UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

GENERAL

E/CN.12/C.1/SR.21
1 December 1964

ENGLISH
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA

Trade Committee
Fourth Session
Santiago, Chile, 9 to 13 November 1964

SUMMARY RECORD OF THE TWENTY-FIRST MEETING

Held at ECLA Headquarters, Santiago, Chile, on
Monday, 9 November 1964, at 3.15 p.m.

CONTENTS:

Statement by the Chairman

United Nations Conference on Trade and Development

(a) Evaluation of the results of the Conference

PRESENT:

Chairman:	Mr. SANTA MARIA	(Chile)
Rapporteur:	Mr. LOZADA	Venezuela
Members:	Mr. BECERRA	Argentina
	Mr. DA FONSECA	Brazil
	Mr. SUMMERS	Canada
	Mr. PINTO	Chile
	Mr. MADRIÑAN	Colombia
	Mr. GARCIA INCHAUSTEGUI	Cuba
	Mr. MARTINEZ MORAZA	Dominican Republic
	Mr. YEROVI	Ecuador
	Mr. BRUNEAU	France
	Mr. MOLINA	Honduras
	Mr. HENRIQUEZ	Kingdom of the Netherlands
	Mr. APODACA	Mexico
	Mr. JIMENEZ BARRETO	Paraguay
	Mr. REY	Peru
	Mr. FORD	Trinidad and Tobago
	Mr. KENNEDY	United Kingdom of Great Britain and Northern Ireland
	Mr. WEINTRAUB	United States of America
	Mr. AGUIRRE	Uruguay

ALSO PRESENT:

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

/Representatives of

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:	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. VALDES	Secretary of the Commission
	Mr. MENDEZ	Secretary of the Trade Committee

STATEMENT BY THE CHAIRMAN

The CHAIRMAN thanked the Committee for having elected him Chairman of the fourth session of the Trade Committee, and regretted that he had been unable to attend the previous meeting owing to unavoidable duties in connexion with his position as Minister for Economic Affairs, Development and Reconstruction of Chile.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

(a) EVALUATION OF THE RESULTS OF THE CONFERENCE

Mr. PREBISCH (Secretary-General of the United Nations Conference on Trade and Development) referred to the comments on the significance of the United Nations Conference on Trade and Development, of which he had been Secretary-General, formulated in the report that he had presented to the Secretary-General of the United Nations at the close of the Conference.[1/] While ratifying those general expressions of opinion, he wished to take the opportunity afforded by the session of the Trade Committee to add something further, from the Latin American standpoint.

In evaluating the results of the Conference, some regarded it as a happy event full of promise for the future, whereas others saw in it the frustration of the effort made by the developing countries to improve their situation. The speaker was inclined to share the more optimistic view, for he realized that the Geneva Conference had ushered in a decisive phase, and that although there was much to be done before results could materialize, it had at any rate made the world aware of the urgent need to solve the serious problems confronting the peripheral countries; and the creation of such international awareness was an indispensable requisite. Nor was that the Conference's sole achievement. Some apprehension had been felt lest it might turn into a political hurly-burly. But such forebodings had proved unfounded. The developing countries had understood that the Conference gave them their chance to put forward their economic problems, and that the introduction of other questions would only cause confusion. They had thus adopted a laudably mature and impartial attitude, and had succeeded in establishing common denominators which otherwise would have been out of reach.

1/ See Information document No. 1.

/Nor would

Nor would it be fair to overlook the valuable contribution made by the Regional Economic Commissions to the results achieved, for in the course of many years' activity they had not only worked out technical approaches to the problems under discussion, but - perhaps more important still - had elucidated them sufficiently to make their strictly economic aspects common knowledge.

That clear consciousness of the stituation had already been displayed in relation to exports of primary commodities, a field in which the General Agreement on Tariffs and Trade (GATT) had made considerable progress in the way of general recommendations. In order to advance still farther, it would be necessary to broach the question of specific products, which could be done through the Trade and Development Board and its committee on commodities, with the valuable co-operation of the United Nations Food and Agriculture Organization (FAO).

