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ECONOMIC COMMISSION FOR LATIN AMERICA

Trade Committee

Fourth Session

Santiago, Chile, 9 to 13 November 1964

SUMMARY RECORD OF THE TWENTIETH MEETING

Held at ECLA Headquarters, Santiago, Chile,
on Monday, 9 November 1964, at 11.10 a.m.

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Opening addresses

Election of officers

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PRESENT:

<u>Chairman:</u>	Mr. VALDES	(Minister for Foreign Affairs of Chile)
later,	Mr. SANTA MARIA	(Chile)
<u>First Vice-Chairman:</u>	Mr. SEOANE	Peru
<u>Second Vice-Chairman:</u>	Mr. SECAIRA	Guatemala
<u>Rapporteur:</u>	Mr. LOZADA	Venezuela
<u>Members:</u>	Mr. HECERRA	Argentina
	Mr. DA FONSECA	Brazil
	Mr. SUMMERS	Canada
	Mr. PIÑERA)	Chile
	Mr. PINTO (
	Mr. MADRIÑAN	Colombia
	Mr. AZOFEIFA	Costa Rica
	Mr. GARCIA INCHAUSTEGUI	Cuba
	Mr. MARTINEZ	Dominican Republic
	Mr. YEROVI	Ecuador
	Mr. PALOMO	El Salvador
	Mr. BRUNEAU	France
	Mr. MOLINA	Honduras
	Mr. HENRIQUEZ	Kingdom of the Netherlands
	Mr. APODACA	Mexico
	Mr. NAVAS	Nicaragua
	Mr. JIMENEZ	Paraguay
	Mr. FORD	Trinidad and Tobago
	Sir David SCOTT FOX	United Kingdom of Great Britain and Northern Ireland

/Members:

Members:

Mr. WEINTRAUB	United States of America
Mr. AGUIRRE	Uruguay

ALSO PRESENT:

Observer from a State Member
of the United Nations, not a
member of the Commission,
attending in a consultative
capacity:

Mr. NEGRETTI	Italy
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Observers from States,
not members of the
United Nations, attending
in a consultative capacity:

Mr. MEWES	Federal Republic of Germany
Mr. STINER	Switzerland

Representative of a
specialized agency:

Mr. Hernán SANTA CRUZ	Food and Agriculture Organization of the United Nations
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Representatives of inter-
governmental organizations:

Miss DELHAYE	European Economic Community
Mr. FRAGUIO	Inter-American Committee on the Alliance for Progress/Organization of American States
Mr. GONZALEZ	Inter-American Development Bank
Mr. OPAZO	Latin American Free- Trade Association

/Secretariat

Secretariat:

Mr. MAYOBRE	Executive Secretary, Economic Commission for Latin America
Mr. PREBISCH	Secretary-General of the United Nations Conference on Trade and Development
Mr. Alfonso SANTA CRUZ	Deputy Executive Secretary, Economic Commission for Latin America
Mr. LARA	Deputy Director-General, Latin American Institute for Economic and Social Planning
Mr. GARCIA	Resident Representative, Technical Assistance Board
Mr. VALDES	Secretary of the Commission
Mr. MENDEZ	Secretary of the Trade Committee

OPENING ADDRESSES

Mr. VALDES (Minister for Foreign Affairs of Chile) paid a tribute to the Commission for the objective work it had done on conditions in Latin America. A new generation was now taking over decision-making positions in the various countries of the region. It was familiar with ECLA'S studies, and some of its members had participated in them. They were convinced that a deliberate and planned manipulation of economic factors was required; they realized that something must be done to resolve the crisis caused by the failure of Latin America's economic and social system to progress at a pace in keeping with the growth of its population; that modern technology opened up a whole new range of possibilities for developing countries, and that development was a collective task in which all elements in the economic and social structure must participate freely and deliberately.

Turning to the Geneva Conference, he said that in many ways it represented a new departure. Participation had been very broadly based, and the Conference's recommendations reflected, even though as yet in an imperfect form, an attitude favourable to the developing countries. It had been realized that the classical view of the virtues of free trade could not apply to a world composed of countries at such varied stages of development. A notable development at Geneva had been the united stand of the developing countries of Latin America, Africa and Asia. This alignment must be regarded as perfectly legitimate in view of the ever-widening gap between the developed and developing countries; the economically weaker countries must stand together in bargaining with the economically powerful, especially since the problems of the former were often increased by the decisions of the latter. That approach was the most likely to lead to understandings that would permit the benefits of technical progress to spread to the peoples that needed them most.

