



ECONOMIC
AND
SOCIAL COUNCIL



GENERAL
E/CN.12/AG.35/SR.3
22 May 1957

ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Seventh session
La Paz, Bolivia
15 May 1957

COMMITTEE I
(Trade)

I SUMMARY RECORD OF THE THIRD MEETING

Held at La Paz on Wednesday, 22 May 1957, at 9.55 a.m.

CONTENTS:

Statement by the representative of the International
Monetary Fund

Statement by the representative of Chile

Repercussions of the European common market on
Latin American trade

PRESENT:

<u>Chairman:</u>	Mr. ARIOSTO GONZALES	Uruguay
<u>Rapporteur:</u>	Mr. BARRETO	Peru
<u>Members:</u>	Mr. KORENJAK	Argentina
	Mr. OCAMPO	Bolivia
	Mr. GARRIDO TORRES	Brazil
	Mr. MAX)	Chile
	Mr. PINERA)	
	Mr. GAMBOA	Cuba
	Mr. GUAROA	Dominican Republic
	Mr. SALGADO	Ecuador
	Mr. POUSSARD	France
	Mr. RECINOS	Guatemala
	Mr. MATUTE	Honduras
	Mr. VILLALOBOS	Mexico
	Mr. ZIJDERVELD	Netherlands
	Mr. CLEMENT	Panama
	Mr. GONZALES MAYA	Paraguay
	Mr. WRIGHT	United Kingdom
	Mr. BARGER	United States of America
	Mr. CARLEVARO	Uruguay
	Mr. HERNANDEZ	Venezuela
<u>Observers from Member States:</u>	Mr. CHENDOV	Bulgaria
	Mr. VESELY	Czechoslovakia

/Mr. MANCINI Italy

Mr. MANCINI	Italy
Mr. ALBU	Romania
Mr. ARAGONES	Spain
Mr. MIKHAILOV	Union of Soviet Socialist Republics

Observers from a non-member State:

Mr. von STOLZMANN	} Federal Republic of Germany
Mr. ENGELS	

Representatives of specialized agencies:

Mr. del CANTO	} International Monetary Fund
Mr. KEESING	

Observers from inter-governmental organizations:

Mr. BERMUDEZ	Inter-American Economic and Social Council
Mr. ROYER	General Agreement on Tariffs and Trade

Representatives of non-governmental organizations:

Category A:

Mr. HAYNES	International Confederation of Free Trade Unions
------------	---

Secretariat:

Mr. PREBISCH	Executive Secretary
Mr. SWENSON	Deputy Director, Economic Commission for Latin America
Mr. IVOVICH	Secretary of the Commission

STATEMENT BY THE REPRESENTATIVE OF THE
INTERNATIONAL MONETARY FUND

Mr. KEESING (International Monetary Fund) expressed regret that the representatives of IMF had found it necessary to leave the conference room before the conclusion of the last meeting, and thanked the Committee for its invitation to attend the meetings of the Working Group. He would submit a document suggesting alternative draft texts for article 12 of the standard agreement on a multilateral payments system to the Secretary of the Committee, who would undertake to circulate it among members. He wished to make it clear that IMF was not attempting to amend the standard agreement, but only to make evident the different interpretations to which the article 12 might be subjected. His organization would be grateful if the document was included in the record.

STATEMENT BY THE REPRESENTATIVE OF CHILE

Mr. MAX (Chile) said that he wished to draw the Committee's attention to a project which was closely related to the subject of the regional market, namely, the proposed inter-American development bank. A draft project for the establishment of such a bank had been drawn up and circulated to Governments; it provided that the bank should have a capital 200 million dollars two-thirds of that sum being provided by the Latin American countries and one-third by the United States. The bank's primary function would be to encourage economic development by making loans from its own funds and by guaranteeing investments made by other private or public bodies; in that respect

/its function

its function would be very similar to that of the European Investment Bank. It would, however, also fulfil another important function, that of acting as the central banking organ for the future inter-Latin American payments system; such an organ would be indispensable if that system was to operate successfully. Comments on the draft project had been received from a number of Latin American countries, some favourable, others unfavourable or indifferent, while the United States had expressed strong opposition to the plan on the ground that the proposed bank would duplicate the functions of the World Bank and the Export-Import Bank. That attitude was understandable; however, the situation had changed fundamentally in the last two years, and the establishment of the European common market had helped to create a situation in which it would be possible to found the bank even without the participation of the United States. Moreover, once the bank was founded he was sure the United States would co-operate with it by extending the guaranteed loan he had mentioned earlier.

