increasing proportions of financial assistance should be channelled through multilateral institutions, because this approach has several advantages and in particular because multilateral co-operation is less variable than bilateral and less dependent on political considerations.

Efforts are required, however, to improve certain of the features of such institutions, as regards their constitution, their operating procedures, and the level of control over their decision-making exerted by certain developed countries. Furthermore, the programme approach to assistance has been used very little by the multilateral institutions and, given its advantages, it is highly desirable for more use to be made of it.

59. Progress with respect to untying the use of bilateral credit has been little and slow, and it is urgently necessary to work out a comprehensive international agreement to cover this issue.

60. As to other matters relating to the deterioration of the terms of the financial assistance granted to Latin America, certain other factors have had an unfavourable impact, particularly as regards raising the cost of assistance, and this is generally not appreciated at first sight. In this connexion, attention must be drawn to the negative and growing impact of the collection of unjustified commitment commissions and other surcharges, such as miscellaneous commissions, parity realignment clauses, etc.

61. Since the entire issue of the volume and terms of the financial assistance contracted by Latin America has taken on characteristics which make it difficult to undertake a timely and appropriate appraisal of what is actually happening, permanent machinery for information and analysis is required in order to promote new means and sources of financing.

(c) Special aspects of development financing

62. For Latin America, as for other developing areas, the imperative need for the establishment of supplementary financing machinery is of the utmost importance, since the region's exports have been and continue to be subject to unforeseen fluctuations. Even when Latin America's exports of goods and services expanded more or less regularly, as between 1960 and 1971, there were several instances of reductions of more than 5 per cent from one year to the next. Although such situations were generally followed by a fairly swift recovery, there were nonetheless a number of negative domestic repercussions in the interim which could be avoided in future by means of supplementary financial assistance from the World Bank. It is therefore disappointing to note that obstacles continue to be placed in the way of moves to arrange such assistance both by the majority of the developed countries and by the Bank itself. This supplementary financing should be extended, as planned by the Bank, to cover export

shortfalls caused by a deterioration in prices or in the conditions of access of certain products, due to causes which cannot be considered the responsibility of the exporting countries.

63. As to the establishment of a link between the allocation of Special Drawing Rights and the provision of additional financial assistance to the developing countries, progress along these lines has been slow despite the attempts of the latter to initiate negotiations in various international fora. It is vital to Latin America that one of the fundamental points of the reform of the monetary system now under way should be the creation of a substantial volume of international liquidity in the form of Special Drawing Rights by means of the operation of the link mechanism.

(d) The problem of the external debt

64. At the end of 1970, Latin America's external debt amounted to approximately 20 000 million dollars; as a result, in recent years the problem of servicing the debt has become more acute in the countries of the region. The growing difficulty of servicing this debt is largely attributable to the deterioration in the average terms on which loans are granted.

65. In the light of these difficulties —which take the form of a high and increasing ratio of debt servicing to value of exports and, often enough, of payments crises and renegotiations— the solutions adopted have been on a case-by-case basis, of a commercial nature, and not particularly appropriate. This policy must be modified, and there is a need for more comprehensive solutions reached in the proper fora without waiting for the situation to become really critical before tackling the problem. It would also be advisable to establish formulas for the automatic refinancing of external debt servicing in specified circumstances.

66. In view of the considerable relative size of Latin America's debt servicing payments, emphasis must be placed on the importance of the granting by the creditor countries, the United States in particular, of moratoria on such payments, where these payments affect countries' resources for development and their possibilities of attaining the targets of the IDS.

(e) Regulation of external private investment and transfer of technology

67. In view of negative aspects displayed by private foreign investment and the activities of transnational enterprises, some countries have judged it expedient in recent years to institutionalize their relations with foreign investors by establishing or studying the establishment of definite guidelines and legal provisions applicable to such investment and to the transfer of technology. In addition to some national measures, the regional agreement concluded by the countries of the Andean Group is of interest in this respect.

(f) Transfer, adaption and creation of technology

68. As regards the transfer of technology, UNCTAD resolution 39 (III) and the recent resolution adopted by the Inter-governmental Group for the Transfer of Technology (IGTT) are of great importance for the region, especially in connexion with the setting up of national institutions responsible for the control and negotiation of contracts on the transfer of technology, patents and trademarks, and also technical know-how and other related matters. Emphasis should be placed on the need to intensify the joint effort to adapt foreign technology and establish conditions for the countries to devise their own technological solutions.

G. THE FORTHCOMING MULTILATERAL TRADE NEGOTIATIONS

69. Within the context of world economic relations a phenomenon deserving of special attention is the breakdown of the international monetary system, which has resulted in successive and increasingly frequent crisis acting to the detriment of the developing countries, which are in no way responsible for them, and in a trend towards the expansion of preferential trade among the developed market economy countries, which discriminate against Latin America's exports. With regard to the negotiations for the reform of the world economic system, there is a danger that the voice of the developing countries may once again be ignored, if these negotiations take place mainly among countries or groups of countries which have obtained a significant degree of economic power, to say nothing of the role played by the interests of the great transnational enterprises. The multilateral trade negotiations have so far been characterized by agreements concluded basically between industrialized countries. It is worth recalling in this connexion some concepts of the Smithsonian Agreement and of the joint statements issued by the European Economic Community, Japan

and the United States, which form the basis for the developed countries' position in the preparatory stage of the negotiations. The developed countries tend to centre their attention on some traditional objectives, while the developing countries in general and the Latin American countries in particular demand the definition of specific objectives which will take due account of the solution of their trade problems.

70. In UNCTAD resolution 82 (III) the developing countries established a number of basic principles regarding their participation in the negotiations. The objectives of the negotiations have not yet been clearly determined by GATT, although the summary of the President of the Contracting Parties of GATT at its twenty-eighth session recognizes that the Parties should ensure additional advantages for the developing countries.

71. Even if, with the active participation of the developing countries, positive results were to be obtained in the multilateral trade negotiations, these results would not begin to take effect until after the negotiations are concluded, i.e., towards the middle of the 1970's. This delay will frustrate the attainment of the goals established in the Strategy, unless some advance results can be obtained in connexion with certain specific questions such as world commodity agreements and the development and expansion of the schemes of general preferences.

72. Stress must be placed on the importance of the work which the ECLA secretariat is carrying out under a UNDP-financed joint programme with UNCTAD to assist the Latin American countries in the preparatory stage of the negotiations. Government experts are participating in this programme, and other competent international and Latin America agencies (GATT, FAO, LAFTA, SIECA, and the Andean Group) are lending their co-operation.

H. INTERNATIONAL MONETARY PROBLEMS

73. A matter worthy of special attention is the international monetary crisis and the impact of the recent devaluation of the dollar and the realignment of parities or floating of the currencies of the main developed market economies on the developing countries, especially as regards the values of the latter's reserves, the prices of export products, and the terms of trade. Hitherto, the measures and solutions adopted have been exclusively directed towards the interests of the developed countries, which have resorted to the treat of trade reprisals to induce changes in exchange rates. In this respect the latest devaluation made

by the United States has shown up once again the unavoidable linkage between international monetary and trade matters. If a satisfactory solution to the international monetary problems is not reached soon, there will be a risk of aggravating and consolidating protectionist tendencies in the developed market-economy countries, which would inevitably have unfavourable repercussions on the developing countries.

74. As regards the restructuring of the international monetary system, any new system planned should promote and adequate growth of international liquidity, in order to help rectify balance-of-payments disequilibria and meet the needs of countries engaged in a process of economic development.

75. In connexion with the first revision of the monetary system as a whole, which has been the concern of the Committee of 20, emphasis must be placed on the role which internationally established and regulated Special Drawing Rights should play in the creation of future liquidity and on their present unsatisfactory form of distribution. Some problems connected with the process of transition to the new monetary system are also worthy of mention, especially in connexion with the handling of the dollar surpluses accumulated outside the United States.

76. As regards the position of the developing countries in the discussions taking place on monetary matters, and the meeting of the Committee of 20 (Washington, March 1973), all the problems connected with the reform of the international monetary system are of concern to the developing countries. Special concern is warranted, *inter alia*, regarding the following:

- (i) Recognition of the specific structural problems of the developing countries and the need for a sufficiently flexible system to cope with their different situations and structures;
- (ii) Revision of the form of operation of the International Monetary Fund, especially with a view to providing longer periods for the payment of current and stand-by credits, modification of the compensatory financing system, and greater flexibility and liberality in granting financing for commodity buffer stocks;
- (iii) Revision of the quota structure to secure greater relative participation by the developing countries; and
- (iv) Establishment of the link between new allocations of SDR's and additional financing for development.

I. REGIONAL INTEGRATION AND CO-OPERATION AMONG DEVELOPING COUNTRIES

77. The analysis of the development process in Latin America and of its burning problems and needs, as well as the serious prospects which loom ahead for the region's external economic relations, bring out the urgent need to strengthen the concerted action of the countries in the region so that, on the basis of their joint action, the necessary conditions may be created in order to overcome the obstacles hampering economic and social progress. This joint effort should be reflected, *inter alia*, in the following areas:

(a) Regional integration

78. Although the integration processes under way in the region have continued to develop in line with their own models and guidelines, it is imperative at this stage to return to the idea of building up a united and integrated Latin America. The urgent need for measures to deal with the problems referred to above makes it necessary to give the integration process renewed impetus and to seek, in the consolidation of efforts and space, a basis for the organization of an accelerated and independent form of integrated regional development which at the same time will enable Latin America to have an appropriate share in the life of the international community.