He pointed out that the results for the region that could be expected from the Conference must depend largely on the action of the Latin American countries themselves in the near future. The united front must be maintained in terms of relations between the Latin American countries themselves, between them and the developing countries of Asia and Africa, and between

the whole group of developing countries and the economically advanced countries. Efforts must be made to ensure the prompt ratification of the Geneva agreements by the United Nations General Assembly, and to prosecute the adoption by the Trade and Development Board, in a more formal guise, of the principles and rules agreed on at Geneva in a general form.

In addition the Latin American countries must strive to remove the internal obstacles that stood in the way of development, by improving the agrarian structure, pressing on with industrialization, effecting a distribution of income that would expand consumption and justify new investment, and modernizing institutional and political systems so that the people could take an active part in development, and speak for themselves, instead of having their views "interpreted". Such developments would in no way obviate the need for international co-operation, which the Geneva Conference had shown to be urgently required. There must be a two-way traffic of national and international effort, and he pointed out that in Latin America rigid conditions for aid based on dogmatic formulas were particularly unsuitable, because so often the possibility of changes at the national level depended largely on external circumstances.

The second main item on the Trade Committee's agenda was regional economic integration, which the new Chilean Government regarded as an imperative necessity for Latin America. Without it, the individual Latin American economies could not attain the third stage, or model, of development, which required a regional basis that would provide broad markets and justify heavy investment and high-cost technologies. It was the only means whereby the region could acquire real bargaining power at the world level, and it was needed because Latin America was gradually being impoverished, not only through structural economic factors, but also by the decisions and policies of the large groupings of developed countries.

The Chilean Government favoured a Latin American integration of the most advanced type, that went beyond the idea of a Free-Trade Area. Institutions of a supra-national character would be required, which would represent the interests of the whole region, rather than be mere inter-governmental bodies, and the Chilean Government intended to ask for broad legal authorization to transfer powers, on a reciprocal basis, to such institutions.

/In addition,

In addition, the Latin American Governments must further integration on the basis of a programme, since it could not come about spontaneously on the basis of existing markets and productive structures. Chile did not take a narrow view of regional integration, but saw it as a stepping stone to the expansion of trade between Latin America and the rest of the world.

Chile shared the general view that integration required policy decisions based on the general interest. The process was bound to cause upheavals, but they were the price that must be paid for escaping from economic stagnation and social tensions. He also pointed out that the countries of the region had reached many different stages of development, but the risk of over-concentration of investment and power could be minimized if integration were so planned as to permit balanced development and a fair distribution of the benefits of the new order, which must in any case be an improvement on the existing state of affairs.

With respect to short-term integration policy, he said that Chile believed in a realistic policy, that would make use of what had already been built up, and not attempt to by-pass any necessary stages, and consequently his Government did not share the view that because it had not proved possible to implement certain parts of the Montevideo Treaty, an impasse had been reached on the road to integration. That Treaty, despite its shortcomings, aimed at more than the mere removal of customs barriers, and looked to the establishment of a Latin American Common Market. Progress could be made either through policy decisions interpreting the Treaty, or through amendments on specific points, such as the need to establish a Council or similar organ to represent the region and discuss questions with national interests.

In that connexion, he referred to the studies that ECLA proposed to carry out during the current year, in co-operation with the Inter-American Development Bank and the Inter-American Committee on the Alliance for Progress, on several important aspects of integration, with a view to providing Governments with possible solutions to problems that were blocking the way to integration.

The Government of Chile thought the best course would be for the Trade Committee to recommend, when it had concluded its discussions, that there should be a meeting at a high political level, as soon as Governments had had time to allow their experts to study the suggestions made in the studies referred to above.

In conclusion, he referred to the political decisions that would have to be made. Latin America suffered from a number of ills; no continent had been more extensively analysed, and none had proved less capable of taking the political decisions that would give practical effect to the conclusions reached on of breaking away from existing patterns. The Governments' task was to provide a better life for their peoples, but the creative energies of those peoples were still being stifled by old institutions and outworn principles.

The Government of Chile, although it did not wish to dispense with the existing integration instruments, was not satisfied with the progress achieved by the Montevideo Treaty, or by its present mode of implementation. The question was whether the countries that had signed the Treaty were prepared to take the political decisions needed to speed up the pace of integration. The Chilean Government was prepared to do so, and consequently hoped that a common course of action could be determined on. The Trade Committee discussions would relate mainly to an economic analysis, but the political aspect could not be ignored in dealing with development, which involved social change as well as economic growth. All over Latin America the people were becoming aware of a common destiny. To fulfil that destiny, risks must be taken, and the Governments must be ready to take them.

