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RECENT DEVELOPMENTS AND TRENDS IN LATIN AMERICAN
TRADE WITH THE EUROPEAN ECONOMIC COMMUNITY

Prepared by the secretariat

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RECENT DEVELOPMENTS AND TRENDS IN LATIN AMERICAN TRADE
WITH THE EUROPEAN ECONOMIC COMMUNITY *

Introduction

1. At the express request of the Governments members of the ECLA Trade Committee, the ECLA secretariat has been occupied for some time past with the problems affecting Latin America's foreign trade as a result of the formation of regional economic groupings, in particular the European Economic Community (EEC).

Apart from the studies it has already undertaken on the subject^{1/} supplemented by the permanent contacts at the working level established some time ago with various European organizations, the secretariat continues to keep a close watch on the course of events, since this can have a great influence on the tempo of Latin America's economic development. Although some of these events, being still in the process of development, have not yet properly crystallized, those that have already taken place - some quite recently - point to a situation serious enough to warrant immediate consideration by the Latin American Governments as a group, since any measure designed to forestall or arrest developments would be so much more difficult to apply once the situation had begun to crystallize.

2. The Latin American countries are taking a keen interest in legitimate movements towards the formation of common markets in other regions of the world. This is natural enough, since Latin America is itself engaged in the gradual accomplishment of a similar task with a view to attaining objectives such as a more rapid rate of economic development, higher productivity and a relaxation of the social tensions resulting from a low level of per capita income and an insufficient growth of employment opportunities. It should be pointed out that, in accordance with the

* Document prepared by the secretariat of the Economic Commission for Latin America to facilitate the work of the consultative meeting on trade policy held at Santiago, Chile, 23 July - 7 August 1962.

^{1/} See Note by the Secretariat on the Possible Repercussions of the European Common Market on Latin America (E/CN.12/449 and Add.1) and the article "Latin America's Trade with the Common Market Countries of Europe" in the Economic Bulletin for Latin America, Vol. III, No. 1 (Santiago, Chile, March 1958), pp. 9-50.

rules for the establishment of common markets under the General Agreement on Tariffs and Trade (GATT), Latin America has established its own movement in this direction on bases that are consistent with an increase in aggregate foreign trade. Conversely, economic groupings such as EEC that have sprung up in other regions, owing to certain tendencies manifested in the way they are organized, evoke the fear that the rate of expansion of Latin America's foreign trade may be curbed to the detriment of foreign trade in the aggregate. This is attributable not to the liberalization measures forming part of the internal trade movements in EEC, about which nothing can be said, but to others whose repercussions might be very much wider.

3. Isolated action on the part of the countries endeavouring to find a solution to the problems that are already facing or are about to face their economies as a result of changed circumstances has in the main not produced satisfactory results. Individual power of negotiation is of little avail against the tremendous political and economic power that results from the merging of great nations into a single entity. Hence it is imperative for the Latin American countries to co-ordinate their trade policy if they are to safeguard interests that have an important bearing on their economic development.

4. The following account outlines the events that have occurred recently or are under way, as referred to above. Some opinions or points of view held by competent Latin American circles on the developments in question and their possible significance for Latin America have also been included.^{2/}

^{2/} In several Latin American countries, people versed in questions of trade are somewhat perplexed by the lack of adequate concern in Europe about the serious consequences of the present trend of trade policy pursued by such economic groups as EEC for its future trade with Latin America. Important groups of European industrialists and exporters, either because they are anxious to continue receiving supplies of certain raw materials or possibly for other reasons, are deeply interested in increasing the tempo of trade with Latin America, as Latin American visitors to the recent Fair at Hanover were able to appreciate. But, in general, there is an unawareness of the grave dangers inherent in certain procedures that EEC has adopted or is in the process of studying.

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Although the treatment of the theme is necessarily incomplete because of the still fluid state of certain negotiations connected with matters of great importance, it was thought best not to delay presenting it any longer. The body of information and opinions set forth here may, in fact, prove a useful tool in devising, before it is too late, a plan for collaboration between Latin America and such groupings as EEC that offers prospects of success. Dynamic collaboration would supply the means not only of solving certain practical problems but also of establishing sound trade relations that would be equally beneficial to Latin America and to countries or groups of countries in other regions.

