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*President* : Mr. J. MICHALOWSKI (Poland).

*Present* :

Representatives of the following States: Australia, Brazil, Colombia, Denmark, Ethiopia, France, India, Italy, Japan, Jordan, Poland, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Observers for the following Member States: Argentina, Belgium, Bulgaria, Canada, Central African Republic, Cuba, Czechoslovakia, Hungary, Iraq, Mali, Netherlands, New Zealand, Norway, Romania, Tunisia, Venezuela.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Republic of Korea, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, World Meteorological Organization.

## AGENDA ITEM 2

World economic trends (E/3624 and Add.1-6, E/3628, E/3629, E/3631 and Add.1-3, E/3635, E/3652, E/3659 and Add.1 and 2, E/3661, E/3668; E/ECE/452)

GENERAL DEBATE (*continued*)

1. Mr. HUSSEINI (Jordan) said that the aim of economic development was the attainment of higher standards of living for all. The governments of all the developing countries attached prime importance to the expansion of industrial development. But economic development implied a balance between industry and agriculture, and industrial development in the developing countries must be influenced by factors such as the extent of their natural resources and the role of foreign trade in their economies. Many of the developing countries would continue to depend for several years on primary commodities as their major export items. In most of the Middle Eastern countries, large allocations had been made for irrigation and land reclamation projects, while legislative measures had been taken to redistribute the land, set up agricultural co-operatives, improve marketing

conditions and stabilize agricultural prices. Industrialization undoubtedly had a big part in the economic development of the developing countries, but diversification of the industrial structure was also necessary. Moreover, since labour was relatively plentiful and capital relatively scarce, the development of labour-intensive consumer-goods industries was likely to prove most advantageous.

2. The spread of import-substituting industries could release foreign exchange for imports of capital goods. The replacement of imports of consumer or intermediate goods in countries on the threshold of industrial development would have a direct impact on industrial growth and the supply of capital equipment. Countries in the early stages of development should therefore concentrate on the light industries, where their human and natural resources could best be applied and which afforded immediate market possibilities. Government action through direct participation in the establishment of new industries had stimulated industrial growth in many of the developing countries, but the main emphasis had been on private industrial investment.

3. Industrialization in those countries needed external assistance in the interim period, including the temporary services of foreign experts, who should train their local counterparts and enable them to assume full responsibility as soon as they had achieved the necessary degree of technical skill; programmes of advanced training in the industrial countries should take account of the need to ensure an adequate supply of local experts. The industrial countries would have to bear in mind the needs of the developing countries when determining their trade policies, and when making any internal adjustments to cope with the disruptive impact on certain sections of their own economies of increased imports from developing countries; such adjustments should take the place of trade barriers. In November 1958, GATT had undertaken a co-ordinated programme for the expansion of international trade, with three features: tariff reductions, trade in agricultural products and the trade problems of the less developed countries. In country economic planning for industrial growth, the resources pattern of the country and its economic, social and political institutions must be taken into consideration. Before economic planning could be undertaken, it was necessary to accumulate data about the state of the economy. In the current five-year development programme in Jordan, the highest priority had been given to the expansion of gross domestic output, with a view to reducing unemployment and dependence upon foreign aid. Income originating from mining and manufacturing enterprises had increased by 80 per cent between 1954 and 1960; income originating from construction had trebled and that from transport had doubled; income originating

from wholesale and retail trade had increased by 74 per cent.

4. Although substantial progress in development had been made during the past ten years, a number of problems still remained. It had become increasingly apparent that the attainment of an optimum rate of economic growth must be based upon a comprehensive development plan. He hoped that the five-year programme would result in an increase of 60 per cent in gross national product, a 21 per cent increase in employment and a 5 per cent increase in productivity. Since 1957, industrial development in the Middle East as a whole had continued to expand. The rate of growth had varied with the degree of public participation, the availability of raw materials and the ability to finance investment needs; it had been influenced by the desire for diversification in an endeavour to stabilize fluctuations in national income resulting from excessive reliance upon agriculture.