79. In order to achieve these objectives the existing integration system must be strengthened: a task in which international co-operation has an important role to play, as specified in the IDS. Another necessary step is to consider devising new instruments for facilitating reciprocal co-operation between these systems, particularly as regards industrial and agricultural development, the treatment of private foreign investment and the transfer of technology. Similarly, a search must be made for ways and means of organizing a system of integration that will cover the whole region, guided by principles such as independent, harmonious and balanced development, based on social justice and solidarity.

80. Without prejudice to assistance given to the various integration mechanisms in this search for concepts and formulas, ECLA should play an important part in advising the Latin American Governments, as it did in the 1950's.

81. Stress is laid on the hope that the integration systems in Latin America will devote particular attention to social aspects of development, especially education and health.

(b) Co-operation among developing countries

82. It is indispensable that there should be more co-operation among the developing countries, and particularly those of Latin America, in order to protect their permanent sovereignty over their natural resources, to defend the prices of their commodity exports, to improve conditions of access, and to stabilize commodity markets.

83. In view of the limited and disappointing results of the IDS and, in particular, of the fact that the negotiations and confrontations of the developing countries with the developed world have not yielded very significant results, what is achieved through the implementation of programmes of mutual co-operation at the bilateral, inter-regional and global levels is of extreme importance. Attention is also drawn to the importance of the agreements reached at the meeting at the ministerial level of the Group of 77 held in Lima in November 1971 and of the Georgetown Conference of Foreign Ministers of the Non-Aligned Countries in August 1972. Those meetings adopted action programmes which contained concrete measures for reciprocal co-operation among the developing countries.

84. Great importance is attached to support for the various agencies concerned with co-operation among developing countries, which have made considerable progress in the defence of the interest of raw materials producing and exporting countries, such as (i) the Intergovernmental Council of Copper Exporting Countries (CIPEC), (ii) the Organization of Petroleum Exporting Countries (OPEC), (iii) the Alliance of Cocoa Producing Countries, (iv) the Group of Coffee Producing Countries, and (v) the informal Group of Iron Ore Producing Countries, as well as to other measures for achieving these aims.

85. Importance is also attached to the use of the machinery afforded by the Protocol relating to trade negotiations among developing countries, which is open to them all whether or not they are members of GATT, but which is not open to the developed countries.

J. FURTHER IMPROVEMENT AND PRACTICAL INSTRUMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY

86. The first regional appraisal of the IDS establishes, in general terms, that although the developing countries have adopted internal policies and made efforts to attain the goals and objectives stipulated therein, the necessary co-operation has not been forthcoming from the developed countries to complement those efforts, particularly with

regard to the policy measures in the field of international trade, financial assistance for development and the transfer of technology.

87. According to paragraph 79 of the Strategy, "appropriate arrangements are necessary to keep under systematic scrutiny the progress towards achieving the goals and objectives of the Decade —to identify shortfalls in their achievement and the factors which account for them and to recommend positive measures, including new goals and policies as needed". It is therefore necessary:

- (i) That the Latin American countries should redouble their efforts at each stage of the process of review and appraisal of the IDS, at the regional, sectoral and global level, to improve the provisions of the Strategy and secure their full implementation by the developed countries;
- (ii) That during the process of appraisal, the formulation of policy measures should be re-examined with a view to defining them more clearly and also to specifying how they should be instrumented, taking into account the conditions and prerequisites which would make them practicable and deciding the time-limits for their implementation;
- (iii) That, with the object of establishing a more binding international commitment in relation to policy measures, work should begin immediately (in accordance with paragraph 20 of resolution 3041 (XXVII) adopted without objection by the General Assembly, with the abstention of Belgium, Portugal, South Africa, the United Kingdom and the United States) on the selection of areas in which action should be initiated for the negotiation and adoption of multilateral legal instruments; some of these areas are mentioned in paragraph 15 of that resolution.

88. In its activities in the immediate future, it is important that ECLA should bear in mind the various aspects considered in the present appraisal of economic and social development problems in the region, with a view to the fulfilment of the targets and objectives of the IDS and with the aim of developing programmes of future work, it being especially necessary for it to bring its technical and socio-economic approach into line with the spirit and content of the agreements reached at the fifteenth session of the Commission.

89. The studies undertaken by the secretariat, in addition to analysing the current economic and social situation and its origins and history, should also examine the prospects over the medium and long term. In this connexion, it is recommended that the secretariat should attach importance to the Study of projections which indicate the possible

future trend of the major economic and social variables, in accordance with the assumptions adopted and the alternatives proposed.

90. ECLA and the other regional economic commissions of the United Nations should give their attention to the promotion of domestic efforts and mutual co-operation and should collaborate among themselves at the inter-regional level to that end.

91. It is necessary to intensify efforts to secure the adoption of the Charter of Economic Rights and Duties of States, the draft of which is being considered by a United Nations working group. The Charter should not only be a restatement of the general and specific principles for which the developing world has fought in international forums, but should constitute a dynamic set of rules governing international co-operation, reflecting a new and rigorous approach which will give impetus and reality to the new possibilities offered by the world situation and which will protect the legitimate interest of all countries, particularly the rights of the developing countries.

Annex

STATEMENTS, RESERVATION, ABSTENTION AND OPPOSITION BY CERTAIN COUNTRIES

CANADA

A. General observations

Canada, although not a member of the Committee of High-Level Experts which produced document E/CN.12/962, voted in favour of resolution 310 (XIV) which recommended its creation. The Canadian delegation therefore understands the views of the regional members of the Commission who would like to see many of their special views expressed in document E/CN.12/962 also contained in the final Commission document. During the past week our delegation has listened carefully to the various alternative paragraph wordings suggested by various delegations in their attempts to have the document drafted by the Meeting at the Technical Level represent a Commission view, and we have hoped that such a view would be forthcoming, for despite our understanding of the wishes of the regional members, it is nevertheless the view of the Canadian delegation that the Commission document must represent a consensus of views if it is to have the value the Committee would wish it to have.

Many of the paragraphs contained in document E/CN.12/962 expressing exclusively regional views have now been modified to the extent that the Canadian delegation has no difficulty in accepting them. Some paragraphs seem to us to continue to be subject to broad interpretation. These paragraphs we accept on the understanding that those which are ambiguous and are open to broad interpretations, will be so interpreted by us. There remain, however, several paragraphs which express views which are not subject to broad interpretations and upon which the Canadian Government has either already stated a different position in other forums or has not yet fully defined its position.

B. Observations on individual paragraphs

Paragraph 32

The Canadian Government believes that commodity pricing policy is the joint responsibility of exporting and importing countries and should reflect a consensus negotiated among the major commodity exporting and importing countries concerned. It suggests that the last sentence of this paragraph should be deleted.

Paragraph 53

While the Canadian Government recognizes the growing requirements of developing countries for development assistance and in fact is annually increasing its programme by as much as 15 per cent, the wording of this paragraph implies a requirement without upper limit.

It would prefer to words "may require unrestricted financial and technical assistance" to be replaced with the words "may require special consideration with respect to financial and technical assistance".

Paragraph 56

The Canadian Government has supported the target of 1 per cent of GNP for the total flow of official and unofficial resources to developing countries and is committed to its achievement. The Canadian Government has also supported the proposal that official flows should amount to 0.7 per cent of the GNP. The Canadian delegation is not, however, able to accept the very much more radical proposal outlined in this paragraph, and suggests that the last sentence of paragraph 56 be deleted.

Paragraph 62

The Canadian Government has stated officially that it does not believe that additional funds are available to finance an SF scheme. It does not believe that resources should be diverted from basic development finance for this purpose. The Canadian delegation is consequently unable to support any proposal for the establishment of an SF scheme at the present time, and would prefer this paragraph to be deleted.

Paragraph 63

The establishment of a link between the allocation of SDR's and the provision of additional financial assistance to the developing countries is currently under consideration within the Canadian Government. The Canadian delegation must therefore reserve its position on this item at this time.

Paragraph 65

The Canadian Government has stated that it is not able to accept the automatic refinancing of external debt servicing. It suggests the deletion of the last sentence of this paragraph.

Paragraph 73

The Canadian Government is sympathetic to the difficulties that the international currency crisis have sometimes created for developing countries. Furthermore, it has always regarded the stability of international currencies to be as much in the interest of the developing as of the developed countries and has conducted itself accordingly.

The Canadian Government has never resorted to threats of trade reprisals to induce changes in exchange rates. In its view the second sentence of the paragraph should read as follows: "Measures and solutions adopted to stabilize international currencies have created real hardships for the developing countries".

UNITED STATES

A. General Comments

The United States delegation wishes to state that its Government regrets that resolution 310 has been accepted at the fourteenth session of the Commission over the objections of the delegation. The result of this resolution is that we are now faced with the report of the First Meeting of the Committee of High-Level Experts (E/CN.12/962), in which the United States did not participate, and this is our first opportunity to review it. It is much more difficult to obtain consensus on a document that has already been published than on one in which the United States has participated in drafting.

The United States delegation came to the present meeting prepared to debate the extensive review and appraisal document prepared by the ECLA secretariat. It has now been told that instead the report of the Committee of Experts will be reviewed. It believes this report may well be a useful statement of one point of view. However, there are many possible viewpoints and it reserves the right to make comments upon the basic secretariat study.

