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## Latin America: New centre for export promotion

Intereconomics

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# COMMENTS

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## EEC — EFTA

### 'Arrangement' Is Topical

The 1967 foreign trade figures recently submitted by the EFTA Secretariat are the opposite of satisfactory. It is true that trade between EFTA countries rose by another 10 per cent over this period, but the ditch between EFTA and EEC countries even deepened. Total imports from the EEC increased by only 4 per cent, compared with 6 per cent the previous year, exports from EFTA countries to the Common Market fell by 2.4 per cent, compared with a rise of 4.4 per cent in 1966. This division of Western Europe into two economic blocs is likely to continue, unless it is possible to reach an approach soon.

There is no lack of plans for such an agreement. After the strict rejection of Britain's second application for membership, hopes are now concentrated upon the realisation of the "arrangement" proposed by West Germany's Minister for Foreign Affairs, Mr Brandt. According to its initiators, such arrangement is to be neither a definite association nor a staged plan, but rather a new intermediate step on the way towards full membership. Its central point will be negotiations between all EEC countries and all applicants for membership, without infringement of GATT rules. It is anticipated that there will be linear reductions of customs duties in the industrial sector and a greater volume of trade in the agricultural sector, based on general buying and selling agreements or special arrangements (as in the case of Denmark). This plan will be supplemented by the proposals for intensifying technological co-operation, drawn up by the Benelux countries.

Hitherto Britain has not commented on these suggestions, but the fresh deterioration of the economic situation will scarcely permit a genuine choice of alternatives in deciding between maintaining the membership application on the present conditions and acceptance of the "arrangement" proposal. ke.

### Coffee Agreement

#### A Sop to Conscience

On 19th February, 1968, in London, the International Coffee Council agreed that the Coffee Agreement should be extended for a further five years. After long and tedious negotiations, agreement was finally

reached between Brazil and the USA on the question of coffee concentrates. The United States was to a large extent able to impose its demands for the protection of its powdered coffee producers against rapidly increasing imports of cheaper Brazilian goods.

Apart from a series of amendments to export quotas and import duties, it was agreed to found a support fund for those countries which have to restrict their production of coffee and diversify their economies.

The fundamental problems of commodity agreements lie not so much in technical difficulties, such as the effective restriction of supplies, but in a conflict of interests; this is very obvious from the two main results of the coffee negotiations.

Not the least significant reason for concluding commodity agreements is the desire to stabilise the foreign trade situation of developing countries and, consequently, their economic growth. The most effective way of doing this is to encourage the export of processed raw materials. This, however, runs contrary to the interests of industrial countries; such countries are not willing to open their markets to competitors from developing countries which have considerable advantages where raw materials are concerned. But what is the use of a support fund to encourage economic diversification, when the countries concerned are then unable to sell their new products?

One cannot help feeling that even the Coffee Agreement is more a sop to the conscience of advanced industrial countries than an effective aid for developing countries. ri.

### Latin America

#### New Centre for Export Promotion

An Inter-American Centre for the Promotion of Exports (Centro Interamericano de Promoción de Exportaciones—CIPE) is to start work in April, according to its by-laws. With an annual budget of \$ 750,000, the new organisation will enter the struggle for better foreign trade conditions for the countries of Latin America. Some of the important tasks which CIPE will undertake are to investigate international markets, provide the foreign trade sectors of the Latin American economy with information about happenings on the world market and in connection with

foreign trade, set up centres for export promotion in individual countries. The organisation of national campaigns for the promotion of exports under CIPE's direction is intended to ensure the success of these joint efforts.

The present foreign trade situation in Latin America unquestionably requires new initiatives. During the period 1961/66 Latin American exports increased by about 6.4 per cent p.a., from \$ 8,100 million to \$ 11,000 million. Last year, however, exports of Argentina, Brazil, and Chile stagnated and were even retrograde in Mexico, Central America and Colombia. This deterioration of the export position is mainly due to falling prices of the major traditional exports in the raw material and agricultural sectors. Careful market analyses and intensive export promotion measures might help to increase the export volume of these products, without, however, at the same time influencing the price trend.

The constantly more sophisticated export promotion measures of European countries, the USA and Japan and the flair of scientific foundation of this modern game of "beggar my neighbour" should not create the impression that a balanced or active trade balance depends solely upon a suitable system of export promotion. Apart from the fact that a determined use of export promotion measures can be properly successful only where there is a fully developed production structure, export promotion is only a crutch which may well support the sick, but cannot effect a cure. Particularly where Latin America is concerned, a recommendation should be added to the good wishes for the inauguration of CIPE that in striving for "improved foreign trade conditions" a look should also be taken at domestic economic policies.

### *Reactor Export*

## **Not Only a Prestige Success**

The German reactor-building industry was able to book its first export order at the end of February.

Argentina ordered a 318 megawatt hydraulic reactor from Siemens. This order is worth DM 300 million and was won in the face of extremely strong German, American, Canadian, British and French competition.

This export order is particularly important because the reactor will run not on enriched uranium but on natural uranium. The rejection of a light water reactor by the South American customer was carefully noted by the United States, which holds monopoly in enriched uranium.

Thus Argentina has become the first country to tangibly express the fear that the nuclear ban treaty might possibly have negative effects. For the impression is growing among non-nuclear states that, be-

cause of the non-proliferation agreement, they might become unilaterally dependent upon the atomic powers. It was only this week that the United States concluded an agreement with Japan for the delivery of enriched uranium for 13 atomic reactors. However, this need not be a definite guarantee that the United States will treat other importers of uranium in the same way. Certainly the South Americans must feel sufficiently sceptical about this to prefer the more expensive natural uranium reactor to the light water power station.

Co-operation with the Federal Republic in the field of nuclear energy will be advantageous not only for the Argentinian economy; German industry will also be able to collect new experience and know-how. Thus—quite apart from its prestige value—this export order offers an opportunity to share in future technical progress.

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### *Milan Fair*

## **Future Meeting Place for DC?**

The 46th International Fair will take place in Milan from 14th to 25th April; since its foundation it has been one of the most important European fairs and exhibitions. It has often been said that the general, comprehensive fair of the Milan type is out of date; however, the great interest shown by buyers and sellers proves the contrary. Milan has always been the focal event for Italian producers and buyers, but since the economic crisis was overcome foreign firms are showing vastly more interest in the Italian market. With much the same aggregate offer as last year, it is anticipated that there will be exhibitors from 90 countries. Sixty-three countries will be represented officially—compared with only 48 in 1961.

While the pilot exhibition, "Partners in Progress", put on in the Federal Republic of Germany, was conceived as a special type of fair for developing countries, Milan has always endeavoured to achieve complete integration of such countries into its comprehensive fair. The International Trade Centre (CIS) was opened to cope with the needs of all visitors to the Fair who were in need of information—particularly representatives of developing countries. This year, two further organisations—EAMA (Etats Africains et Malgache Associés) and the Italian-Latin American Institute—will be represented in the CIS to serve exhibitors from developing countries. It is just trade relations with Latin American countries that are still rather tenuous. By including this type of promotional organisation in the CIS Italy hopes to open its market to producers from these countries.

If there is a further improvement in this direction, it is quite conceivable that the Milan Fair will become the model for fairs serving developing countries, and thus a meeting place for emergent states.

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