



ECONOMIC AND SOCIAL COUNCIL



PROVISIONAL

E/CN.12/AC.29/SR.2

5 September 1955

ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Sixth Session
Bogotá, Colombia
29 August 1955

COMMITTEE III (International Trade)

PROVISIONAL SUMMARY RECORD OF THE SECOND MEETING

Held at Bogotá on Monday
5 September 1955, at 10.30 a.m.

CONTENTS

General discussion

PRESENT:

<u>Chairman:</u>	Mr. PONCE ENRIQUEZ	Ecuador
<u>Rapporteur:</u>	Mr. BROS	Uruguay
<u>Members:</u>	Mr. MELERO	Argentina
	Mr. CAMPOS	Brazil
	Mr. LLORENTE	Colombia
	Mr. GONZALEZ LOPEZ	Cuba
	Mr. DAZA	Chile
	Mr. SALGADO	Ecuador
	Mr. QUINTEROS	El Salvador

Note: Corrections to this record should be submitted in one of the three working languages (Spanish, French and English) and addressed to Mr. Alfonso Santa Cruz, Secretary to the Conference, within 48 hours. The corrections should be accompanied by a note or written on headed note paper and should give the symbol of the summary record in question or, better, be made on a mimeographed copy of the record.

Mr. BREITHUT	United States of America
Mr. HERRENSCHMIDT	France
Mr. JEAN-MICHEL	Haiti
Mr. RIVERA	Honduras
Mr. GATICA	Mexico
Mr. NEWTON	Netherlands
Mr. GUERRERO	Nicaragua
Mr. AIZPU	Panama
Sir KEITH JOPSON) Mr. SCOTT-FOX)	United Kingdom of Great Britain and Northern Ireland
Mr. BELLO	Venezuela

Also present :Representatives of specialized agencies:

Mr. BOERMA	Food and Agriculture Organization
Mr. VERA	International Monetary Fund
Mr. ROYER	General Agreement on Tariffs and Trade

Representative of an inter-governmental organization:

Mr. PILVIN	Inter-American Economic and Social Council
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Secretariat:

Mr. PREBISCH	Executive Secretary
Mr. IVOVICH	Secretary of the Committee.

GENERAL DISCUSSION

Mr. DAZA (Chile) reiterated the statement made by the representative of his country in the general debate about the importance his country attached to the influence of foreign trade on problems of economic development. In the circumstances his delegation had examined the study on that subject submitted by ECLA with the greatest interest.

It could be said, in general terms, that the figures and the analysis of the basic structure of Latin American countries led to the conclusion that it was deficient.

Various steps had been taken by Chile since the early part of the last century to promote inter-Latin American trade, beginning with the message to Congress of President Joaquín Prieto in 1833. The various commercial treaties signed by his country contemplated the need of special treatment for the countries of the continent and the treaty signed between Chile and Switzerland in 1877 embodied the most-favoured-nation clause.

As was well known, the world crisis of 1932 and the two World Wars had effected a profound change in the commercial relations of all countries. Chile, like other countries, had found its commercial policy conditioned by the fact that its resources were insufficient to finance the necessary imports.

His country attached great importance to the part played by the General Agreement on Tariffs and Trade (GATT) and from GATT's inception had deemed it necessary to participate in an organization whose purpose was to regulate international trade on a voluntary and equitable basis.

/ His Government

His Government considered that multilateral regulation of commercial relations offered economically weak countries greater advantages than bilateralism. For a country like Chile, where the stability of the markets for its export products had direct repercussions on the economy, the norms established by GATT had undoubtedly proved useful; the established stable conditions for the country's two principal exports, copper and nitrate. A difference of opinion between Chile and Australia on the subject of subsidies for synthetic fertilizers has been satisfactorily resolved through the intervention of GATT.

Efforts had been made to incorporate in GATT more favourable conditions for countries in the process of development. Although they had not been wholly successful, progress had been made in such matters as the acceptance of the use of quantitative restrictions to reach an equilibrium in the balance of payments and to maintain a level of reserves appropriate to the continuance of development programmes.