The United States delegation believes that ECLA should be seeking areas of convergence in the interests of member countries and should not stress areas where there is disagreement or a conflict of interests. It should place emphasis rather on aspects where countries can join forces and reinforce each other.

The United States delegation wishes to point out that it is prepared to participate in the debates on the report of the Meeting of High-Level Experts, but that participation in the debate does not necessarily commit it to accept the report or any modifications in it in any way.

Commenting generally on the report of the Committee of Experts, the United States delegation believes the report would be more balanced if it referred specifically to some of the positive economic developments during 1972. These include such items as sharply increased exports and foreign exchange reserves, and higher levels of economic growth in the region.

The report would also be improved if it pointed out that resources could be transferred by private as well as public channels. The United

States delegation believes that most resources will be transferred by private channels, and that, should countries decide not to avail themselves of private sector resources, this will be reflected in lower rates of economic growth. As the Strategy for the Second United Nations Development Decade recommends that increased levels of economic growth should be achieved, countries not wishing to use private sector resources in their development would appear not to be following the strategy recommended for the Second Development Decade.

The United States supports the concept of permanent sovereignty over natural resources as set forth in General Assembly resolution 1803 which recognizes that sovereignty over natural resources is to be exercised in accordance with international law. That resolution expressly provides that foreign investment agreements should be observed in good faith and that appropriate compensation should be provided in cases of nationalization "in accordance with the rules in force in the state taking such measures in the exercise of its sovereignty and in accordance with international law", including acceptance of arbitration or international adjudication.

This question of permanent sovereignty over natural resources is currently under discussion in the United Nations, specifically in the Committee on Natural Resources and in the Committee on the Seabed, and we believe that these are appropriate forums for the discussion of the complex issues involved.

B. Observations on individual paragraphs

Paragraph 2

The United States delegation recommends that the first sentence should be revised to read as follows:

"Development cannot be achieved through partial or scattered sectors of the economy or the social system, but only through concerted attacks on complex and interrelated problems involving large portions of the economy".

Paragraph 3

In connexion with this paragraph, the United States delegation wishes to state that quantitative targets should not be considered the be-all and end-all of development; they are partial indicators and should not be taken as the sole indicators of progress. Targets are not a sufficient specification of all that is needed to set and implement national goals and policies.

Paragraph 4

The United States delegation agrees that traditional structures can, in some instances, hinder social progress and economic development. It has not been established, however, that all traditional structures necessarily impede economic and social development. On the contrary, in many cases the existing traditional structures often make valuable contributions to development, or, if not, can be modified so as to accomplish this end. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 7

The United States delegation does not agree that countries undertaking radical changes should, by virtue of that fact alone, receive unrestricted international co-operation. It is the responsibility of international institutions and donor countries extending assistance to exercise judgement with respect to a number of considerations, among which must be an assessment of effectiveness in the utilization of such assistance by the recipient country. Accordingly it abstains with respect to this paragraph.

Paragraph 10

The United States delegation suggests the following wording:

“Reference is made to the substantial internal efforts undertaken by several of the developing countries which are members of the Commission. Some of these countries feel that their efforts have not been accompanied by adequate international co-operation, nor by acceptable terms as regards the prices of raw materials and the cost of external financing. A significant part of the factors determining their welfare is thus subject to circumstances beyond their control. At the same time, growing external indebtedness has raised some countries’ debt servicing commitments to a large share of their total income from exports of goods and services. On the other hand, developed countries also face many world market changes which are beyond their control or which force trade and exchange adjustments. Also, the growing debt burden is a concomitant of continuing external financing. Under present circumstances more aid means more debt. Larger net transfers would increase debt still more rapidly. A surer remedy for the debt burden is export growth”.

Paragraph 19

The United States delegation suggests that the end of this paragraph should be reworded as follows:

“... in the countries with socialist economies. Bringing marginal

groups into participation in all forms of the development process would seem to be the best way of achieving improved income distribution, development on a sounder basis, and a juster society”.

Paragraph 27

The United States delegation suggests the following addition to this paragraph:

“... as well as continued limited internal efforts, lack of known effective and feasible solutions, and the many obstacles posed by the limited stages of development”.

Paragraph 28

The United States delegation suggests that this paragraph be eliminated, since it considers that the results to which it refers cannot be described as disappointing in the light of the economic indicators for the region in 1972, especially the growth of exports and of the product.

Paragraph 29

Paragraph 29 interprets paragraph 21 of the IDS as a commitment to take “concrete action” by 31 December 1972 on the products listed in UNCTAD resolution 16 (II). The language of the UNCTAD resolution does not give grounds for such an interpretation, however.

In accepting the IDS, the United States declared “The United States can accept paragraph 21 since it appears to be recognized that the carrying out of studies and perhaps inter-governmental consultations may be all that is practicable by the date cited and that there will be no need for further international action in some cases”. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 30

The reference in paragraph 21 and 22 of the IDS to negotiating new commodity agreements or renewing existing agreements has a “where appropriate” qualification which is disregarded in this paragraph. In addition, this paragraph takes no account of the fact that agreements must serve the interest of all participants. Recent developments in connexion with the wheat and coffee agreements are due to the inability to reconcile conflicting interests. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 31

The United States delegation withdraws its earlier reservation on this paragraph. It would like to note in passing, however, that it is not possible for the developing countries to have increased external financing without increased external debt, as the last sentence in this

paragraph would appear to infer. Each country, in the prudent management of its internal and external finances, must decide the level of external financing to which it can reasonably commit itself.

Paragraph 32

In accepting the IDS, the United States noted that the recommendation in paragraph 24 of the IDS on the need to agree on a set of general principles on pricing policy had in its judgement already been met in TDB resolution 73 (X) on market access and pricing policy. The developing countries' proposals on pricing policy at the third session of UNCTAD contained many elements already considered and rejected by the developed countries in the negotiation of resolution 73 (X), as well as a few new and controversial elements whose general unacceptability was well known. The basic differences on this subject have been well known for some time. The United States delegation therefore abstains with respect to this paragraph.

Paragraph 33

The United States delegation finds the first sentence of this paragraph unclear. The statement that "The standstill recommendation (IDS paragraph 25) has not been complied with" is not supported by any evidence of trade damage to less developed countries as a result of new or increased restrictions and would appear to be contradicted by the sharp rise in Latin American exports in 1972. The United States moreover entered the following reservation on paragraph 25 of the IDS: "The United States regards paragraph 25 as subject to the same qualifications as earlier comparable undertakings accepted by the United States in the GATT, in UNCTAD Resolution A.II.1 and in IA-ECOSOC. In these, it is explicitly recognized that there may be exceptional circumstances which make it impossible to give effect to the recommendations".

The qualification in GATT occurs in Article XXXVII, paragraph 1 and reads: "Except when compelling reasons, which may include legal reasons, make it impossible".

The United States delegation therefore abstains with respect to the first two sentences of paragraph 33.

Paragraph 35

The United States delegation has the following comments to make on this paragraph. Progress in respect of work programmes to increase the competitiveness of natural products depends, in the first instance, on the existence of specific proposals. A concrete proposal regarding jute research was circulated by UNDP late in 1972, and another is now

being finalized regarding cotton. The United States has played a constructive role in promoting both of these projects and will continue to do so.

Paragraph 37

The United States delegation expresses its reservations on this paragraph, since it considers that the text appears to indicate that the developing countries cannot expect to receive any benefits from the multilateral negotiations, whereas in the opinion of the United States delegation all countries will benefit.

Paragraph 40

The United States delegation expresses its disagreement with what it considers to be a negative approach in this paragraph to the real economic situation in Latin America, which does not seem justified in the light of the information contained in the economic studies on the region.

Paragraph 45

The United States delegation proposes the following wording for this paragraph:

“The United States is Latin America’s biggest trading partner, although in recent years other countries have been increasing their share of this trade. The pattern of United States-Latin American trade has been that of imbalance, with United States exports to Latin America exceeding its imports from that area. With a few exceptions, exports to the United States expanded more slowly—in percentage terms from a large base— than other sectors of Latin America’s foreign trade between 1961-1965 and 1966-1970. During 1972, however, Latin American exports to the United States increased by nearly 18 per cent to 6 200 million dollars, well above the 13.9 per cent increase in Latin American exports to all areas. Moreover, the percentage of United States imports of manufactured goods from Latin America more than doubled from an average 4.1 per cent of total Latin American exports during 1961-1965 to 8.6 per cent in 1970. These trends should be maintained and improved.

The maintenance or increase of barriers to this trade is inconsistent with the objective of increased access to the United States market for products from Latin America. It is to be hoped that such helpful steps as the removal in 1972 of quotas on fresh meat exports, and the progressive relaxation of restrictions on petroleum imports will be followed by further liberalization of trade in other areas.

Although protectionist trends continue to be a force, the United States Government's stated purpose of seeking increasing liberalization of world trade is a positive element in the total picture. The legislation which the United States Executive is now preparing for submission to Congress, which contains requests for far-reaching trade authority, will be the key to United States trade policy for some time to come".

Paragraph 46

The United States delegation propose the following wording for this paragraph:

"The Special Committee for Consultation and Negotiations (CECON) of the Inter-American Economic and Social Council (IA-ECOSOC) has not made any significant progress towards liberalizing access to the United States market for Latin American products. It has, however, served as a forum for consultation and negotiation for Latin America and the United States, not only on trade and export promotion problems, but on maritime transport issues. The recent IA-ECOSOC meeting at Bogotá renewed the CECON mandate. Although many of the specific objectives of the Latin American Consensus of Viña del Mar have been achieved, for example, elimination of the policy of tied aid, much yet remains to be accomplished".