REPERCUSSIONS OF THE EUROPEAN COMMON MARKET
ON LATIN AMERICAN TRADE

Mr. ROYER (General Agreement on Tariffs and Trade) made a statement outlining the steps leading to the formation of the European common market, GATT's role in and relation to the European Economic Community and the safeguards for outside countries contained in the General Agreement and in the Treaty creating the Community. ^{1/}

1/ For the full text of Mr. Royer's statement see Information Document No. 39.

Mr. ZIJDERVELD (Netherlands) said that the intention of the Powers forming the European Economic Community was to establish not merely a common market but a deep and lasting union that would eliminate the rivalries which in the past had led to wars affecting the whole world. Some concern had been expressed that the Treaty would interfere with the traditional trade of outside countries, and that it was intended to establish an autarchic European bloc. The six Powers had no such intention; on the contrary, the Community, by eliminating trade barriers, should lead to an increase in imports and an expansion of world trade in general.^{2/}

Mr. HERNANDEZ (Venezuela) said that in his delegation's view the danger of the European common market for the Latin American countries lay in the possible success of the plans for the expansion of agriculture in the overseas territories. There were factors which might alleviate that danger such as the long period over which the plans were to be put into effect, which would give the Latin American countries time to reorient their production and trade in order to defend themselves against it.

Mr. PIÑERA (Chile) said that Chile was not opposed to the European common market, nor could it be, since it had always supported similar developments in Latin America. The European Economic Community was part of a general trend towards the creation of large economic blocs which was making itself

^{2/} For the full text of Mr. Zijderveld's statement see
Information Document No. 41

felt throughout the world and would undoubtedly have far-reaching effects on the entire structure of world trade. In particular, the establishment within the Community of common tariffs for the products of other countries would certainly lead to a fundamental change in Latin American trade with the six member nations. Among the other basic principles of the common market two had special relevance for the countries of Latin America, that of freedom of movement for workers within the Community and that of the free movement of capital. In connexion with the latter point, Chile had submitted a draft resolution to the Working Group proposing that ECLA should consider the possibility of achieving capital mobility within the Latin American area. The principle of the standardization of social benefits was also one of prime importance for Latin America.

Although the common market should lead to an increase in the standard of living of the populations concerned, and thus to increased demand for commodities and a consequent increase in world trade as a whole, it also had a number of aspects which were bound to cause concern in other countries. The opening of Africa to French, German and Belgian capital might mean a decrease in the flow of European capital to Latin America. Moreover, the development of Africa might lead to the replacement of Latin American by African products in the European market; it was expected, for example, that the common market would have serious repercussions for Chile since other sources

/of copper

of copper would become available to the European market. His delegation felt that a detailed analysis of the disturbances to Latin American trade which might result from the European community, and of the means by which they could be mitigated or eliminated, should be undertaken by ECLA, as soon as possible in co-operation with GATT and IMF. Chile supported the draft resolution submitted by Brazil which recommended that ECLA should keep a watchful eye on the possible repercussions of the European common market.

Mr. von STOLZMANN (Federal Republic of Germany) explained that article 23 of the Treaty, concerning the introduction of a common tariff with respect to non-member countries, would begin only four years after the Treaty came into force; that would allow countries ample time to enter into negotiations with the six member states in order to safeguard their common interests. Non-member countries could, moreover, submit their comments to GATT so that a satisfactory solution could be found under article 18 of the Treaty.

Germany's foreign trade policy was based on the ideal of multilateralism and his Government had no intention of changing that emphasis. The European common market represented a step towards a free world economy; and economically healthy Europe would be able to ensure currency convertibility and eliminate discriminatory policies and quotas. There was absolutely no contradiction between the European common market and world multilateralism.