In order to obtain satisfactory solutions to Latin America's problems, joint action should be taken through ECAL. As the Uruguayan representative had stated in the general debate, the study made by ECLA had brought to an end the theoretical study of the need to create a common market for the products of Latin America. The Chilean delegation would like to see, as a next step, the adoption of concrete means of creating that common market. It felt confident that a proposal along those lines would meet with approval since there were such precedents as the British Commonwealth of Nations and the European Coal and Steel Community.

/ Mr. CAMPOS

Mr. CAMPOS (Brazil) said that Brazil was faced with a deficit in its balance of payments owing to a lack of convertible currency with which to pay, inter alia, for its heavy petroleum imports, which were increasing annually by 20 per cent. It was faced with a grave problem, as its exports to the United States and Venezuela, from which it imported petroleum and petroleum products, were not sufficient to cover the cost of those imports.

The lack of an adequate system of payments for Latin America was an impediment to trade, particularly when the equivalent value of different products was sometimes difficult to determine, as in the case of Argentine wheat exported to Brazil, and Brazilian timber exported to Argentina. The ECLA study (E/CN.12/369) made a clear analysis of the difficulties and suggested some solutions, but there was much still to be done, particularly by the Latin American countries themselves. They should take measures to improve their intra-regional trade. Countries which were now exporting raw materials and minerals outside the region should seek a market within the region, and countries which were now importing such products from outside the region should try to find suppliers among their neighbours. Recent developments in the right direction were the trade agreements between Argentina and Chile and Argentina and Brazil. A larger volume of trade between the Latin American countries could not fail to raise the productivity of the entire region.

Brazil was anxious to import manufactured goods from Latin American countries, thus economizing its hard currency for the purchase of the capital goods it required for its development plans. Its own steel /industry was

industry was not yet able to deal with the demand, although it was developing.

In order to save foreign currency, Brazil had decided to manufacture products it had been importing for the domestic market, such as electric motors and pharmaceuticals, particularly antibiotics, which were now classified as non-essential imports.

His delegation would submit a draft resolution on the facilitation of payments arrangements between the Latin American countries.

Mr. SALGADO (Ecuador) asked the representative of GATT; 1. What criterion adopted GATT in classifying countries as under-developed and in process of development; 2. How long a period must elapse before GATT could give its approval to such restrictive measures as countries were obliged to take when faced with a deficit in their balance of payments; 3. What position GATT had adopted with regard to consular fees, in general and in connexion with the preferential treatment of goods transported by the Flota Grancolombiana; 4. How accession to GATT by a Latin American country would affect its agreements on specific commodities with other countries, such as the sugar agreement between Ecuador and Chile; 5. Whether Latin American countries that acceded to GATT would encounter difficulty in gaining recognition for a régime of mutual concessions, such as the arrangement between the Grancolombiana countries; Finally, 6, he would be grateful for any information on the conditions under which GATT might be able to accept preferential arrangements arrived at by a group of Latin American countries.

/ Mr. ROYER

Mr. ROYER (General Agreement on Tariffs and Trade) said that he could answer the Ecuadorian representative's questions insofar as they pertained to the interpretation of GATT, but questions of policy could only be decided by the participating Governments. In answer to question 1, he said that GATT recognized three groups of countries; a) industrialized countries, to which article XVIII of the Agreement did not apply; b) countries whose economy was in the early stages of development, to which sections A, B and C applied; and, c), countries the economy of which was in the process of development, but which had not yet reached the same level as the industrialized countries. The criteria adopted by the contracting parties to decide whether article XVIII was or was not applicable to a certain country were a) whether it was at the beginning of its economic development and, b), whether it could support only low standards of living. A proposal to insert a more precise definition of the countries covered by the article had been rejected by the contracting parties, as they had felt that a precise definition might prove inflexible and each case should be decided on its merits. Most of the Latin American countries were covered by article XVIII, in his opinion.

With regard to question 2, GATT did not require any time in which to approve restrictive measures as the contracting parties were free to apply such measures if they experienced balance of payments difficulties. All that was required was that the country concerned should notify GATT and consult with it as to the nature of its balance of payments difficulties and the measures which might be taken to solve them.