It was also of basic importance for the developing countries to expand their industrial exports. Energetic steps could be taken towards the definitive establishment of a policy of preferential treatment, such as had been proposed by the countries concerned. Undeniable significance attached to statements like those made by the United Kingdom, which had announced its intention of according the same preferences to the developing countries as to the members of the Commonwealth; by Belgium, which had put forward a programme of selective preferences; and by Denmark and other countries, which had offered concessions on similar lines. Although the adoption of a general preferential régime in favour of industrial exports from the developing countries had not been secured, the attitude taken up by the above-mentioned countries unquestionably implied that the system of preferences confined to particular areas had been undermined, and that a trend towards the wider extension of preferential treatment was developing. It was also highly satisfactory that the countries benefiting by regional preferences had expressed their willingness to waive them in return for certain compensations.

/In the

In the field of financing, the Geneva Conference could be said to have established specific formulas of major importance. Among them was the recommendation that 1 per cent of the net national income of the industrialized countries should be earmarked for facilitating the foreign trade transfers of the developing countries, one of whose long-standing aspirations would thus be fulfilled. It had also been recognized for the first time, although implicitly, that exports were declining for a number of reasons, the most important of which was the deterioration of the terms of trade. Thus the developing countries would be in a position to obtain compensatory financing for their development plans. As a result of the positions taken up at Geneva, the International Bank for Reconstruction and Development, which was responsible for studying the situation referred to, seemed more inclined to seek specific solutions that would benefit the developing countries.

Another avenue that had been opened up by virtue of the Conference was the expansion of trade between the socialist countries (or centrally-planned economies) and the tiers monde constituted by the developing countries, in the light of a more realistic criterion than had so far been adopted. Such an expansion would undoubtedly afford opportunities that would be to the reciprocal advantage of both parties. It had not yet been possible to do away with the bilateralism of the socialist countries, but increased trade with them was an indispensable pre-requisite for the establishment of a multilateral system.

The mere formulation of such ideas would in itself have given rise to further and unwarrantable delays, if adequate institutional machinery, capable of turning them into realities, had not also been set up. Hence the importance that should be attributed to the pertinent resolutions adopted, which were only awaiting ratification by the General Assembly of the United Nations. Under their terms, the Conference on Trade and Development would meet every three years, the Trade and Development Board would do so yearly, and a permanent secretariat, with high technical qualifications, would prepare the necessary studies and negotiations.

/The institutional

The institutional structure that was indispensable if the beginnings made at Geneva were to be carried to a successful conclusion would thus be provided.

It was necessary that the proposed machinery should include a conciliation procedure that would facilitate the establishment of voting systems and the effective implementation of decisions. The Special Committee that had been appointed by the Secretary-General of the United Nations to study this particular point and propound solutions, had already submitted a report drafted in complete unanimity, which augured well for the success of its proposals. The essence of the conciliation procedure consisted in the suspension of voting, at the proposal of 10 per cent of the members of the Trade and Development Board, on matters of such vital importance that it was essential to ensure a consensus of opinion. Such a procedure would allow for a gestation period during which the desired agreement could be reached. It would undoubtedly be efficacious in trade relations, and might prove to be of far-reaching importance.

In the opinion of the speaker, once the Trade and Development Board and its committees had been set up, the burning question that would claim attention at the first meetings of industrialized and developing countries would be the trade gap sundering the two groups. The concept of the trade gap, far from being purely theoretical, had great pragmatic validity. If the gap could be accurately measured and demarcated, the demands of the developing countries would have been ascertained and their requirements specified in concrete terms. To that end, it was essential not to be satisfied with quoting over-all figures, but to give precise data for countries or groups of countries. Setting aside generalizations, it was a matter of urgency to quantify, on definite and realistic bases, the existing relations between the economic factors that determined levels of development, a field in which the Economic Commission for Latin America had fortunately made considerable headway.