1. Impediments to trade and compensatory measures

5. In the first place, reference should be made to the arguments put forward a short while ago in GATT as to the possibility of adopting measures to offset the effect on the development of Latin America's foreign trade of certain import restrictions imposed in Europe.

Considerable light is thrown on the subject by studies on the results of the efforts to eliminate trade barriers made by inter-governmental groups in GATT. These studies demonstrated the magnitude of the existing obstacles. They showed that in some European countries that have no balance-of-payments difficulties, imports of numerous items are still subject to many forms of discriminatory treatment, according to origin, and these have a direct effect on Latin America's export trade.

6. Discrimination by origin is a device of long standing in Europe. It was applied to some extent, regardless of other factors, as a result of the liberalization régime instituted by the Organization for European Economic Co-operation (OEEC), now the Organization for Economic Co-operation and Development (OECD). Although the most-favoured-nation clause is the general rule in trade between the countries members of GATT and is embodied in numerous bilateral agreements in force between European and Latin American countries, the latter were excluded from the treatment based on the OEEC liberalization system, which was thus highly discriminatory.

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At the present time the restrictive trade regulations still enforced in Europe bear particularly heavily on imports of agricultural commodities. World trade in these commodities is also handicapped by the severe limitation resulting from the waivers applied by GATT, for reasons that are widely known, the outstanding instance being the United States agricultural surpluses.

7. It seems likely that in the case of EEC members, the restrictive trade regulations - known as residual regulations - still in force in all the EEC countries will be replaced by the procedures that will govern the conduct of the European Common Market's agricultural policy, as will be discussed later. These procedures will include prior import licences, adjustable customs duties, tariff quotas and certain kinds of subsidies.

Within GATT, a number of Governments have been drawing attention for some time to the apparent inconsistency between the principles and provisions of the GATT Agreement with respect to the freeing of trade and the protection of established tariff treatments on the one hand, and restrictive trade regulations on the other. Furthermore, these regulations, through their impact on trade, impair or nullify the effects of the tariff treatment agreed upon by negotiations within GATT.

8. The disquieting prospect of seeing the perpetuation of practices that are detrimental to the expansion of Latin America's foreign trade has brought some of the countries of the region to realize that they may have no alternative but to fall in with the GATT regulations as embodied in Article XXIII on the safeguarding of concessions and benefits, inasmuch as they enable certain compensatory measures to be claimed.^{3/}

^{3/} Article XXIII of GATT reads as follows:

"1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as the result of:

- (a) The failure of another contracting party to carry out its obligations under this Agreement, or
- (b) The application by another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement, or
- (c) The existence of any other situation. (Continued.)

/Proceedings were

Proceedings were officially initiated by Uruguay in 1961, during the nineteenth session of GATT, after it had ascertained that nineteen European countries apply more than 500 individual restrictions to thirty products that comprise almost two-thirds of Uruguay's exports (see annex I, table 1). If this occurs in the case of one Latin American country, it is easy to imagine the misgivings aroused by the deleterious effect of this type of restriction on the region's exports as a whole.

9. A group of experts now in Geneva will be advising the Contracting Parties of GATT, which are to act as arbiters, on whether Uruguay is justified in taking compensatory measures with a view to restoring reciprocity in trade treatment, although, as Uruguay's representatives have repeatedly declared, it is staunchly in favour of the removal of restrictive trade regulations as a means of re-establishing the significance of the respective concessions and thus promoting the expansion of aggregate

3/ (Continued.)

The contracting party may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned. Any contracting party thus approached shall give sympathetic consideration to the representations or proposals made to it.

2. If no satisfactory adjustment is effected between the contracting parties concerned within a reasonable time, or if the difficulty is of the type described in paragraph 1 (c) of this Article, the matter may be referred to the Contracting Parties. The Contracting Parties shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate. The Contracting Parties may consult with contracting parties, with the Economic and Social Council of the United Nations and with any appropriate inter-governmental organization in cases where they consider such consultation necessary.