5. Mr. VALLADÃO (Brazil) said that, whereas in the early days of the United Nations, when the membership had been fifty-one States, the major problems had been those of post-war reconstruction and economic recovery, the organization had since become virtually universal, and for two-thirds of its members the principal problem was that of economic development.

6. The gap separating the less developed countries from the rest was wider than ever. The technological revolution had accelerated the economic growth of the highly developed countries to such an extent that there was no assurance that they could be overtaken. When industrialization had first pointed the way to the attainment of self-sustaining economic growth and the possibility of rising above the general level of poverty, there had been greater opportunity for growth without mutually restrictive competition or interference than was the case in modern times. The field had been large, and vested interests had not yet created a complex system for the maintenance of a traditional set pattern for the distribution of the riches of the earth.

7. The attainment of self-sustaining cumulative growth and higher limits of per caput income seemed to have become increasingly distant for the developing countries. On the one hand, in consequence of internal factors such as the almost uncontrollable rise in population, a national income growing at only a modest rate had to be shared among greatly increased numbers of citizens. Through new media of information, the population became aware of the rewards of development and learned habits of consumption which, though quite natural for highly developed countries, were luxuries that the less developed countries could not afford. In democratically organized States, such people could easily make effective their wish for consumption rather than accumulation, for sharing in any increase in the national income, in preference to suffering a restriction to bare necessities for the sake of a high investment rate. On the other hand, there were the external obstacles faced by countries which had chosen the uphill road to development in preference to stagnation in the secondary position assigned to them in a relatively crystallized world economic structure.

8. In his own country, where the classical theory that the free and natural interaction of economic forces would

infallibly result in natural and balanced growth and economic justice had formerly been universally accepted, it had been discovered in the course of the twentieth century that Brazil was being left behind among the under-developed countries. The free play of economic forces had resulted in the failure of his country's first attempts at industrialization. Brazil had become little more than a supplier of primary commodities which could not be produced by the industrialized countries or their dependent territories. In 130 years, the per caput product in Brazil had merely doubled; average annual cumulative growth had been only 0.57 per cent, while the average rate of increase in the domestic product had been 2.59 per cent, of which 2 per cent was accounted for by the increase in population. True, there had been phases of intensive growth, but they had been followed by periods of stagnation. During the previous twenty years, the average rate of increase in the domestic product had been 4.65 per cent — less than the target set for the Development Decade; meanwhile, the annual rate of growth of the population had recently reached a record level of 3.5 per cent.

9. From the evidence it was clear that by reason of its role in the world economy, a situation that was definitely unfavourable to Brazil was bound to be perpetuated; it was also clear that the already affluent countries were advancing faster and that the relative position of the non-associated primary suppliers was worsening. Brazil had therefore concluded that economic development meant obtaining access to an exclusive club that made the rules with a view to the preservation of the comparative advantages its members already enjoyed. It was for that reason that his delegation welcomed the statement recently made by the United States representative about the need for action to change such patterns with a view to bettering the position of the developing countries.

10. In the course of an excellent review of industrial development in the under-developed countries, it was stated towards the end of the first section of chapter I — The Dimensions of Recent Industrial Expansion — of the *World Economic Survey, 1961* (E/3624/Add.1), that industrial expansion had been one of the principal factors contributing to the over-all economic growth in most under-developed countries in recent years. In his delegation's opinion, that fact could not be over-emphasized. At the same time, however, the *Survey* pointed out that the volume of exports from the under-developed countries had expanded at less than three-fifths of the rate at which exports from the industrial countries had increased; and that, since the under-developed countries had also experienced a deterioration in their terms of trade, the purchasing power of their exports had advanced between 1950/51 and 1959/60 at only 2.2 per cent per annum.