In connexion with the claims of the developing countries, a criticism had repeatedly been expressed which had some foundation in reality. It related to the failure of the countries in question to adopt internal

measures, structural reforms of a social character, to speed up the rate of their own development - a subject on which the Executive Secretary of ECLA had made a very sound comment at the preceding meeting. Admittedly, the more the foreign trade of the developing countries languished, the more difficult would they find it to introduce structural reforms. Hence the need for international co-operation in the concurrent adoption of measures designed to improve trade conditions and at the same time to promote such reforms. It was regrettable, however, that Latin America was being so slow to accept ideas favourable to the introduction of internal reforms conducive to the region's own development. Its sluggishness in that respect was in marked contrast to the vigour and vehemence with which the Latin American countries urged their claims in relation to foreign trade.

The speaker himself had been mistakenly regarded as an opponent of private enterprise because he had advocated the establishment of economic development targets. Nothing could be more untrue. The setting-up of targets, the establishment of clearly-defined objectives, in view of the developing countries' chronic trade deficit, was perfectly compatible with private enterprise.

Whatever was achieved as a result of the United Nations Conference on Trade and Development would be based essentially on the activities of the Regional Economic Commission, FAO and other existing international organizations. Co-operation among them was therefore essential, so that they could deal jointly with analogous problems.

In conclusion, the speaker announed that the Under-Secretary of the United Nations for Economic and Social Affairs had invited him to a forthcoming meeting of the Executive Secretaries of the Regional Economic Commissions, convened for the purposes of joint study of trade and development problems in the fields of organization, relations and operation. An effort would have to be made, firstly, to reduce the number of meetings held by all these agencies, and, secondly, by clearing away minutiae and seeking common ground within the Regional Economic Commissions or their trade committees, to present the situations affecting the various countries at the regional level. Only thus would it be possible to simplify the task that lay ahead of the new agencies for the regulation of world trade, and to reconcile the interests of different groups of countries. On those lines, much could be expected of the experience of ECLA and its Trade Committee, to which the region was indebted for many undertakings of vital importance.

Mr. Hernan SANTA CRUZ (Food and Agriculture Organization of the United Nations) recalled the long and fruitful co-operation of ECLA and FAO in the field of agricultural development, of which a thriving offshoot was the current study on trade in basic agricultural commodities - a subject which had been one of FAO's primary concerns ever since its establishment, and on which valuable analyses had been prepared by that agency's Committee on Commodity Problems and by its Commodities Division. With the same object in view, FAO had presented to the United Nations Conference on Trade and Development documents reviewing the world trade situation in relation to agricultural, forest and fisheries products, and sketching solutions.

Despite the encouraging results of the Conference, it looked as though there would be great difficulty in reaching concrete agreements on agricultural commodities over the short term. Recent agricultural production data were disheartening, since the growth they indicated fell short of the increase in the population; per capita agricultural production, while it had increased nowhere, in Latin America was contracting by 1 or 2 per cent yearly. In addition, the rise in agricultural prices had been of short duration, and there was the competition from synthetic products to be reckoned with. Hence it was essential to tackle trade and production problems as inseparable aspects of economic development.

In the words of the Director-General of FAO, perhaps one of the most important tasks of that agency was to give assistance to developing countries that were trying to bring their agricultural production and diversification plans into line with commodity agreements and with regional and world economic development; that was a field in which studies, programmes, consultation, and analyses of every sort might facilitate the Special Fund's investment in the agricultural sector, lead to an expansion of the agricultural loans granted by the International Bank for Reconstruction and Development, and provide guidelines for bilateral aid to developing countries. A valuable basis for such work would be the world agricultural programme that the Director-General of FAO would present to the next World Food Congress.

/The programme

The programme in question, like other FAO studies, might stimulate the planning of regional agricultural development and the integration advocated, irrespective of political frontiers. The progress achieved by the Conference in respect of basic commodities was only a beginning. The developing countries in general, and Latin America in particular, should take the necessary steps to eliminate the obstacles that still subsisted, with a clear perception of the ends pursued and on a basis of united thought and action. As always, FAO would co-operate with the developing countries in the quest for more equitable trade conditions; for example, plans were afoot for strengthening the Joint ECLA/FAO Agriculture Division and the relevant services at the Rome Headquarters, and equipping them to shoulder the increasing responsibilities deriving from FAO's co-operation with the new international trade agencies.