If the Contracting Parties consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to any other contracting party or parties of such concessions or other obligations under this Agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any concession or other obligation is in fact suspended, that contracting party shall then be free, not later than sixty days after such action is taken to give written notice to the Executive Secretary to the Contracting Parties of its intention to withdraw from this Agreement and such withdrawal shall take effect upon the sixtieth day following the day on which such notice is received by him."

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trade. In any case, the proceedings initiated by Uruguay constitute a precedent worthy of consideration by the other Latin American countries in GATT which, by force of circumstance, are being impelled along the same path.

10. The general position of Latin America with respect to European discrimination may undergo a change. Thus far the region has been powerless to defend itself against the discriminatory treatment given to its foreign trade. But several of the countries now believe that the formation of the Central American Common Market and the establishment of the Latin American Free-Trade Association (ALALC) have paved the way for joint consideration, when expedient, of compensatory measures aimed primarily at the elimination of restrictive trade regulations applied at destination. Moreover, although they have no connexion with such measures, certain restrictions on imports into Latin America that derive from the need to stabilize the balance of payments are, exceptionally, being waived in the case of trade with countries belonging to Latin American economic groupings such as ALALC. This exceptional treatment is, of course, a product of GATT's rules on the formation of free-trade areas, whereby all restrictions on reciprocal trade between constituent countries must be abolished, even when applied to safeguard the balance of payments. In this connexion, the countries consider that since the Monetary Fund long accepted in practice the discriminations resulting from the former OEEC programme of inter-European trade liberalization - which did not constitute a common market in the sense recognized by GATT - no objections can be made, from the point of view of the international monetary commitments represented by the Fund, to the removal of restrictions among the members of ALALC in accordance with the relevant rulings of GATT itself.

2. The GATT Tariff Conference

11. The generic title of Tariff Conference is used to designate the fifth series of GATT negotiations, which included both those of EEC with the other members of GATT with respect to Article XXIV, paragraph 6, of the Agreement (compensations for an increase in the average rates of

/incidence of

incidence of the external tariff) and the so-called Dillon negotiations, in which EEC declared itself willing to reduce its common tariff by as much as 20 per cent. All the members of GATT were parties to these negotiations. The Tariff Conference of 1960-61 also included the negotiations for the incorporation of some additional countries into GATT.

(a) Compensation for the rise in the average incidence of the EEC external tariff

12. These tariff negotiations virtually ended in May 1961. The disappointment evoked in Latin America by their outcome is partly a reflection of the different angle from which they were viewed by EEC and by the Latin American countries. For EEC, abiding strictly by the GATT rules, the negotiations consisted essentially of a revision of some of the incidence of the external tariff, on the principle of maintaining the balance of existing reciprocal concessions, when the incidence increased with the establishment of the averages taken as the basis for working out the tariff. The countries thereby affected, on the other hand - including those of Latin America - pointed to the harmful effect on their exports of an increase in the rate of duty on certain items, and made an unsuccessful attempt to have the negotiations conducted within a framework that would have taken account of economic and trade factors not strictly forming part of the legal basis of the negotiations.

In stating its case during the negotiations, Uruguay pointed out that the external tariff had had a detrimental effect on the treatment of Uruguayan products (chiefly meat) embodied in agreements, without adequate compensation being offered. The representative of Brazil announced that, in view of the unsatisfactory results of the tariff negotiations, his Government would not ask Parliament for the necessary ratification. He said that 75 per cent of the country's exports to EEC had been affected by the external tariff, and that Brazil was facing one of the most serious threats ever offered to its foreign trade.^{4/}

^{4/} Speech delivered on 27 November 1961 at the GATT session by Mr. Ulises Guimarães, Brazilian Minister for Industry and Trade.