Replying to question 3, he said that GATT's general attitude to the question of consular fees had been to recommend their abolition

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before the end of 1956, if they did not correspond to a real service rendered. The fees, which were in fact a tax on the value of the goods transported, might be included in the customs duties, but that was a matter of convenience rather than of principle. The main objection to consular fees was usually that they had to be paid by the exporter and entailed a number of formalities which were an impediment to the free flow of trade. Such difficulties could be avoided either by incorporating such fees in the usual customs duties or, as had been tried in one country of Central America, by making the tax payable when the goods were imported. With regard to the second part of the Ecuadorian representative's question, he realized the difficulties which might arise in connexion with the Flota Grancolombiana, but those could certainly be dealt with in a special clause to be inserted in the Agreement when any of the countries concerned acceded to GATT.

Question 4 dealt with GATT's attitude to the establishment of economic unions or systems of preference between two or more countries, such as the sugar agreement between Ecuador and Chile. GATT would have to make a decision on that point in any case, as Chile was a member of GATT. The contracting parties had agreed in 1947 to recognize all existing preferential arrangements and of the same rule, as that might interfere with the most favoured-nation principle. They would have to be considered on their merits and in the light of their advantages or disadvantages for international trade and for the countries concerned.

He supposed that question 5 referred to the countries which had signed the Quito Charter. The position would be quite simple if the Charter were already in effect, as article XXIV would then apply; but

all parties to the agreement had not yet ratified it and it could not, therefore, as an existing arrangement. The situation would have to be considered on its merits.

In answer to question 6, he said that if the agreements in question covered all or most of the trade of the countries concerned, article XXIV would be applicable, but, if the agreement were restricted to some commodities only, the situation was more difficult. In general, it might be said that an agreement could be accepted if it tended to expand trade, but not if its effect was to channel trade in one direction. It had been decided at the Havana Conference that such arrangements were acceptable if they covered tax-and duty-free admission of goods and if the later accession of other countries to such agreements was provided for.

Mr. SALGADO (Ecuador) said that the GATT representative's detailed answers had satisfactorily cleared up all the points of interest to his delegation.

Mr. DAZA (Chile) wanted to make it clear that Chile had not undertaken to give specific preference to Ecuadorian sugar. The policy of Chile on that matter was to extend the same privileges to all the sugar exporting countries.

Mr. BREITHUT (United States of America) congratulated the Secretariat on the excellent and comprehensive documentation it had submitted to the Conference. The data gathered in the preparatory of surveys would have a continuing usefulness, even after the particular issues raised had been resolved. Inevitably, his Government found some points on which it would have preferred a different emphasis or interpretation.

/ The secretariat

The secretariat was to be particularly commended for its contribution to a better understanding of the new elasticity of GATT for under-developed countries. The secretariat had drawn attention to one of the revisions introduced in GATT -namely, a change in Article XVIII which provided for simplified and more expeditious procedures for obtaining GATT agreement to the adjustment of tariffs and the imposition of quantitative restrictions when those measures were necessary to promote economic development.

The ECLA report noted that a number of countries hesitated to join the GATT because they feared that the obligations of the General Agreement would obstruct the adoption of measures important to the promotion of their industrial development or to their participation in agreements for economic cooperation or integration in Latin America. He felt that those fears had been exaggerated and hoped that further consideration would serve to dissipate them. GATT had shown a high degree of flexibility and no set of international trade rules could be drafted for the requirements of every individual country or area. At the last GATT session in Geneva, the industrialized countries had shown an increase awareness of the legitimate aspirations of the under-developed countries and that awareness had been reflected in newly negotiated GATT provisions related to trade measures to protect developments.

It might be appropriated to refer to the Section 22 waiver granted to the United States of America, since there seemed to be some confusion on that point. For example, page 14 of ECLA document 369 might suggest to some that the waiver made it possible to increase customs duties or quantitative restrictions without limit on all agricultural products.

/ He wished

He wished to point out that the action taken was limited and designed to accommodate specific legislation enacted by the United States Congress to permit the effective functioning of a programme for solving the problem of agricultural surpluses. It was generally recognised that some form of government action such as price-support programmes was necessary to ease the shock of transition from wartime and immediate post-war high gear production to current reduced world needs. If those programmes were not to result in forcing the United States government to purchase virtually the total world surplus supply of those commodities at prices above the world level, imposition of import restrictions or fees was necessary. Section 22 of the Agricultural Adjustment Act as amended provided for such measures.