11. There had of course been considerable industrial expansion among nations exporting primary products; his own country was one of those where progress in that respect had been most remarkable. Its experience had shown, however, that import substitution was difficult to achieve when economic growth had attained an accelerated pace: the faster the economic growth, the more it depended on imported equipment and inputs. In Brazil, imports of consumer goods had been almost entirely replaced

by domestic production, but as a consequence his country's development programme was exposed to fluctuations in the value of its exports, the earnings from which directly affected imports of necessary capital goods.

12. Since the reduction of imports — a difficult process — might retard economic development, there was no other way to quick growth than the expansion of exports; the alternative was stagnation and the impossibility of providing full employment and a rising standard of living for the growing population. Brazil's target for minimum growth called for a rate of increase in the domestic product that would attain 7.5 per cent per annum in 1965 and would be sustained at that level until 1980, by which time the level of per caput product would reach about \$468.

13. Even that modest objective meant that exports would have to reach 98 per cent of their 1961 level by 1965 and 340 per cent of that level in 1970. The achievement of those aims depended very much on international co-operation and comprehension of the problems involved.

14. As yet, the many obstacles such as tariff walls, internal revenue taxes artificially limiting the demand for the products exported by less developed countries, quantitative restrictions and state trading were hampering the expansion of the trade of the developing countries. It was surely strange that the industrialized countries, through protectionist agricultural policies and artificial arrangements, should be competing at home and abroad with less developed countries in the production of commodities which the latter could produce more efficiently. An instance of that was sugar, which the less developed countries were finding it increasingly difficult to market in Europe. The results of such policies were bound to be a continuing accumulation of agricultural commodity surpluses on the one hand and a continuing food deficit on the other. Moreover, the industrial countries derived a considerable part of their budgetary income from excise duties on imported tropical products, thereby limiting the import capacity of their own citizens. And lastly, certain tariffs discriminated disproportionately between processed products and raw materials and constituted a typical example of the unfair measures intended to keep developing countries for ever in the position of mere suppliers of primary products.

15. The adverse result of those policies on other countries was recognized in the *Economic Survey of Europe in 1961* (E/ECE/452). In that connexion, his delegation would suggest that ECE should include in its future *Surveys* a section analysing financial assistance to under-developed countries during the period covered and the progress of trade liberalization measures with regard to those countries.

16. From the point of view of international trade, the most significant modern trend was that towards the formation of regional groupings, to one of which, the Latin American Free Trade Area, his own country belonged.

17. The goal of world trade liberalization should be equal opportunity for development. That objective was being frustrated by some of the measures leading towards the creation of new exclusive trade channels and regional groupings that were bound to have a harmful effect on the trade of many developing countries through the exten-

sion of discriminating preferential arrangements, the alteration of trade patterns and a threat of exclusion from traditional markets vitally necessary to those countries.

18. Countries such as Brazil could only protest against such measures after they had materialized, and then it was too late. Accordingly, his government wished once again to stress that the time had come to hold an international conference for the open discussion of all problems of world trade, with particular emphasis on the relationship of trade to economic development. The response to the suggestion that such a conference should be held clearly showed the overwhelming support that it enjoyed, particularly among those countries dependent on international trade for development.

19. He had just learned that, at the Cairo Conference on the Problems of Economic Development, the thirty-six participating nations had fully endorsed the idea of holding an international trade conference in 1963, with an agenda covering all problems of interest to international trade.

20. He also referred to the hopes his country placed in the United Nations Coffee Conference, being held in New York, for coffee was a commodity which was receiving very bad treatment in some markets. Internal taxation in some countries placed a heavy burden on coffee sales, and he hoped that the New York conference would deal with that aspect of the problem.