Paragraph 49

The United States delegation suggests that the word "differences" in the first line of the paragraph should be replaced with the word "improvement".

Paragraph 50

The United States delegation abstains with respect to this paragraph for the reasons given in its comments on paragraph 7.

Paragraph 51

The United States delegation reserves its position on this paragraph, and suggests that the beginning of the paragraph should be reworded as follows:

"It is recognized that in the initial years of the Second Development Decade the trend has been very unsatisfactory as regards achieving the 1 per cent and 0.7 per cent targets set forth around 1975. Towards the 1 per cent target, total official private and public flows were equivalent to 0.83 per cent of gross national product in 1971, while towards the 0.7 target the current trend and future prospects. . ."

Paragraph 55

The United States delegation abstains with respect to this paragraph.

First, the trend of official assistance is not unfavourable from the point of view of new commitments, which is the point at which allocation decisions are made. Total official commitments increased by almost 600 million dollars in 1972 to a historic peak of 2 900 million dollars. Total United States official assistance of all kinds has never been higher, while commitments by multilateral organizations have grown substantially since 1969, with the IBRD reaching 997 million dollars in fiscal year 1972 and the IDB 800 million dollars in calendar 1972.

Secondly, the delegation disagrees with the implication that the debt problem in Latin America is largely attributable to the low level of official assistance to the area and to the hard terms of the credits, especially from private sources, to which it has had recourse. This view fails to mention the fact that as the most developed of the developing regions Latin America has reached the point where it has the credit-worthiness to use credit available on less concessional terms. It has always been an aim of development financing to help countries reach the stage where they do not need loans on concessional terms. It is implied that because debt service ratios are high and growing, the problem is necessarily serious. However, some of the countries with the highest ratios have not faced and are not now facing balance-of-payments difficulties despite large-scale use of both foreign private investment and non-concessional loans.

Paragraph 56

The United States delegation abstains with respect to this paragraph. Its Government's position has been defined by President Nixon in public statements. "Latin America needs external capital, because internal savings are simply insufficient for development needs. While every country has the right to determine its own conditions for private investment, a Government that rejects or discourages private capital cannot realistically assume that foreign public capital will make up the difference".

Concerning the last sentence of this paragraph, the United States, most other donors and the DAC Secretariat have consistently registered their opposition to the proposed redefinition of the 1 per cent target in many forums.

Paragraph 58

With respect to the first two sentences of this paragraph, the United States delegation states the following. The United States Government has in the last few years channeled an increasing proportion of its multilateral assistance through multilateral channels, and is a firm

believer in the strengthening of appropriate multilateral mechanisms for economic development. It believes, however, that economic assistance, whether it be provided through bilateral or multilateral channels, is a matter for consideration between the donor State and the recipient, regardless of whether the recipient is an individual country or a multilateral organization of some sort. United States actions in the assistance field are based on economic criteria, but because there is a continuing difference of view over this subject the United States delegation feels it must abstain with respect to this paragraph.

Paragraph 59

In connexion with this paragraph, the United States delegation states the following. On 31 October 1969, President Nixon announced that henceforth AID loans to Latin America would be untied for procurement of goods and services in other independent Latin American countries. On 15 September 1970, the President directed that procurement under all AID development loans be permitted in all other eligible developing countries.

Paragraph 61

The United States delegation reserves its position on this paragraph as it considers that it should state specifically that the proposed appraisal should be the responsibility of ECLA. If this point is clarified in the text, it would be prepared to withdraw its reservation in this respect.

Paragraph 62

The United States delegation states the following in connexion with this paragraph:

- (a) UNCTAD has consistently agreed with the principle that supplementary financing (SF) measures should be dealt with separately only if additional funds were provided for the purpose. An ambitious Fourth Replenishment for IDA has been proposed. Additional funds do not appear to be available to finance an SF scheme. We do not believe resources intended for basic development finance should be diverted for this purpose. Thus, the United States delegation cannot support any recommendation for the provision of additional resources for an SF scheme or for a request to the World Bank that it should undertake to set up any such a scheme separate from existing IBRD/IDA arrangements.
- (b) The SF issue has been discussed and studied by the World Bank over the past six years, including as recently as the spring of 1971. The Bank has agreed to keep the matter under review. Further initiatives on this issue should emanate from the Bank.
- (c) The United States attaches importance to the underlying problem of unexpected shortfalls in export earnings. We have supported the

compensatory financing facilities adopted by the International Monetary Fund to help meet this problem. Through our bilateral aid programmes as well as projects sponsored by the international financial institutions, we have supported efforts to expand the exports of the developing countries. The World Bank has indicated that it could render assistance where a country is in difficulty because of unexpected shortfalls in export earnings without any change in its existing policies.

Paragraph 63

The United States delegation shares the concern expressed in this paragraph concerning the creation of additional liquidity through SDRs and the establishment of some form of SDR/aid link. These are matters that are being discussed in the Committee of Twenty, which includes three representatives of Latin America. The United States Government, however, has not yet reached a final position on these issues which are being negotiated in other forums, and must therefore abstain with respect to this paragraph.

Paragraph 65 and 66

The United States delegation cannot agree with the concepts underlying the proposals in these paragraphs, and consequently must register a negative vote with respect to them.

The United States could not accept any formula which would place it at a disadvantage in relationship to other creditor countries. On the other hand, the United States Government has not refused to enter into debt-rescheduling talks with any country requesting them.

It would appear that the original paragraph referring to a recommendation in the Rockefeller Mission Report is based on a misunderstanding. The Report recommended only that the United States Government "recognize the multiple advantage of a generous rescheduling of debt-service requirements for countries facing balance of payments problems".*

Paragraph 67

With respect to sub-section (e) of section F, the United States delegation abstains because it considers a more appropriate title would be "External private investment and development".

In addition, it proposes that the following introductory sentence, taken from document E/CN.12/947, should be added in order to improve the balance of the paragraph:

"Under specific conditions, foreign investment —combined with the operations of transnational corporations— can influence

**Quality of Life in the Americas*, page 78.

economic growth, help to promote industrial development (particularly in the area of new modern branches of activity) and facilitate the introduction of advanced techniques and the expansion of the infrastructure. Together with this favourable contribution, however, it can also raise a variety of new economic development problems connected, in particular, with the balance of payments, the kind of technological development it promotes, and the freedom of action of the national economies”.

Paragraph 69-76

The United States delegation believes that these paragraphs are not directly related to the review and appraisal of the Latin American region during the Second Development Decade. They refer in the main to recommended future positions for Latin America in the upcoming trade and monetary negotiations. As such, they represent one point of view. The position of the United States Government on many of these matters has not yet been finally decided. When it is, it may coincide with many of the views expressed here. For the present, however, the United States can only abstain with respect to this statement of recommended future Latin American positions.

Paragraph 86

The United States delegation abstains with respect to this paragraph as it does not believe it is accurate to place the responsibility for the developments during 1971 and 1972 solely on the external sector. In its view, there were pluses and minuses in both the internal and external sectors of all the countries, and it believes the data demonstrate that the pluses, on both the internal and external sectors, clearly outweighed the minuses.

Paragraph 87

The United States delegation abstains with respect to the programme of work recommended in this paragraph. It does not believe such exhortations belong in a document relating to review and appraisal. In addition, it has serious doubts as to their effectiveness in achieving whatever goals the meeting has in mind.

Paragraph 91

The United States delegation abstains on this paragraph. The opinion and observations of the United States Government on this subject have been recorded in many forums, including the third session of UNCTAD. This subject is now under discussion in a United Nations working group in which the United States is participating, and we do not wish to prejudice either the contents or the form of the draft which will emerge from that discussion for the consideration of Governments.

FRANCE

I. Speaking on behalf of the member countries of the EEC, the representative of France made the following statement:

A. General observations

The general principles contained in document E/CN.12/962 are those recognized by the developing countries of Latin America, and the countries of the European Economic Community represented at this meeting, whether as members of ECLA or as observers, have taken note of them with considerable interest and understanding.

However, as member countries of the EEC, we should like to express a number of reservations, particularly as regards section E of this document. As we do not wish to hold up discussions on each individual paragraph, we thought it better to express our position at the present stage of the debate.

Our reservations could take the form of an additional paragraph reflecting our point of view.

The evolution of trade flows since 1958 shows that the fears expressed by the Latin American countries regarding their exports to the Common Market were unfounded. In actual fact, Latin America's exports to the Common Market increased by 112 per cent between 1958 and 1972, that is to say, considerably faster than those of the countries and territories associated with the EEC. This is true both of tropical products and temperate-zone agricultural commodities. Moreover, the level of the external tariff and the tariff on manufactured products has been substantially reduced, so that the Common Market can in no way be regarded as a protectionist bloc.

Because of the level of Latin American imports from the Common Market, the trade balance has consistently shown a surplus of several hundred million dollars in favour of Latin America.

Furthermore, it should not be forgotten that the member countries of the EEC have introduced a generalized scheme of preferences which is already benefiting certain Latin American countries and may well be improved in the future.

I should also like to assure you that the common agricultural policy of the Common Market, which has not so far prejudiced the interests of Latin American countries, will remain unchanged in this

respect. It represents a pragmatic policy that takes into account the evolution of domestic demand and the situation of world markets.