Mr. DA FONSECA (Brazil), speaking on behalf of the delegations present, expressed the hope that the results of the present discussions would benefit the Latin American nations and further strengthen the links between them. It was a happy coincidence that the session was being held at the beginning of the term of office of the new Government of Chile, whose high aims were known to be compatible with Latin America's democratic aspirations.

The Trade Committee today faced a highly important task, namely, to continue the action programme emerging from the United Nations Conference on Trade and Development and forge still firmer links between Latin America and other developing areas in their efforts towards economic and social development.

He specially commended the background document presented by the Commission. He felt he was voicing the feeling of all the delegations in stressing the importance of the present session and stating their determination to take a firm step towards economic development by means of an equitable distribution of international trade. The Latin American countries' main concern was to see the new principles established in world trade translated quickly into practical benefits and a healthy incentive to their efforts towards economic and social development. In Brazil, for example, co-operation through trade was essential, since in the Government's action programme aimed at stabilization, development and democratic reform, foreign trade constituted a prime factor in the maintenance and acceleration of economic growth. It was necessary, therefore, to appeal to the international community to implement in full the commitments undertaken at the Conference on Trade and Development.

The cause defended by the Latin American countries at Geneva had been victorious, and now was the time to see that it bore fruitful results. The final Act of the Conference should not be allowed to become the mere manifestation of good intentions, as had occurred in the case of the Havana Charter. However, conscience of the international community would not allow that to happen, as proved by its decision to set up a Trade and Development Board to continue the work of the Conference.

ECLA'S study emphasized that the work of the Trade and Development Conference focused on the adoption of principles rather than on specific decisions entailing actual commitments on the part of the industrial nations. In fact, as Mr. Prebisch himself had stated, the results of the Conference should be measured by the conceptual advances achieved rather than by immediate measures. There was no doubt that although two-thirds of the human race was represented at Geneva, observance of the Final Act hinged essentially on the political goodwill of the great industrial powers. However,

if the developing countries' aspirations were recognized to be fair and were clearly and resolutely maintained, the developed nations could not but yield to their persuasion. There was no hostility in that welding of wills, but rather a spirit of brotherhood.

The Latin American Governments considered that the implementation of the decisions adopted at Geneva and the satisfying of the developing countries' needs depended on a precise definition of responsibilities by both the developing and developed countries. What was now awaited was a statement by the latter as to how far and how soon they were prepared to fulfil the commitments assumed in the Final Act of the Conference, particularly in regard to primary commodities and manufactures. The developing countries, in turn, must now specify their requirements and urgently define responsibilities.

It was to be hoped, therefore, that a set of guiding principles would be drawn up at the present session on which Latin America could base its action at multilateral economic meetings. The ECLA study should be the subject of an exhaustive examination at the present session of the Trade Committee and it was essential that the Latin American countries should express political acceptance of the lines of action which would emerge from the present session. Thus they would have a common platform at the forthcoming session of the General Assembly, and later within the Trade and Development Board. The principal aims should be to persevere in their determination that all the principles and claims formulated in the Final Report of the meeting at Alta Gracia and in the Declaration of the Seventy-five, already recognized in the Conference recommendations, should be implemented. Thus their action would stand to benefit not only the less advanced nations, but also the cause of peace and well-being among mankind.

Mr. MAYOBRE (Executive Secretary) welcomed the delegations to the fourth session of the Trade Committee. He pointed out that since the Committee had held its last session in 1961, significant events had taken place both at the Latin American and at the world level, so that the impression created by the intervening years was one of dynamic effort in the field of economic development. The first example to be cited in that context was the movement towards inter-American co-operation in the planning of development, in the channelling of internal and external resources in
/conformity with

conformity with a policy aiming at the common good, which had been crystallized in the programme of the Alliance for Progress. Secondly, the conviction had been universally reached that foreign trade was of basic importance for the movement in question, since external financial co-operation would give but poor results if the terms on which international trade was conducted remained the same as in recent years. With the emergence of new trade groupings, especially those formed by European countries, new conditions had been created which called for study. Hence it was that the United Nations Conference on Trade and Development had been concerned with evaluating the extent to which existing trade conditions were or were not favourable to the development of those parts of the world that were not included in such groupings. Thirdly, the Latin American economic integration movement had made some headway, as could be seen from the progress achieved by the Central American Common Market and the Latin American Free-Trade Association (ALALC).