21. Remarkable work had been done by GATT, and progress had been achieved in many sectors; nevertheless, within the existing rules elasticity of operation had its limits, and could not be carried too far. A new approach was needed to solve problems of economic development through international trade and co-operation. However efficiently such problems were dealt with by GATT and various other bodies or study groups, it was necessary to review the situation as a whole. Some important aspects of international trade were dealt with by several different bodies, with the result that there was wasteful duplication and dispersal of effort. Moreover, an open discussion of other no less important aspects, such as the impact on trade of freight policies, had so far not been permitted. The rules of international trade should be overhauled and adapted to the principles recognized in General Assembly resolution 1710 (XVI) concerning the Development Decade. It was not sufficient to pay lip service to such principles; they should become a reality. His delegation was convinced that an international trade conference could formulate appropriate solutions, both for the short and for the long term.

22. Mr. MELLER-CONRAD (Poland), after briefly reviewing the historical circumstances accounting for the gap between the economic level of industrialized capitalist countries and that of developing countries, said it was difficult to escape the conclusion that the constant widening of the gap was the cause of the social and political tensions in the modern world. In that respect he shared the apprehensions of the Indian representative; there was no objective reason why that state of affairs should continue. However, it should be noted that over the past ten years, even though the national income of the industrialized capitalist countries had not increased at a faster

rate than that of the developing countries, the increase in per caput income in the two groups of countries had been 2.7 and 2.1 per cent respectively. Extrapolation of those rates for the period between 1970 and 1975 indicated that the difference between their economic levels would continue to increase both in absolute and in relative terms.

23. Another phenomenon reflected in the *World Economic Survey, 1961*, was the change produced in world economic trends by the advent of the socialist countries, which had themselves come into being as a result of the growing divergence between economic levels. In contrast with the capitalist countries and the under-developed countries, the socialist countries had achieved a rate of growth of between 5 and 9 per cent over the past ten years, and their development plans called for the continuance of the same rate of expansion up to 1980. Yet, when they had begun their development, they had been in a situation very similar to that of most of the developing countries at the moment, so that the latter might well benefit from the experience of the socialist countries.

24. In that connexion, he was gratified to note that the value of planning, which had so largely contributed to the development of the socialist countries, had gained general recognition. His delegation, which would support any proposal designed to expand United Nations activities in that field, nevertheless wished to utter a word of caution against the tendency to overestimate the importance of planning techniques: no technique could produce positive results in the absence of a general development strategy designed to create conditions for effective planning. In the socialist countries, that development strategy was based primarily on the full utilization of all domestic resources, and particularly production capacity and manpower, to speed up economic development.

25. Another problem which should be considered was that of full employment. As the report on activities in relation to full employment objectives (E/3659 and Add.1 and 2) indicated, the socialist countries, which, like the developing countries at the moment, had not had sufficient capital at the outset to provide work for the available labour force, had nevertheless succeeded in expanding employment considerably throughout the period of their economic development. In Poland, employment in industry had risen from 850,000 before the war to more than 3,000,000 in 1960. In that connexion, all the figures concerning employment in Polish agriculture cited by the Secretariat were too high; in reality, the proportion of the total population engaged in agriculture had dropped from 60 per cent before the war to 38 per cent in 1960. Poland had based its efforts to solve the problem of employment on two premises: man's right to work and the utilization of all available manpower resources to speed up economic development. The ideological principle and the economic objective were equally important, and Poland's experience had proved their interdependence. It could be concluded from that experience that methods and measures to promote employment played an essential part in the process of economic development. It was regrettable that the report in question did not pay sufficient attention to that aspect of the

question, particularly since there was a rather paradoxical situation in many developing countries which was usually typical of countries with adequate capital equipment; it was characterized by the under-utilization of the productive capacity of industry and widespread unemployment.

26. The *World Economic Survey* rightly stressed the importance of industrial development for the general economic progress of the developing countries. Poland was glad to note that the policy of industrialization, which it had chosen on drawing up its first development plan and which had been criticized at that time, was now being recommended. It was not enough, however, to realize that industrial development was necessary; that development had to be directed. That was what Poland had done, as it had realized that the primary function of industrial development should be to create conditions which would make the national economy self-sufficient. One of the problems it had had to face in that field was the training of specialists. To solve that problem, it had not hesitated, while pressing forward with its programme of higher education, to apply a policy of over-employment in the industrial sector; industrial establishments had become virtual training centres with a view to the further development of industry.