Moreover, it seems rather unjust to accuse the EEC of pursuing a discriminatory policy in its economic co-operation, since economic co-operation between the EEC and Latin America has so far been very close, in terms not only of trade but of technical and financial assistance and private investment as well.

As to the enlargement of the Community, we are hopeful that, by making possible more rapid economic development of the member countries of the EEC, the entry of Great Britain, Denmark and Ireland will increase the overall potential for trade and co-operation between the Community and Latin America. It should at all events be borne in mind that we are currently working with the member States of GATT, and with the Latin American countries in particular, on the review procedure scheduled under article XXIV of the General Agreement and that those countries will, in the course of the discussions, be able to assert the rights to which they lay claim.

B. Observations on individual paragraphs

Paragraphs 28-51

In the light of a number of general considerations, the member countries of the EEC would like to introduce an additional paragraph along the following lines:

“The member countries of the European Economic Community wish to express their reservations regarding some of the conclusions contained in paragraphs 28 to 51 regarding the relations between the EEC and Latin America”.

II. Speaking on behalf of his Government, the representative of France expressed his general reservation regarding sections F, G, H and J of the document

UNITED KINGDOM

General observations

The representative of the United Kingdom said that his delegation had read document E/CN.12/947 with considerable interest. In its view, it represented a major effort by the secretariat and an essential contribution to the whole review and appraisal exercise. His delegation, in plenary session, had already congratulated the secretariat on the very high

standard of its work in the document and would like to add its particular appreciation of the studied emphasis placed in it on the social aspects of the development process.

His delegation has considered all along that the appraisal process was entirely the concern of the regional members of the Commission. The fact that the United Kingdom had not taken part in the work of the Committee of High Level Experts in Santiago prior to the session indicated that that was also the view of the regional members. His delegation had therefore not felt it proper to try to alter the views of the regional members as unanimously expressed in the report of the Committee of High Level Experts.

His delegation was sure that, in the light of the foregoing, it would be understood that it did not necessarily concur with all the views expressed in that report. The European Economic Community had already expressed its view on section E of the report and his delegation would also like to record that there were elements in sections F, G, H and J on which it also maintained certain reservations.

Resolution approving the Chaguaramas Appraisal

347 (XVI) SECOND APPRAISAL OF THE INTERNATIONAL DEVELOPMENT STRATEGY

The Economic Commission for Latin America,

In pursuance of General Assembly resolution 2626 (XXV), which provides for regional appraisals within the United Nations of the progress made in the implementation of the International Development Strategy (IDS);

Considering that the Commission should make an appraisal of the implementation of the IDS in the first half of the present decade at the current session;

Having examined the document entitled "Latin American Development and the International Economic Situation. Second Regional Appraisal of the International Development Strategy" (E/CEPAL/981), prepared by the secretariat, which contains an analysis and critical comments designed to facilitate that appraisal;

Having examined the report of the second meeting of the Committee of High-Level Government Experts (E/CEPAL/983) convened by the secretariat in compliance with resolution 310 (XIV) of the Commission;

1. *Notes with appreciation* the secretariat's contribution to the second regional appraisal of the IDS for the Second United Nations Development Decade embodied in document E/CEPAL/981;

2. *Approves* the Chaguaramas Appraisal as the second regional appraisal of the IDS for the Second United Nations Development Decade;

3. *Decides* that these two documents, together with the report of the proceedings of the sixteenth session of ECLA containing the reservations and observations pertaining thereto, should be transmitted to the Committee for Development Planning and to the Economic and Social Council.

12 May 1975

The Chaguaramas Appraisal

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

I. THE APPRAISAL OF DEVELOPMENT IN LATIN AMERICA AND THE INTERNATIONAL SITUATION

A. *Integrated development: concept and reality*

1. The International Development Strategy (IDS) and the Quito Appraisal¹ stress the need to introduce a new unified approach to development, designed to promote both accelerated economic growth and a fairer social order, and to act accordingly. In this connexion, it would be well to recall paragraphs 1 to 6 of the Quito Appraisal:

1. A central preoccupation in the review and appraisal of the International Development Strategy should be the concept of integrated development and the differences existing between the phenomenon of economic growth and actual development.
2. Integrated development cannot be achieved through partial efforts in particular sectors of the economy or the social system, but only through concerted progress in all aspects. It is exceedingly difficult to make an appraisal of the development process thus defined, since it is not sufficient to refer to one or more indicators, but it is necessary to observe to what extent concerted progress in all sectors is helping to promote a new type of society oriented towards rapid human development.
3. The growth of economic variables has frequently failed to bring with it qualitative changes of equal importance in human well-being and social justice. This is shown by the continued existence of serious problems such as mass poverty, the incapacity of the system of production to provide employment for the growing labour force, and the lack of economic and social participation of broad strata of

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

the population. Clearly, however, these qualitative changes are more difficult to achieve when the economic variables do not grow at satisfactory rates. In line with this approach, achievement of the quantitative targets of the Strategy should constitute the complement necessary to achieve human development, which is the ultimate aim of the process.

4. The traditional structures, inasmuch as they put obstacles in the way of changes, hinder social progress and economic development. Accordingly, even more strenuous efforts must be made to effect the qualitative and structural changes mentioned in the IDS, which are indispensable to establish the bases that will permit the achievement of the social and economic objectives of the Strategy. Failure to stress the vital importance of this aspect of development and to put these qualitative and structural changes into practice largely explains the unsatisfactory results achieved by many Latin American countries.
 5. These structural changes, which are an essential condition for any integrated process of development, especially one set out in the broad human and social terms in which the IDS states this objective, include: the control and sovereign utilization of natural resources; the reform of land tenure systems as required in order to promote both social justice and agricultural efficiency; the establishment of such forms of public or mixed ownership of property as each country may consider appropriate in those activities which, in its view, require such measures in order to promote self-sustaining independent economic development; and any other type of substantive reform needed to secure that objective.
 6. At the same time, accelerated, harmonious and independent growth is essential to the success of these qualitative and structural changes, and consequently, of the objectives of the Strategy, since accelerated growth of the economy as a whole makes it easier to obtain the resources necessary for the investments required for human development.
2. The present international political and economic situation and the urgent need for changes in production structures, social relationships and levels of well-being in the Latin American countries have shown both the aptness of this concept and the complexity of the

Governments' task of translating it into action. Although the economy of Latin America as a whole has grown fairly rapidly, this growth has been due to certain precarious trends in the international economy, particularly in raw material prices, rather than to the fulfilment of commitments under the IDS. The more serious social problems persist, as a result of, among other factors, inadequate socio-economic structures. Notable in this respect are the insufficient opportunities for productive employment in the modern sector, the large segments of population living in conditions of abject poverty, the unequal distribution of income and unequal opportunities for social, economic and political participation, and the increasing prevalence of patterns of consumption which mainly benefit urban minorities but conflict with—and hinder—the most urgent objectives, namely, investment and the improvement of the well-being of the broad masses.

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

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

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

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

7. At the same time, the efforts so often advocated by governments to decentralize decisions, redistribute income and grant full participation to broader sectors of the population are today hampered by the need to concentrate such measures so as to be able to control an unstable situation which discourages production, foments speculation and generates excessive demands from the middle and upper social classes which try to maintain and improve their position.

8. The most dynamic opportunities for economic growth in the medium term seem to be linked with the acceptance of a new international division of labour under the aegis of transnational corporations: a trend involving obvious danger to countries which would like to evolve more independent and integrated styles of development. It is therefore advisable for the countries to strengthen the other sectors of their economies and to supervise the activities of

these corporations in such a way as to keep them in line with their own economic and social policy objectives. Any attempt to control or gain some advantage from this trend and to establish a new international economic order calls for great unity of action on the part of the countries.

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

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

11. In spite of the professed aims and of the greater material capacity to eliminate poverty which ought to be implicit in the favourable economic growth rates of several countries, it is therefore not surprising that the rate of progress towards the attainment of social development goals is extremely slow. It is now more important than ever that the

governments of Latin America should not –either through excessive optimism regarding the spontaneous results of accelerated economic growth or through pessimism regarding the possibility of looking into the future and influencing the processes of social change in such a complex and changing situation– lose sight of the fact that, in order to achieve equitable and integrated development, greater efforts are needed together with a thorough, realistic knowledge and appreciation of what is happening.

B. Human development and social change

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

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

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

15. The concentration of the population in urban areas has continued with no great change. During the present decade the population of the cities is expected to grow by 75 million, of which 40 million will be absorbed by cities that will have over one million inhabitants in 1980.

Urban concentration has created many familiar problems, such as crowding, environmental pollution, distortions in the labour market, etc., but so far the cities have been able to continue functioning without such serious crises as have so often been predicted. The question is how much longer they can continue to do so with a steadily growing population.

16. An increasingly important factor is urban sprawl, the waste of fertile land and the enormous expenditure on roads and other kinds of infrastructure due to the predominance of the motor car and the residential and consumption aspirations of the strata with higher purchasing power. The energy crisis and the increases in the cost of fuels are a further test of the cities' ability to act in the interests of the inhabitants' well-being, and call for urban planning that is more efficient and more in line with the needs of the broad masses.