Mr. PINTO (Chile), enlarging on the statement made by the Minister for Foreign Affairs of Chile at the previous meeting, said that the action taken by the developing areas of the world, particularly Latin America, at the United Nations Conference on Trade and Development had been concerted, realistic and completely non-belligerent. Their united action has been a response to the new dimensions assumed by economic processes where major groupings of developed countries appeared as socio-political structures and economies were treated on a regional basis, in a world where "political areas" were giving way to "economic areas" in a transformation which also involved social change. Thus Latin America's joint action as a regional grouping and its accelerated integration had become an imperative need. The Conference had adopted a set of principles aimed at providing a structure of world trade long advocated by the developing countries. They included the need to organize international trade on co-operative lines; recognition of non-reciprocal preferences in favour of the developing nations; the pressing necessity for the industrial countries to encourage imports of semi-manufactures and primary products for industrial uses from the developing countries; the need for the more advanced nations to overhaul their trade policy; differentiation between investment for development and investment to promote the

exports of industrial countries; the rescheduling of payment systems in respect of external debt servicing by the weaker economies; recognition of certain principles favouring the developing countries' trade in invisibles; the expediency of regional integration; compensatory financing to offset losses due to the deterioration of the terms of trade; and recognition that development was also a responsibility of the international community. Alluding to the establishment of the Trade and Development Board, he pointed out that concurrently with the positive results achieved in that connexion, the Geneva Conference presented certain shortcomings which would have to be considered. The recommendations on commodities were ambiguous and the time-limits set for the removal of obstacles to world trade had been considerably lengthened. The remedying of those defects should be Latin America's most pressing duty, and could perhaps be initiated at the forthcoming session of the General Assembly. Another urgent task was the preparation of a list of the products "of particular interest to the developing countries". The Conference had given unsatisfactory answers to the question of abolishing tariff, tax and quantitative barriers which prevented the developing countries' manufactures and semi-manufactures from giving access to markets; and the results in regard to transport had been disheartening.

The line of action followed now by the Latin American countries would influence the results of the Conference as much as, or even more than, the action taken by the developed countries. In the first place, Latin America should continue its concerted and co-ordinated action at the United Nations General Assembly, in the Trade and Development Board and within its own area, through every institutional means available, to see that the resolutions adopted by the Conference were put into effect. To that end, it should not underestimate the usefulness of meetings at the technical and political level, as demonstrated at Brasilia and Alta Gracia, or of periodical meetings to co-ordinate and evaluate government action in the Trade and Development Board. Secondly, the Latin American countries should enforce internal measures to promote both national and regional development, introducing the structural changes necessary if a real improvement was to be achieved. That improvement demanded that internal efforts and external co-operation should be at once simultaneous and co-ordinated, and that the latter should not take the form of a donation which might or might not be forthcoming since that would preclude any attempt at programming, but should rather be a decision deliberately taken by the developed nations to offset the present regressive factors of international trade.

/The Geneva

The Geneva Conference had been the first step in an auspicious process whose duration would depend on the foresight of the industrial nations and on the efforts of the developing countries to bring about internal changes. In the face of that arduous task, he recalled Robert Schumann's words to the effect that peace could not be safeguarded unless creative efforts were made in proportion to the dangers threatening it.

Mr. GARCIA INCHAUSTEGUI (Cuba) criticized the United Nations Conference on Trade and Development. While recognizing the value of the action taken by the developing countries at the Geneva Conference, he considered that they could have been more united in their stand. On the other hand, all the aspirations of the developing countries had been given careful consideration by the socialist countries, which showed that there was no real dichotomy between the developed and developing countries.

He then proceeded to analyse the results of the Conference in the order of the work of the various committees. Committee I had adopted a draft resolution recommending measures to be taken by the developed countries for the removal of obstacles to commodity trade at latest by 31 December 1965. He deplored the fact that the final resolution had been confined to recommending that maximum progress be achieved by that date. The recommendation of Committee II designed to promote the industrial development of the developing countries by the granting of preferences on the basis of non-reciprocity had also been weakened.