27. He was convinced that the practical experience acquired by the socialist countries could be of considerable assistance to the countries in the course of development, and that it was only ideological and political considerations which had prevented more frequent reference to that experience. The United Nations had an obvious role to play in that field, in which there had recently been definite — through still insufficient — progress.

28. In the past, international economic relations had been so organized that some countries were favoured over others. That trend should be halted, and for that purpose collective action was necessary. That action should be based on knowledge both of past events and of future prospects. His delegation would therefore support the proposal for the establishment of a United Nations programming centre, and on the whole it approved the report prepared on that subject by a group of experts (E/3668). It wished to point out, however, that the centre should not merely study conditions affecting the current development of the under-developed countries, but should forecast their possible development up to 1970 or 1975.

29. Those projections would be one of the main elements of the documentary material laid before the proposed international trade conference. His delegation gave its unqualified support to the proposal for convening such a conference and would be happy to co-sponsor the draft resolution to that effect (E/L.958) submitted under agenda item 4. To be successful, however, the conference should be prepared with care. For example, it should be preceded by a study of the development of the under-developed countries and their relations with other regions. Similarly, the appointment of a group of experts to consider the work done in the past and possibly to propose other work in the field of commodity trade — a proposal which Poland had supported at the 316th meeting of the Economic Committee — would be meaningless unless the studies of the experts formed part of the

preparatory work for the conference. Despite the volume of preparatory work to be done, however, it should in no case be used as a pretext for postponing the date of the conference.

30. Mr. KAKITSUBO (Japan) said that, according to the *World Economic Survey, 1961*, world production in that year had increased, but not greatly. Towards the end of March, North America had begun to recover from its recession, but the rate of recovery had slowed down later. In western Europe, the rate of increase in economic activity had been considerably lower than in the previous year and, though production was expected to be substantially greater in 1962, earlier and more optimistic estimates had been revised downwards. Exports of primary producing countries had risen only moderately, and the average prices of primary commodities had declined further by 3 per cent. Their export earnings in 1962 were not expected to rise very much. Total output had continued to increase in the centrally planned economies of Europe, but at a slower pace.

31. The statement made in the *Survey* that Japan's rate of increase in economic activity in 1961 had been considerably lower than in 1960 was incorrect; in fact, the country's remarkable expansion had continued with a rate of growth of 15 per cent in real terms, as compared with 13 per cent in 1960. Indeed, the average annual rate of growth for 1959-1961 had been considerably in excess of 10 per cent, and output of mining and manufacturing industries had increased annually by over 20 per cent in the same period. That high rate of growth had been maintained thanks to technological progress, higher investment, increased exports, an abundant skilled labour force, a high level of savings and a low level of defence expenditure.

32. A feature of the high rate of economic growth in 1961 had been a high level of private investment in plant and equipment to cope with the pending liberalization of Japan's import trade. Private enterprises were modernizing their plant so as to be able to compete with imports. In addition, manufacturers were expecting a continued rise in both domestic and foreign demand.

33. The marked increase in investment had resulted in a 32 per cent rise in Japan's imports during 1961 compared to 1960. On the other hand, exports had only risen by 3 per cent, largely because of the deterioration in overseas markets. The level of employment and wages had risen and had been accompanied by a rise in the rates charged for public utility and other services. Retail prices had risen by 4-5 per cent, which had been a threat to economic stability.