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

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

19. The social stratification of Latin America has undergone significant changes during the past decade and the early 1970s. A comparative

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

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

21. The *Quito Appraisal* states that "the objective of income redistribution, in the form set out by the Strategy, remains unfulfilled in most countries of the region". This statement can be repeated without reservations, now that fuller and more reliable information is available. Available data indicate that in some countries distribution has been concentrated above all in the top 5 per cent, while there has been a decline in the relative shares of nearly all the lower income strata. In others, the share of the middle/high strata has grown more rapidly in relative terms, which points to a certain enlargement of the groups benefiting from economic growth. In both cases, the share of the lowest strata has decreased, so that the gaps between the extremes in the distribution scale have widened. Although the economic growth of most countries in the past decade has been sufficient to permit absolute increases in the monetary income of nearly all the strata, such increases have been small in the middle-low strata, while among the lowest 20 per cent there seems to have been no change.

22. Therefore, extreme poverty involving physical privation has remained at fairly high levels, although the percentage of the population in this situation in Latin America is smaller than in other regions. The main foci of extreme poverty are still to be found in the countryside, which is still characterized by the dual latifundia-

minifundia structure. In spite of the variety of economic and social changes which have taken place in the rural sector over the past few years —such as the capitalistic modernization of agriculture which is making great strides in some areas, exploitation through commercial intermediaries which is taking on new forms in others, and agrarian reforms geared to co-operativism which predominate in yet other areas— there is one element which seems to be almost universal: the increasing exclusion of the weaker sectors of the rural population (landless peasants, smallholders) from access to productive or income-generating activities. Part of the resulting poverty is transferred to the cities or to land settlement areas, but perhaps the poorest groups are less inclined to migrate than other sectors of the rural population, owing to their more acute lack of education and skills. Possibly such poverty never even comes to the attention of the rest of society, since these groups exert no pressures.

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

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

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

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

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

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

29. There are still shortages in the supply of foodstuffs, especially in some small, predominantly rural countries, and even in countries where the total supply is sufficient it is clear that the poorest strata do not obtain adequate nourishment. The deficient nutrition of children under five years of age is the most serious and moving facet of this problem, in view of its long-term repercussions on the quality of the population and the special difficulties involved in supplying adequate food in sufficient quantities where it is most needed. Improvements in the supply of food for low-income families are as indispensable as they are inadequate, since malnutrition in very young children caused by a lack of protein and calories can be attributed partly to family food distribution habits whose roots are of a cultural nature. Hence, WHO and PAHO experts have stressed the need to deal with the whole environment of children, which is an inescapable but difficult goal to achieve in areas of extreme poverty.

30. The chronic shortage of housing which goes with rural poverty has been neither remedied nor greatly accentuated. The principal change in

cities and small towns is a marked improvement in the housing infrastructure (electricity, drinking water and sewerage), although a great deal remains to be done in this field. In the larger and more rapidly growing urban centres, the shortage of housing for the low-income sectors is becoming still worse, while the application of unsatisfactory solutions in the form of peripheral settlements or shanty towns continues to increase. The conventional machinery for organizing the construction of dwellings has continued to respond primarily to the demand from the high- and middle-income urban strata. The current unit costs established by inefficient but highly profitable building industries set more restrictive limits than were foreseen on the expansion of demand, despite public subsidies and generous terms of payment.

C. Economic growth and the international situation

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

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

33. A small group of countries, including the largest countries economically and demographically speaking, showed a considerable capacity to expand and adapt themselves so as to make the most of the

changing state of world demand. Thanks to their endowment of resources and the increase in the price of their exports, they achieved –albeit at different speeds– intensive investment and substantial economic and technological change. These countries are thus in a better position than others to cope with the adverse effects of the international economic situation and to remedy their balance-of-payments deficits thanks to their easier access to sources of external finance, although this will mean a large increase in their foreign debt and, very probably, a reduction in their growth rates.

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

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

36. If an evaluation is made of the relatively more favourable trends which may be observed in Latin America as a whole by taking an average of the above-mentioned situations, and if consideration is given on the one hand to the fact that these trends were recorded for only a short time compared with the much longer period during which the industrialized countries experienced exceptional economic and technological growth, and on the other, to the nature of the phase through which Latin American economic development is passing and to the region's high demographic growth rate, it must be concluded that, in international terms, the relative position of Latin America has continued to deteriorate. Its growth rates must be significantly higher than those of the more advanced countries if they are to close the large gaps that exist and if the developing countries –and the Latin American countries in particular– are to achieve the human development targets and objectives advocated in the IDS. This should be a basic consideration in the strategies and specific measures that are proposed for reorganizing the world economic system. Even though the economic growth rate of the most advanced countries may drop, as official projections indicate, the developing countries cannot allow their own to follow suit. On the contrary, they will have to maintain high growth if they are to attain the aforementioned objectives.

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

38. The growth of agricultural production has been slow and irregular, does not satisfy the needs of the population of Latin America and does not correspond to the region's productive potential. It is true that in 1972 adverse weather conditions caused a considerable reduction in certain crops, which coincided with a similar situation throughout the world. It is equally true, however, that despite the significant recovery of the last two years, the annual average growth rate for Latin America as a whole was only 3.6 per cent, i.e., less than the minimum target of 4 per cent laid down by the IDS. Only six countries achieved rates higher than this target, and in most other cases the growth rate was very low and often no higher or even less than that of the population.

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

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

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

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

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

resources and, in some cases, have put large-scale hydroelectric projects into operation.

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

45. During the 1970s, the fairly large-scale utilization of two new sources of energy was introduced in Latin America: geothermal and nuclear energy. It should be pointed out that, with the new oil prices, much smaller nuclear production units become economically viable, thus allowing a wider dissemination of this source of energy.

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

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

48. However, it should be pointed out that the factors which brought about an improvement in the development of the Latin American external sector and its positive impact on the rate of growth did not originate in the adoption of the policies and measures embodied in the IDS which are the responsibility of the industrial countries. Except in the case of oil, this improvement was the result of circumstantial or transient factors; so much so that, as the adverse trend of the economic situation causes some of these factors to disappear and others to be

modified, the need to implement such fundamental policies and measures is keenly felt, and the absence of such action poses a serious threat to the future rate of economic growth.

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

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

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

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

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

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

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

56. In view of these aspects of the international economic situation, it is expected that the non-oil-exporting countries of Latin America will face serious obstacles in attaining in the next few years the economic and social development targets established in the IDS. This is particularly likely considering that the economic recession in the industrial countries seems to be lasting longer than was originally expected and that the terms of trade will deteriorate further, with the well-known effects on investment and the rate of economic growth.

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

58. Others, in contrast, are less capable of solving their balance-of-payments problems without appreciably affecting their rate of growth. It must be stressed that in both these groups of countries the slowing up of economic growth has very serious implications, since an intensely dynamic process is necessary—even if the external situation is deteriorating—in order, within the context of a suitable strategy, to

absorb the constant increase in the labour force in productive employment and to promote, within a suitable length of time, the participation of the broad masses of the population and the improvement of their material and cultural living conditions.

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

60. It should be mentioned that it was their own domestic efforts which made possible the growth achieved by the Latin American countries. In principle it can be said that the Latin American countries have done their share in achieving the objectives set out in the IDS.

D. The domestic effort for development

61. Broadly speaking, it may be affirmed that the potential availability and supply of the various resources needed for development have improved significantly in Latin America. On the other hand, the strengthening of the capacity to "mobilize" these resources has been more limited and irregular, or else the structural reforms and strategies and policies that are needed to modify the prevailing standard of living and style of development have not been put into effect forcefully enough to bring about sufficiently dynamic progress towards the solution of the serious social problems discussed above.

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

63. During the early 1970s, gross national savings for Latin America as a whole represented 18.6 per cent of the gross national product and covered about 90 per cent of gross national capital formation. Savings and investment coefficients tended to rise in the last few years, especially in those countries with the most dynamic economies. The savings coefficient for the region as a whole was around 20 per cent in the period 1970-1973. In relation to these trends the countries fall into two distinct groups. On the one side are the large countries and the exporters of petroleum, with rates corresponding to the regional average or above it. The remaining countries show rates of savings substantially lower: between 8 and 14 per cent. A few of these latter

countries were able to raise their rates of investment well above the regional average by means of external financing. The countries also show very wide differences in the extent to which the composition of their investment corresponds to priority development needs. In the majority, urban construction continues to absorb an excessive share of investment funds, and although the regional average for the purchase of machinery and equipment has risen, this is really attributable to the size of the increases in just two countries.

64. The increase in internal resources for investment has derived from a more dynamic internal savings effort and from the sporadic improvement in the terms of trade, which has been an aspect of particular importance in the last three years. As in the past, there have been gains in the institutionalization of planning, in administrative modernization, in developmental legislation, and in the creation of additional mechanisms for the financing of development. To a large extent, however, these represent forms of potential capacity which have not to date been used as effectively as might have been hoped. Furthermore, progress in the various aspects of the mobilization of internal resources has rarely been balanced. Some countries have attained high rates of investment without introducing the institutional reforms that are needed for the benefits to be spread among the mass of the population. Others have struggled to carry out basic institutional reforms and distribute income more equitably, but have been unable to maintain satisfactory rates of savings and investment or prevent the flight of capital and highly trained manpower.

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

66. The mobilization of human resources is at least as important as the mobilization of financial and material resources. As was emphasized above, the expansion of education at all levels, primarily as a result of the expenditure made by the governments of the region, has greatly

enhanced the potential contribution of the human factor to development, but for the most part this increased potential has not been effectively utilized and channelled into activities deserving priority. Moreover, a large part of the investment in education is being wasted, owing to the so-called brain-drain. At the same time, the inadequate correspondence between educational output, development needs and the real demands of the labour market is generating pressure on the public sector, thereby causing major distortions in the allocation of resources.