Throughout the years in question, ECLA had actively and diligently co-operated in the undertakings mentioned. As part of the preparatory work for the United Nations Conference on Trade and Development, the meetings held at Mar del Plata and at Brasilia had laid down, at the technical level, the general guidelines that were later to be followed at the Alta Gracia meeting. Thanks to that effort, the Latin American countries had been able to take up a concerted position at the world trade conference. Pursuant to the instructions of its legislative organs, ECLA had acted as a technical secretariat to the unofficial Latin American group at Geneva, and had given advisory assistance to other Governments requesting it.

Under the terms of a resolution adopted by the ECLA Committee of the Whole, the Trade Committee had met in Santiago to evaluate the results of the Geneva Conference and to formulate specific recommendations to the Latin American Governments on the policy they should pursue in the light of the results in question. It was an auspicious circumstance that attendance at the session of the Trade Committee was not confined to the Latin American countries or to those that had been represented at Geneva. It would be interesting to hear what the industrialized countries thought about the method of implementing the conclusions reached at the United Nations Conference, as well as to exchange views with the Caribbean countries, which had recently started life as independent nations and in which conditions were somewhat different on account of their trade links with other countries.

The secretariat paper entitled The United Nations Conference on Trade and Development (E/CN.12/C.1/21) set forth ECLA'S ideas with respect to the results of the Geneva Conference. It emphasized four main points:

First, as the delegation of Brazil had previously remarked, the Conference had been a success inasmuch as countries at differing stages of development, and with differing social systems, had recognized for the first time that trade was a factor of basic importance in the campaign against under-development, and that there were three ways of improving trade conditions: (a) action to increase export earnings by facilitating access to markets on favourable terms; (b) diversification of exports through the sale of semi-manufactured and manufactured goods; and (c) financing linked to trade conditions, with a view to prevention of the distortions deriving from fluctuations in the terms of trade.

Secondly, lines of action for the attainment of certain ends had been approved, although no commitments had been assumed with regard to the application of specific measures.

Thirdly, the Conference had not been content with resolutions couched in general terms, but had recommended that institutional machinery should be set up within the United Nations for the implementation of the conclusions reached.

Lastly, for the first time the under-developed countries of Africa, Asia and Latin America had joined forces in an endeavour to put their needs and aspirations before the industrialized countries in a realistic and understanding spirit.

Against that background, what was to be expected of the present session of the Trade Committee? Certainly not a mere theoretical and inconclusive evaluation of the results of the Conference on Trade and Development. The mobilization of effort which the meetings of the Committee represented would not be justifiable simply for the sake of going over the ground already covered at Geneva, where the countries concerned had expounded their problems and aspirations, and specific conclusions had been reached which mapped out a line of action. The proceedings of the Conference had marked the end of a stage, and another lay immediately ahead. The task it involved was that of putting into practice the general principles agreed upon, taking up the broken threads of the Geneva Conference and continuing to act either at the international level - through the General Assembly, the Trade and Development Board, and so on - or through bilateral channels.

The first step was to compare the commitments assumed at the Geneva Conference with the hopes and wishes of the Latin American countries, and to plan, in broad outline, what united action might be taken. Later, views would have to be exchanged on specific problems, in respect of which the resolutions of the Trade Conference could be put into effect. Among them, the following might be cited:

(a) Primary products. The preceding year had witnessed a rise in the prices of almost all primary commodities and an expansion of demand for such products which had enabled most of the Latin American countries to improve their economic situation. A study would have to be made of each of the basic commodities, since there might be prospects of a slump for some and a boom for others. That implied a decision to improve market conditions in order to prevent a recurrence of the situation that had prevailed in previous years, when the ~~terms-of-trade~~ effect had virtually paralysed the development process in some countries. Yet since the Geneva Conference, the impression had grown up that there had been a recrudescence of trends towards protectionism and self-sufficiency in industrialized countries which was not encouraging for the developing economies. The scepticism felt in that connexion could be measured by the fact that there had been talk of freezing the restrictions on imports of raw materials, when what was under discussion was not the standstill but the improvement of such exports.

(b) Diversification of exports. The Secretary-General of the United Nations had placed the study of this topic in the hands of a Special Committee. In the meanwhile, some progress might be made in relation to the access of industrial products to world markets by seeking to eliminate barriers impeding access to the markets for manufactured or semi-manufactured goods based on raw materials from the developing countries. Preferential treatment for the industrial products of the developing countries had been considered at the Conference on Trade and Development to be a point of capital importance for the diversification of exports.