34. In order to redress the international payments position and to curb excessive price rises, the Government and the Bank of Japan had initiated in the middle of 1961 a series of restrictive monetary measures, including higher bank rates and a rise in the ratio of bank reserves. In September 1961, steps had been taken to improve the balance-of-payments position. Despite those efforts to slow down the rate of growth and to check the deterioration in the balance of payments, the economic expansion had continued. Nevertheless, the restrictive measures had begun to yield results in 1962. For example, the rate of growth in the mining and manufacturing industries had

dropped from the 1961 level of 20 per cent to 15 or 16 per cent, and there had been a slight improvement in the balance of payments with a drop in imports and a rise in exports; but a downward adjustment in investment and retail prices still had to be accomplished.

35. With regard to the problem of industrialization and economic development, which the *Survey* rightly singled out as of special topical significance, economic growth and stability were not mutually irreconcilable. In his own country, the two were reconciled by means of appropriate fiscal and monetary measures aimed at maintaining high rates of growth during the plan for doubling the national income within a decade. Great importance was attached to such measures for curbing excessive growth in the interests of stability, and in Japan they could be more effective than in other advanced countries because Japanese private enterprises were more dependent on bank loans than their counterparts in Europe and North America.

36. His delegation shared the view expressed in the *Survey* that in future more emphasis should be placed on the promotion of capital-goods industries in some developing countries, though not at the expense of other sectors of the economy.

37. Each developing country should draw up its own plan in the light of local conditions with industrialization as an integral part of it. The adjustment of such plans to those of neighbouring countries with a similar economic structure would foster the economic growth of the whole region concerned.

38. He had noted with interest the statement in the introduction to the *Survey* (E/3624) that EEC illustrated the adaptability of industry in developed countries to change. Indeed, relatively few disturbances had occurred in the economies of member States of EEC after the reciprocal reductions in trade barriers. Evidently, adjustments in depressed industries such as coal and textiles, which were suffering from domestic or foreign competition, could be made without serious disruptions as long as a high rate of economic growth was maintained.

39. The problem of exports of manufactures or semi-processed goods from developing countries to developed countries might not be as intractable as was thought if the latter kept up their high rates of growth and intended to accommodate low-cost foreign producers. He hoped those countries would also cease to apply discriminatory import restrictions against more efficient foreign manufacturers.

40. Fears had been voiced about the future trade and customs policies of EEC, in the future development of which his country was also greatly interested. He had no doubt that the Community would continue to expand its trade with outsiders and hoped it would adopt a liberal policy designed to further a free non-discriminatory and multilateral expansion of trade.

41. In June 1960, Japan had established an outline programme of trade liberalization, and in June 1961 had decided that it should be rapidly put into effect. By October 1962 it intended to liberalize 90 per cent of its import trade in spite of the various difficulties expected and would pursue the programme in the belief that an expansion of free trade would be advantageous both to its



own economy and to the whole world. Japan hoped that other countries, especially the advanced ones, would reciprocate and remove restrictions and discrimination against Japanese exports.

42. Mr. PASTORI (Uruguay) said that, despite the great interest of the documents on world economic trends, his remarks would deal not with the documents themselves, but with an aspect of the situation which was a constant source of concern to his country.

43. As a major meat exporter, Uruguay was justifiably concerned with the consequences of the formation of EEC on the market for Uruguay's meat products. In the special supplement to its *Commodity Review 1962 — Agricultural Commodities — Projections for 1970 — (E/3628)* FAO predicted that the bulk of the increased demand for meat imports of the two main European importing countries, the Federal Republic of Germany and Italy, would probably be satisfied by their partners in EEC, France and the Netherlands, adding that "the world meat trade is likely to undergo certain changes when the countries of EEC become fully integrated", and, with regard to Argentina and Uruguay, that ". . . the prospect for export outlets in Europe is none too bright" (p. II-30). The gravity of the problem facing Latin American meat-producing countries could be appreciated from the draft regulations drawn up by the Executive Commission of EEC for the European common meat market. The purpose of those regulations was to develop production within the Community, but by the very fact that it permitted a certain flexibility in respect of price policy it introduced an element of choice and was therefore discriminatory. That being the case, he wondered whether EEC was really interested in maintaining and developing trade with the Latin American countries. As yet, they had been given no assurance that they would continue to have access to the Common Market, and that their exports would not only remain undiminished in volume, but would rise with the increase in consumption or trade.