/Nor should

Nor should the Latin American countries feel concerned regarding future European investment trends; Germany's total foreign investments in the past five years, for example, had amounted to \$342.4 million, of which 34 per cent had been placed in Latin America. It was highly improbable that such capital would be withdrawn or that the flow of new capital would be diverted to other regions. The Latin American countries should, however, take steps to create a favourable economic and political atmosphere likely to attract private foreign capital.

Furthermore, Latin America's share of Germany's imports, namely 12.1 per cent, would undoubtedly continue to increase steadily and it was very unlikely that the trend would be affected by the establishment of the European common market.

Germany's position with respect to that market had been summarized by Mr. Erhart in his address to the OEEC, when he had stated that Germany had always opposed European self-sufficiency and isolation.

Mr. VILLALOBOS (Mexico) noted that the optimism of the French and German representatives regarding the effects of the European common market on Latin American trade, and particularly the possible competition of African products, was not shared by most of the Latin American representatives.

ECLA should continue its excellent study of the possible effects of the common market and suggest what steps the Latin American countries might take to protect their interests. The co-operation of other Regional Commissions would be very

/valuable in

valuable in that respect.^{3/}

Mr. CARLEVARO (Uruguay) reiterated the points the Chairman of his delegation had stressed during the general debate, concerning the economic measures that the Latin American countries should take in view of the formation of the European common market.

Mr. GARRIDO TORRES (Brazil) paid tribute to the valuable information provided by ECLA and said that the possible negative effects of the European common market on Latin American trade should be kept under study.

He referred to an article in the August 1956 issue of the Journal of Political Economy which described the ways in which Europe would benefit economically from the formation of the common market.

His delegation felt that common markets were rational and desirable and that the principles on which the European market was based were similar to those which should be followed in the formation of a Latin American market. He expressed concern, however, at the inclusion of overseas territories in the European common market and at the possible imposition of discriminatory measures against Latin American exports, which would constitute a violation of article 24 of GATT. In that connexion he referred to the statement the Chairman of his delegation had made during the general debate.

^{3/} For the full text of Mr. Villalobo's statement, see Information Document No. 40

It was difficult to foresee exactly what the European Economic Community's policy would be in specific circumstances; for example, the quantitative restrictions to be imposed as a means of overcoming balance of payments difficulties were not clearly defined and might harm non-member countries. Moreover, the danger that a new preferential trade area would be established was particularly real in the case of the provisions relating to agricultural products.

The transitional stage was, in his opinion, too long, for, during that period any benefits accruing to non-member countries through an expansion of trade would be offset by uncertainty about the future and by the imposition of temporary discriminatory measures. Article 20 of the Treaty, for example, left the door open for substantial tariff increases.

The concern felt by the Latin American countries as to the possibility that the European common market might obtain raw materials produced by cheap African labour had not been dispelled. In that connexion he quoted an article from The Economist indicating that the British Commonwealth countries, too, feared that their products would be unable to compete with cheaper African goods. The same argument could be applied to Latin American exports.

The Latin American countries could, it was true, take steps to diversify their exports and increase productivity, but their terms of trade in relation to the European market would nevertheless deteriorate. They could also express their views

/during the

during the negotiations on the subject during the transitional period, but he considered that the only real solution to the problem lay, in the final analysis, in the establishment of a similar common market in Latin America. ECLA had expressed concern that the rate of economic progress in the industrialized countries was more varied than in under-developed regions. Yet Latin America was well aware of the tasks it faced and its community of views had already provided the basis for its economic development. It would continue to study the operation of the European common market, from which it would acquire much valuable experience.

He introduced a draft resolution sponsored by Argentina, Brazil, Chile, Peru and Uruguay concerning the studies that ECLA should carry out in connexion with the repercussions of European common market.

The CHAIRMAN said that the two draft resolutions submitted to the Committee would be referred to the Working Group.

The meeting rose at 12.30 p.m.