In his view, only very general recommendations of little practical value had emerged from Committee III. However, a point that might be mentioned was the fact that the International Bank for Reconstruction and Development had been invited to submit to the United Nations its studies on the settlement of investment disputes. He drew attention to the fact that in September the Bank had adopted a plan, with the dissenting vote of the Latin American countries, for establishing a system of arbitration in that field. He considered that such a decision constituted a threat to the sovereignty of the developing countries which were members of the World Bank.

/With reference

With reference to the setting up of the Trade and Development Board which the Conference had approved on more limited lines than those advocated by the original recommendation of Committee IV, the speaker thought that at the forthcoming session of the United Nations General Assembly the developing countries ought to endeavour to see that the Board was made universal in character. Such a measure was particularly necessary, since in his opinion the existing agencies were inoperative. He had the same criticism to make of the negotiations in the Kennedy Round, of the Committee on the Legal and Institutional Framework of the GATT in Relation to the Less Developed Countries and of the preparation of the draft section on trade and development.

Recalling that the statement of general and special principles made by the Conference was to form part of the Charter of the new Trade and Development Board, he criticized the position taken by the United States with respect to those principles. That country's delegation had voted against many of the principles which had been supported by a large number of other countries; a case in point was General Principle One, in accordance with which economic relations between countries, including trade relations, shall be based on respect for the principle of sovereign equality of States, self-determination of peoples, and non-interference in the internal affairs of other countries.

He asked what real prospects had been opened up by the Conference; it seemed to him that the over-all situation with respect to Latin American trade had since deteriorated. In support of his assertion he pointed out that the United States had adopted measures that were prejudicial to the countries producing sugar, meat, coffee and tin, and that it had imposed a policy of trade boycott against Cuba. He considered that Latin America would be able to promote its trade and development only through a policy of solidarity with the developing world and of co-operation with the socialist countries. When Cuba had established trade relations with the socialist countries, the prospects of expanding its sugar production, formerly restricted by the needs of its traditional markets, had improved.

/He observed

He observed that useful experience had been gained at the Conference, and that the agreements reached by the various committees had been more satisfactory from the standpoint of Latin America's interests than the final recommendations adopted at the plenary meeting. The Latin American countries, invoking their sovereign right to trade, should take practical measures to enforce existing agreements and to promote any action likely to encourage trade relations with the socialist countries.

The speaker went on to level some criticism at the document United Nations Conference on Trade and Development - Analysis of the results and prospects for Latin America (E/CN.12/C.1/21). He quoted certain statements which he regarded as inaccurate: "It was the Charter of Alta Gracia, agreed upon on that occasion, which was to determine the attitude of Latin America at the Geneva Conference"; "Latin America was in a position to take part in the Geneva Conference as a single region, with common principles and a collective determination to defend them and, as far as possible, secure their adoption"; and "the Latin American group worked in unbroken contact, at the level both of heads of delegations and of each of the committees set up at the Conference". The Charter of Alta Gracia had not determined the attitude of Latin America, nor had Latin America taken part in the Conference as a single region, and neither had the Latin American group worked in unbroken contact. Indeed, that should have been the case among countries members of the United Nations, at a United Nations Conference whose Charter established in its preamble as one of the aims of its Member States "to practice tolerance". Such an attitude had only served to weaken Latin America's position vis-à-vis the other groups of developing countries and all the nations participating in the Conference.

Moreover, the document concerned failed to distinguish between the attitude of the developed market-economy countries and that of the centrally-planned-economy countries. It constantly referred to the position of the industrial countries as a whole, without pointing up the broad compatibility of views between the socialist and developing countries on most of the issues before the Conference.

/He then

He then referred to the Meeting of Foreign Ministers held recently at Washington, which had recommended the severance of diplomatic relations with Cuba. That decision, which was patently illegal, violated all the principles of international law and also the decisions of the Geneva Conference. On the other hand, the Second Meeting of Unaligned Nations held recently at Cairo, had agreed to request that the trade and economic blockade of Cuba be lifted.

Mr. DA FONSECA (Brazil) suggested that, once the general discussion was over, the topics proposed in the main document presented by the secretariat should be examined on the basis of practical proposals.

The meeting rose at 5.50 p.m.