44. That situation was further aggravated by the policy followed by EEC in respect of customs tariffs. The EEC not only hesitated to reconsolidate duties on animal products, but planned to apply to frozen and canned meat the import licence system provided for in the draft regulations, a step which would partly offset the benefits of any consolidations negotiated for those products. Manifestly, EEC wished to remain free to develop a common agricultural policy. Such information as was available only added to the uncertainty about the future. So far as animal products were concerned, however, it seemed to be clear that the Community was moving towards self-sufficiency, and it might well attain that goal in a few years. It could be seen that the concern of the producing countries was not based on mere apprehensions, as the Italian representative seemed to believe (1226th meeting). The provisions of the draft regulations, particularly with regard to the application of prices, the escape clause which it contained, the Community preference for which it provided, were all elements which made the outlook for free trade a dark one.

45. It was true that the regulations were still in draft form and had not yet been finally adopted, but even

if amendments were made they would doubtless affect only minor points. The trend appeared to be irreversible. At the last session of GATT, Uruguay had obtained fewer concessions than before. All the expressions by EEC of good will had come to nought. Not only had some of the concessions which Uruguay enjoyed not been ratified, but it had been unable to secure fair compensatory arrangements. That situation was attributable to a policy designed to maintain internal prices at arbitrary levels, higher than world prices, by means of a system of variable duties which left the greatest latitude for the fixing of duties at rates adversely affecting international trade and the economic development of the under-developed countries. International technical and financial assistance would be unavailing unless an equitable solution was found for the problems to which he had just referred.

46. The delegation of Uruguay regretted that EEC had not yet made any statement on some aspects of its trade policy. At the beginning of the Development Decade, it was surely more than ever necessary that the Community should give evidence of its resolve to preserve and enlarge its traditional trade relations. Yet, it seemed that Europe — and that term included countries members and non-members of the Community — was tending more and more to fall back on its own resources and to isolate the countries of Latin America. For example, the Executive Commission of the Community, relying on a provision which permitted exceptions to the general rules of the Common Market, had recently proposed to the Council of Ministers that in the case of some commodities already regulated, such as cereals, pork, poultry, eggs, fruit and vegetables, member States should be authorized to respect the quotas fixed in their bilateral commercial agreements with the countries of eastern Europe without prejudice to any other provisions of the regulations regarding levies, escape clauses, etc. As to the possible increase in those quotas, the Council of Ministers had ruled that before member States negotiated bilateral agreements with third countries or amended existing bilateral agreements they should first consult with the bodies of EEC. In November 1961, at the nineteenth session of the contracting parties to GATT, Uruguay had asked whether the conclusion of bilateral agreements was compatible with the General Agreement; no precise reply had been given, except that such agreements were compatible to the extent to which they did not infringe the interests of one or more of the contracting parties. Probably, the same principle was applicable to the agricultural regulations of the Community. In any event, it seemed evident that the countries of the Community would make up for their sales to the countries of eastern Europe by purchases in the agricultural sectors mentioned, and that they would give them preferential, in other words discriminatory, treatment.

47. It had been said that the Community had not yet considered its relations with the countries of Latin America. However, the policy of silence which it seemed to be following was misplaced and might actually harm its own interests, for already it was being exploited for political ends.

48. In concluding, he agreed with the proposal of the Commission on International Commodity Trade for the

appointment of a technical working group to study compensatory financing measures to offset short-term fluctuations and long-term declines in the export receipts of primary exporting countries. He hoped that, as the Commission proposed, the working group would submit

the results of its work before 12 January 1963 and that its report would be available to governments by 23 February 1963.

The meeting rose at 1 p.m.