67. The efforts made in disease prevention and control, which have resulted in a reduction in mortality rates in the Latin American countries, should also be recognized. Progress achieved in social security and housing matters has contributed to improving the quality of living conditions, although it should be mentioned that regional requirements in these three aspects are still very substantial.

II. PLAN OF ACTION

A. International action

1. Primary commodities

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

69. Not only has there not been any progress in the negotiation of international commodity agreements, which for more than twenty years have been unanimously recommended in international forums as an appropriate means of finding solutions to some of the most acute

problems arising in the international trade in primary commodities, but, on the contrary, much ground has been lost in recent years for want of co-operation on the part of the developed countries in renewing the regulatory clauses of the international agreements on wheat, coffee and sugar. As a result, it has become necessary to promote new forms of organization among the developing countries in order to defend their export products, one of which could be the creation of producers' associations.

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

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

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

73. Producers' associations could be one of the new forms of agreement. The Latin American countries propose to explore, primarily with the participation of developing countries in other regions, every possibility of establishing producers' associations, and affirm their decision to convert them into useful instruments for the formulation and implementation of a basic commodity price policy in line with the principles of fair prices for producers and the necessary increase in the income of exporting countries. Where it is not possible to form producers' associations, other machinery for co-ordinating markets and making them more orderly will be explored.

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

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

2. *Exports of manufactures and the Generalized Systems of Preferences*

76. Efforts to export manufactures to the developed countries should be continued and intensified. Since these are fairly new activities in the developing countries, they should receive compensation for the fact that they are entering the world markets at an initial disadvantage. Latin American industry is undergoing changes which are improving its efficiency, and the countries of the region are gaining experience in external markets. As progress is made in this direction, the countries which are not yet in a position to compete on an equal footing with the developed countries should receive compensation for the disadvantage at which they find themselves. This compensation should take the form of preferential treatment of the developing countries by the industrialized nations, including the elimination of non-tariff barriers and the recognition of the right of developing countries to grant incentives to their export industries. In turn, the developing countries should grant adequate subsidies within reasonable limits.

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

78. The experience of recent years, during which the Generalized System of Preferences has been in effect, has brought to light some of its major shortcomings and the modifications that would have to be introduced for the System to become a really effective instrument for expanding the exports of manufactures from the developing countries. Essential improvements that should be considered include the need for the preference schemes to cover numerous products that are subject to customs duties (especially processed agricultural goods), the elimination of quota systems, the adoption of principles and norms for resorting to escape clauses, the harmonization of the preference schemes of various countries, the adoption of more flexible criteria regarding rules on origin, the simplification of administrative formalities for taking advantage of the preferences, the extension of preferential treatment without reciprocity to non-tariff barriers, the establishment of a prior consultation system when for reasons of *force majeure* it becomes necessary to restrict the application of the System, and the adoption of other supplementary measures aimed not only at making better use of the various schemes, but also at institutionalizing the Generalized System of Preferences on a firm and clearly defined multilateral basis.

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

3. *The United States 1974 Trade Act*

80. The prospects of initiating a new stage in trade relations with the United States, which seemed to be offering new opportunities for

4. *Transport, insurance and tourism*

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

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

5. *Multilateral trade negotiations*

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

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

- (a) the application of the principle of non-reciprocity in the negotiations;
- (b) the preservation, enlargement and institutionalization of the Generalized System of Preferences, and its extension to include non-tariff barriers and such trade regulations as escape clauses;
- (c) the institutionalization of differential treatment by adapting the relevant clauses in the General Agreement and incorporating new rules for the exclusive benefit of the developing countries.

88. The promulgation of the 1974 Trade Act removes one of the major obstacles which have so far stood in the way of the formal initiation of multilateral trade negotiations agreed upon in GATT as long ago as 1972. Since these are the first multilateral trade negotiations in which all countries, whether members of GATT or not, can participate, and since the objective is the reduction not only of

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

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

82. The Latin American countries emphatically reject any type of measure involving overt or disguised coercion in respect of the orientation of their trade policy. The terms of the 1974 Trade Act are thus open to criticism in that they seek to make the treatment offered to countries benefiting from the Generalized System of Preferences dependent, among other things, upon the non-participation of the developing countries in producers' associations and upon certain rules regarding the expropriation or nationalization of foreign investments, which—in principle—should be a matter of national sovereignty.

83. The report of the tenth annual meeting of CIES, held in Washington, D.C., from 10 to 15 March 1975, endorsed the understandings reached between the Latin American countries and the United States of America and the United States Government's indications that it (a) expected a rapid change in the provision excluding Ecuador and Venezuela from the Generalized System of Preferences, (b) reaffirmed its commitment to comply with the provisions of the Tokyo Declaration, with particular reference to special advantages for developing countries, (c) did not expect reciprocity from those countries for the concessions made during the multilateral trade negotiations and (d) in all cases where the 1974 Trade Act was applied, the Executive would interpret its provisions bearing in mind the interest of the Latin American countries.

tariff barriers but also of non-tariff barriers affecting industrial and agricultural products, the Latin American countries propose to participate in them to seek the adoption of an international trade regime which enables them to recover and increase their share of world trade on bases that are compatible with the gradual development of their economies. If this is to be possible, it is important that the United States should reaffirm its adherence to the principles and objectives contained in the Tokyo Declaration concerning trade with the developing countries, and that the Executive branch of the Government should use the discretionary powers given to it under the Trade Act in certain areas of the negotiations in a manner favourable to the interests of the Latin American countries.

89. The rules of negotiation adopted must be such as to enable the developing countries to participate fully in the negotiations themselves and in the periodic appraisals as well, and must pave the way for the promotion, through the appropriate channels, of action leading to comprehensive solutions in favour of these countries. These rules should recognize the need for simultaneous and parallel progress in all sectors of the negotiations, so that the items of particular interest to the developing countries will at no stage lag behind. Similarly, the final formalization of the negotiations should be conditional upon reasonable consideration being given to the interests of all participating countries, both industrialized and developing.

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

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

6. *Reform of the international monetary system and external financing*

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

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

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

95. In the face of the external financing situation, several courses should be considered. One such course could be that which was suggested in the Solemn Declaration of Algiers, in which the OPEC countries confirmed their decision to increase co-operation with the developing countries and —as far as possible— to contribute to the implementation of the United Nations special international programme, through the provision, in various forms, of special credits and grants-in-aid to those countries. In this context, they agreed to co-ordinate their financial co-operation programme. In addition, in the above-mentioned document the member States of OPEC advocate

pooling the financial resources contributed by them with those of the developed countries, which have clearly been insufficient. If this machinery is to be effective, it would be desirable for the amounts needed for financing to be granted to the developing countries in the form of soft loans from the developed countries (for example, by subsidizing the rate of interest on the loans), combined with financing from the oil-exporting countries.

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

97. As regards the foregoing, the necessity is reaffirmed of carrying out a review of the criteria and methods traditionally used to measure a country's solvency and absorptive capacity, in order to take into account other factors, in particular its potential to develop unexploited or inadequately exploited natural and human resources through national or multinational projects.

7. Transnational enterprises

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

99. It is necessary to maintain the fundamental idea that not only should the Information and Research Centre on Transnational Enterprises participate in the preparation of the code of conduct, but also that its duties should extend to fields of information, studies and research, and technical co-operation. With regard to its information work, it should become a unit for the distribution of information on transnational enterprises. Resolutions must be proposed calling on the Governments of the countries in which the transnational enterprises originate to adopt laws to enable them to pass on relevant information to the Centre. In addition, the countries where the transnational enterprises carry on their activities should be asked to adopt suitable measures to enable them also to report on those activities to the Centre. ECLA and the secretariats of the regional and sub-regional integration agreements (LAFTA, CACM, the Andean Group and CARICOM) could be asked, in view of their knowledge of the foreign enterprises which

invest in Latin America, to collaborate with the Centre in its pursuit of these objectives. Likewise, the governments of the home countries of the enterprises should be required to take suitable measures to provide the necessary information. As regards studies and research, a programme of work should be prepared which supports the main objectives of the developing countries.

8. *The transfer of technology*

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

- (a) the promotion of a regional information pool on technology marketing techniques, so as to favour individual or joint negotiations on technological know-how by the countries of Latin America;
- (b) the provision of incentives at the regional level for the generation and development of national technology and the substitution of imported technology; Latin American multinational enterprises could be suitable instruments for these aims, since their resources make investment in research both possible and profitable;
- (c) the study of the possibility of establishing standards for technology developed or imported by Latin America, since this would make it possible to standardize the productive structure in order to facilitate the development of the region's own technology;
- (d) the study of the preparation of a code of conduct on the transfer of technology and on the restrictive practices of transnational enterprises in this field;
- (e) the strengthening of the main international agencies connected with science and technology, as a means of supporting the implementation of the above proposals and of all the activities proposed by the Latin American countries in the field of technology;
- (f) the strengthening of co-operation between developed and developing countries so that the latter can create or strengthen their national infrastructures and thus be better equipped to absorb transfers of technology.