The waiver authorized the imposition of fees, not increases in tariffs, to the extent necessary under the pertinent legislation and up to an amount not in excess of 50 percent ad valorem. Thus, there was a definite upper limit on the fees which might be imposed.

Of course the effect of any waiver could be decisively influenced by the manner of its application, and it was worth noting that the GATT working party specifically noted the "generally careful and limited use which the United States had made of Section 22 in the past". It was his government's intention to continue that policy of moderation. As regards the general trade policy questions dealt with in the report, his delegation found itself in full agreement with the broad objectives set forth. The points of difference related principally to questions of emphasis or omissions. He considered that careful thought should be given to the "selective measures which might be employed in connexion with the development of new industries.

/ In conclusion,

In conclusion, his government heartily endorsed the objective of higher levels of trade within the Latin-American area. In deciding upon the methods to be used in pursuing that objective, it was very important to bear in mind the basic purposes to be served. In the view of his delegation, those basic purposes should include increasing the standards of living of the population of the area; improving the utilization of its economic resources and facilitating the growth of mutually advantageous economic relations with countries outside the area.

Mr. SCOTT-FOX (United Kingdom) recalled that in plenary, the head of his delegation had said that the United Kingdom had had extensive experience of bilateral trade and payments agreements. As a result of that experience, it had come to the conclusion that such agreements rarely lead to an optimum level of trade, or to an optimum pattern of trade and in recent years it had been working actively to promote a world trading system in which the maximum possible amount of trade should be carried out on a multilateral basis. There were of course reasons why such an ideal could not be attained immediately or fully. Nevertheless, the United Kingdom believed most strongly that a further movement towards multilateral trade was in the interest of all countries. For instance, Germany was abandoning bilateral arrangements with some Latin-American countries despite the great benefits that country had apparently derived from them.

The United Kingdom did not consider that all quantitative or quota restrictions could be removed immediately, since the less economically developed countries particularly would have to impose such restrictions over a considerable part of their imports for some time to come. In that

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connexion, he pointed out that his Government had agreed to the new revised version of GATT, which took account of the position of such countries. His government attached great importance to the rapid implementation of GATT provisions and the establishment of the proposed Organization for Trade Cooperation.

The re-negotiation of GATT had been one of the most hopeful and encouraging moves which had been made in the last few years in the direction of a multilateral world trading system. Another move, on a smaller scale but also of great significance, was the recently negotiated agreement between Brazil, Germany, the Netherlands and the United Kingdom with regard to payments between Brazil and the other countries.

The same sort of conceptions governed the attitude of his government on the questions of maritime transport which were discussed on pages 30 - 39 of document E/CN.12/369. The Secretariat's study brought out very clearly that in the sphere of maritime transport the countries of Latin America had two main preoccupations. The first was the desire to build up their individual merchant fleets and the second was to reduce the levels of freight rates for their external trade. The question of freight rates was a very complicated one. Freight rates on different ocean routes throughout the world were in fact intricately inter-connected, and any study of freight rates limited to Latin American trade with the rest of the world would at best be incomplete and would most probably arrive at misleading conclusions. In his Government's view freight rates were best left to the free interplay of competition in the world market and were not a subject appropriate for study by inter-governmental organizations. The method adopted by various countries to build up individual merchant fleets - such as flag discrimination,

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particularly the so-called "transport clause", or the reservation to the ships of a particular country of a fixed proportion, normally half, of the trade on any particular route - must inevitably raise the cost of transport for the countries concerned when they were practised in trades which were already adequately served by existing lines. And if the cost of shipping services to the exporter and to the importer were raised in that way, it must of course hamper the development of industry and trade. Great care, therefore, should be taken to weigh the costs, both direct and indirect, of any policy the Latin American countries might embark upon for the development of the national shipping services.

Finally, another aspect of the problem emphasized by the study of Inter-Latin-American trade, and which his delegation considered important, was the desirability of eliminating the superfluous transport costs which were involved by high port fees or cargo charges, or delays in harbour. His Government would welcome any action which could be taken to lessen those obstacles to the most economical use of shipping services.

The meeting adjourned at 12 p.m.