/(c) Financing.

(c) Financing. In recent years, under the programme of the Alliance for Progress, a major development programming effort had been made with the financial assistance of the developed countries and of the international financial organizations. At a recent meeting of the Inter-American Committee on the Alliance for Progress consideration had been given to the problem of those countries that were heavily burdened with external debts, and the need for amortization to be rescheduled in accordance with their payment capacity had been noted. That was another field in which the Trade Committee might take action.

ECLA provided a meeting-ground for the discussion of ideas at the technical and economic levels, and decisions would have to be implemented through the new trade organization, GATT, the inter-American agencies and bilateral negotiations. The last-named procedure included negotiations not only between pairs of countries, but also between the whole of Latin America and an organization like the European Economic Community, or a particular country. Thus, for example, a short time previously, in Brussels, the EEC authorities had expressed their willingness to hold conversations with the Latin American delegations, and the European Parliament had formulated a request that contact between the industrialized countries and those at less advanced stages of development should be established on an effective basis. All available instruments should be turned to account in the waging of a co-ordinated and energetic campaign for the improvement of trade conditions. The Economic and Social Council had adopted a resolution in which it congratulated the Regional Commissions on their work in connexion with the Conference on Trade and Development and urged them to continue their co-operation and forge ahead with the task begun. The secretariat would discharge that duty with satisfaction.

The time had come to look at the reverse of the medal, i.e., the internal effort which the Latin American countries would have to make.

/The possibilities

The possibilities of exporting on the basis of preferential treatment might be only temporary, since the countries of the region could not live for ever under a system designed for developing economies. They would have to do their part by striving to set their economic affairs in order; to place their tax, monetary and investment policies on a sound footing; to improve their marketing systems; and to reorganize their production on such lines that their exports could be sold on the world market at competitive prices. This was essential from the standpoint both of economic development and of foreign trade. They could not expect international co-operation to do everything.

The boldest, most ambitious and most promising internal effort was the economic integration movement in Latin America. Although integration was not an exclusively economic question, that aspect should be recognized as fundamental. It had been shown that the countries of the region could not continue to maintain their small national markets, because the import substitution process was drawing to its end. Even the utilization of natural resources called for large consumer units and vast sums of capital. Complex industries could not be established on a competitive basis without markets of ever-increasing size. The study of economics had underlined the need for pooling effort, since the alternative was stagnation, decline, frustration and poverty.

Important steps in the direction of integration had been taken in recent years, and the document entitled Note by the secretariat on the Commission's activities in the field of economic integration (E/CN.12/C.1/22) reviewed what had been done so far with the invaluable co-operation of ALALC, the Central American Common Market, IDB and ICAP. In evaluating the progress achieved, it recognized that ALALC had been the only solution possible at the time, and had paved the way for more advanced stages of integration. ECLA was prepared to put forth its utmost efforts to provide countries with the information and analyses required as background material for those major policy decisions which the Chilean Minister for Foreign Affairs had described as indispensable in his inaugural address.

/The secretariat

The secretariat was confident that the current session of the Trade Committee would be yet another landmark on Latin America's way towards the solution of its trade and integration problems.

Mr. GARCIA INCHAUSTEGUI (Cuba) stated that his delegation had not taken part in the designation of the representative who had spoken on behalf of some delegations.

ELECTION OF OFFICERS

Mr. LOZADO (Venezuela) nominated Mr. Santa María (Chile) for the office of Chairman.

Mr. Santa María was elected Chairman by acclamation.

Mr. PINTO (Chile) explained that a Cabinet meeting that morning had prevented Mr. Santa María from attending the opening meeting of the Trade Committee.

At the request of the Executive Secretary, Mr. Pinto took the Chair in the absence of Mr. Santa María.

Mr. DA FONSECA (Brazil) nominated Mr. Seoane (Peru) for the office of First Vice-Chairman.

Mr. Seoane was elected First Vice-Chairman by acclamation.

Mr. BECERRA (Argentina) nominated Mr. Secaira (Guatemala) for the office of Second Vice-Chairman.

Mr. Secaira was elected Second Vice-Chairman by acclamation.

Mr. PIÑERA (Chile) nominated Mr. Lozada (Venezuela) for the office of Rapporteur.

Mr. Lozada was elected Rapporteur by acclamation.

ADOPTION OF THE AGENDA

The CHAIRMAN invited the Committee to consider the provisional agenda (E/CN.12/C.1/20).

The provisional agenda was adopted.

The meeting rose at 12.35 p.m.