B. Regional action

101. The difficulties which the world economy is experiencing and the uncertain future of the Latin American economy are important reasons for strengthening the role of national effort and co-operation among developing countries in the fields of trade, industrial and agricultural development, financing, technology and transport. In the past, during

difficult periods, the countries of Latin America have tackled their difficulties by making changes and adopting far-reaching decisions which have enabled them to widen substantially the horizons of their economic development. The industrialization process which followed the crisis of 1930 and economic integration are outstanding examples of the ability of the countries of the region to find new solutions to serious difficulties. In view of present unfavourable circumstances —and side by side with the continuing struggle to obtain consistently remunerative prices for primary products, access of manufactures to the markets of the developed countries and adequate financial co-operation from the industrialized countries— it is imperative to expand and intensify regional co-operation efforts whose implementation depends exclusively on the willingness and determination of the developing countries themselves.

1. Regional trade and industrialization

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

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

104. It is essential that all the Latin American countries should achieve a diversified structure of production and of trade involving important advances as regards capital and intermediate goods, in addition to consumer and agricultural products. Therefore, specialization among them should not be determined by industries but by products or groups of products within each industry. This will enable

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

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

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

2. *Agriculture*

107. Regional co-operation in the agricultural sector also affords significant opportunities. Imports and exports of agricultural commodities are items of current or potential importance in the balance of payments of the Latin American countries. Moreover, the promotion of agricultural production plays a vital role in meeting food requirements and in the productive absorption of manpower. Making better use of the comparative advantages of the countries will also produce unquestionable benefits. Regional trade in agricultural products and technological co-operation in this sector not only hold out important prospects but in many cases also have a rapid effect, and this is particularly useful in the present international situation.

3. *Infrastructure*

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

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

110. As regards rail and road transport, outmoded frontier formalities hamper the efficient utilization of the available infrastructure. Regional and sub-regional co-operation in doing away with these restrictions is vital for the integration of the region. To this end, more intensive use must be made of associations of rail and road carriers, as well as of regional groups responsible for insurance, banking and customs facilities. Other important aspects involved in achieving better international trade and transport include the simplification and harmonization of documents, the adoption of uniform codes for identifying goods and providing other necessary information, the elimination of docking formalities in ports, the replacement of consular documents by less costly procedures, etc.

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

4. *Financial co-operation*

112. Two aspects which are very closely linked are the financing and the preparation and promotion of projects. The concern with preparing

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

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

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

5. *Co-operation regarding commodities*

115. In view of the undertakings arrived at in other areas regarding primary commodities, the results of which are considered to be useful and desirable for the development of the countries in question, Latin America should consider that the present international situation calls for priority to be given to regional co-operation on this aspect so as to be able to deal with the problems arising from this situation. To this end, the countries of the region must take practical action on both the marketing of their primary commodities and the establishment of a regional compensation fund.

116. The ECLA secretariat is recommended to carry out appropriate studies with a view to putting this aspiration into practice.

6. *Technology*

117. Another very interesting field for regional co-operation among the Latin American countries is technical co-operation among the countries of the region which possess valuable untapped resources.

ECLA should lay stress on and contribute to the implementation of the decisions that have been taken in the General Assembly and the UNDP Governing Council to promote technical co-operation among developing countries.

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

7. *Machinery and action for co-operation*

119. The progress made in regional trade in recent years, the momentum which some of the integration processes have acquired (particularly the Cartagena Agreement and CARICOM) and some of the terms of specific agreements aimed at promoting and diversifying trade and investment are positive achievements of unquestionable importance. On the other hand, however, the differences in the stage of development that the countries have reached sometimes cause problems, since the benefits of integration and co-operation tend to accrue mainly to countries and regions at a higher stage of development. This acts as a brake on the integration process and makes it necessary to seek formulas conducive to a fair distribution of the benefits achieved through co-operation and more rapid progress towards closer collaboration. In addition, the integration processes themselves—especially LAFTA and the Central American Common Market—are experiencing holdups and facing problems which, for all their efforts, they have not yet been able to overcome. Efforts in this direction must be redoubled and new solutions found.

120. The progress made by existing integration processes, their intensive use and the convergence between them can and must be accompanied by the implementation of specific projects and action in major sectors of industry, agriculture and energy.

121. Special importance is attached to the setting up of multinational Latin American enterprises as a highly useful means of supplementing regional co-operation machinery: by operating within frameworks established by the governments, these could set regional integration on

a sounder and more realistic basis, encourage the transformation of the productive structure by supporting sectoral and intra-sectorial integration, open up new prospects for industrial development, generate economies of scale and a better use of available natural and human resources, help to reduce the gaps between the different levels of development, and therefore put the countries on a more equal footing, thus ensuring the fulfilment of the objectives of reciprocity and equity.

122. The establishment of these enterprises will increase the possibilities of co-operation between the countries, even if they belong to different integration schemes, and will also help them to rise above the strictly commercial level of integration processes. The enterprises should be directed towards such essential areas as agriculture and food production, infrastructure, transport and communications, marketing and other services, and the production of capital and basic industrial goods, the purpose being to ensure the self-sustained development of the region. The appearance of Latin American multinational enterprises will have a favourable effect on the bargaining power of the region vis-à-vis transnational corporations from outside the region, as well as on the important aspect of the transfer, adaptation and creation of technology.

123. Another field in which a greater degree of intra-regional co-operation must be promoted is that of public enterprises. Among the many facets of their activities, emphasis should be placed on their role as important consumers of goods and services, and particularly as purchasers of capital goods which in many cases are bought outside Latin America. It is both desirable and feasible that an effort should be made to concentrate such purchasing power so as either to obtain a better bargaining position vis-à-vis their external suppliers, or to induce the production of the aforementioned equipment in the region. State-owned companies operating in a specific line could associate themselves in order to establish an equipment-producing plant.

124. The decision-making power of the governments is a more direct attribute in this case than in the case of private enterprises, and it is considered that this may help to accelerate the integration process. This co-operation should have the effect of encouraging new investment initiatives.

125. The need to take policy decisions involving specific action which are indispensable to a more dynamic and far-reaching regional integration process is more urgent than ever before because of the difficulties posed by the current economic situation.

*III. WORK PROGRAMME OF THE ECLA SECRETARIAT
AND OF THE COMMITTEE OF HIGH-LEVEL
GOVERNMENT EXPERTS*

126. The Committee of Experts, bearing in mind the responsibilities and tasks which, at the regional level, are incumbent on ECLA and the Committee itself, as well as on the Office of the Executive Secretary, in the light of the provisions of the relevant resolutions¹ of the General Assembly, the Economic and Social Council, ECLA, and those deriving from the present meeting, recommends the ECLA secretariat to give preferential attention in its work programme to:

- (a) investigating basic aspects of the international situation and economic order so as to help the Latin American countries to interpret correctly the implications for them of the changes which are taking place, and provide them with the necessary criteria for determining the policies and actions which need to be adopted at the international and regional level;
- (b) providing technical support within their sphere of competence to groups of Latin American representatives to the main international organizations, where required, and in particular in relation to the activities of the General Assembly and Economic and Social Council in New York, UNCTAD and GATT in Geneva, and other forums which are dealing with matters related to the implementation of the above-mentioned resolutions, especially in aspects of international action—such as trade, monetary and financial aspects— which are interrelated and need appropriate co-ordination.

127. In addition, the Committee recommends the ECLA secretariat, in conformity with the aforementioned resolutions and especially with General Assembly resolution 3202 (S-VI) and ECLA resolution 310 (XV), to convene this Committee of High-Level Government Experts regularly, at least once a year, in order to deal more fully with basic and specific aspects of the world situation and international action, so as to achieve greater clarity in the analysis of the problems and principal features of a new economic order.

¹General Assembly resolutions 2626 (XXV), 3201 (S-VI), 3202 (S-VI), 3281 (XXIX), 3343 (XXIX), 3344 (XXIX) and 3348 (XXIX); Economic and Social Council resolutions 1896 (LVII) and 1911 (LVII); and ECLA Resolutions 310 (XIV), 315 (XV), 316 (XV), 317 (XV), 320 (XV), 322 (XV), 326 (XV), 328 (XV), 330 (XV) and 331 (XV).

128. The meetings of the Committee, or other *ad hoc* meetings at the technical level which may have to be held in the next two years, should cover in particular the following matters, subject to changes in priority dictated by the trend of international events: (a) internal efforts for development; (b) lines of action in connexion with basic commodities, including a study of the integrated programme prepared by UNCTAD; possibilities of new forms of commodity agreements; producers' organizations; buffer stocks and the indexing of commodity prices to the prices of manufactured goods imported by the developing countries; (c) the monetary system and international financing; (d) possible new guidelines for economic and social co-operation and regional economic integration; and (e) the prospects for Latin America's economic relations with the socialist countries.

129. At each of these meetings, in addition to examining in greater detail one or more of the specific subjects, a review will be made of the broad lines of international events in their economic and financial aspects, so as to provide a frame of reference for dealing with specific subjects and for carrying out a regular review of the procedures which it is advisable to follow.

130. As regards fixing the dates of meetings of the Committee of High-Level Government Experts or of the other meetings at the technical level which may need to be held in the next two years, the Committee recommends that account should be taken of the preparatory work required at the regional level in connexion with the Seventh Special Session of the United Nations General Assembly, UNCTAD IV, and other international meetings for which it is necessary previously to clarify and co-ordinate the regional positions in order to facilitate and make more fruitful Latin America's dialogue with other countries, thereby contributing to the adoption of common positions and specific forms of co-operation at the international level.