Faced with these and other similar representations, EEC decided to abide by the juridical interpretation which, as its representatives pointed out at the nineteenth session of GATT, places the Treaty of Rome in good company along with the Treaty of Montevideo and the treaty that created the European Free Trade Association (EFTA). It is still not known whether the Contracting Parties to GATT will shortly give their verdict on the pending juridical question whether or not the Treaty of Rome fulfils the conditions appropriate to a common market. It also remains to be seen whether the decision would in any way affect the solution of the problem created for Latin America by the increase in some of the incidences of EEC's external tariff, where these had been fixed at a higher level than the average duty levied by the individual participants. Incidentally, the nature of the decision to be announced will undoubtedly be strongly influenced by the attitude adopted by the United Kingdom and the other EFTA countries - and possibly the Commonwealth as well - in respect of their ultimate membership of EEC or association with it. All this would appreciably strengthen EEC's position in GATT and its say in the final decision of the Contracting Parties on this matter.

Unofficially but persistently, some European circles seem to show a distinct preference for financial and technical co-operation at the industrial development level rather than for special tariff agreements as a means of counteracting the restrictive effects that the formation of the European Common Market may exercise, directly or indirectly, on the Latin American economy. It is an open secret that the Latin American circles concerned with such questions not only object to the use of financial devices as an alternative solution to problems for which a sound remedy should be sought pre-eminently in the field of trade, but take a very pessimistic view of the likelihood of adequate indemnification of the Latin American economy for the damage done by the external tariff through compensations of this kind. What is more, no specific offer of financial collaboration appears as yet to have been made.

/13. The conclusion

13. The conclusion of the negotiations marked the acceptance of the EEC common external tariff by the majority of the third countries that took part. Those agreeing to it were Canada, Ceylon, Chile, Finland, India, Indonesia, Japan, New Zealand, Nyasaland, Pakistan, Peru, Southern Rhodesia, the Union of South Africa, the United Kingdom and the United States.

Five countries - Austria, Czechoslovakia, Sweden, Switzerland and Uruguay - reserved the right to suspend for the time being tariff concessions previously accorded to EEC countries, on the grounds that they were dissatisfied with the results of certain phases of the negotiations. Uruguay's reservation concerned the possibility of suspending or reducing tariff concessions for imports into Uruguayan territory of such goods as light cars, steel wire, sheet iron, certain types of wine, and hats.

For different reasons, six other countries - Australia, Brazil, Denmark, Ghana, Nigeria and Norway - refused to accept the results of the negotiations.

(b) Dillon negotiations

14. The Dillon negotiations, in which the countries at a less advanced stage of development took scarcely any part, ended at Geneva in July 1962. Progress during the final stage of the negotiations was low for a variety of reasons, one being the complexities of the negotiations between EEC and the United States on certain products,^{5/} though standstill agreements

5/ The results of some of the negotiations between EEC and the United States are likely to be modified in the near future owing to an increase in the duty on imports of carpets and sheet glass into the United States. As a counter measure EEC might increase the duties on polystyrene, polyethylene, certain textiles made from synthetic fibres, and watercolours, all of which were reduced as a result of the Dillon negotiations. Although EEC proposed to include tobacco, soya-bean and cotton-seed oil in the list of counterpart goods, its proposal was rejected on the grounds that the increase in duty would affect the Dutch tobacco industry in particular, as well as the price of margarine in EEC national markets.

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on these were finally reached. Another factor which may have helped to slow down the negotiations was that the new statute of association, which will come into force as of January 1963 between EEC and its former overseas territories - now sixteen independent countries - was under consideration at the time. In the discussion on the over-all question of their relations with EEC, these territories did not seem prepared to accept the prospect of losing the preferential treatment enjoyed by their exports to Europe under the present association agreement in virtue of negotiations with third countries. This is a perfectly legitimate attitude, but it had an unfortunate effect on the prospects entertained by certain Latin American countries as to the outcome of the negotiations on tropical products.

15. Generally speaking, the Dillon negotiations appear to have accomplished much less than was expected. For lack of sufficient offers of reciprocal concessions by third countries, the extent of the reductions in the common tariff that EEC had seemed disposed to grant - 20 per cent - was far from being achieved. Moreover, although the reductions should have been extended to agricultural commodities, as stipulated in GATT, this was in fact not done. The principal reductions were obtained through negotiations with the United Kingdom and comprised cars and spare parts, machine-tools, electrical equipment, several kinds of fats and oils, leather goods, refrigerators, agricultural machinery and motors for water craft.

16. It is not yet known whether the results of the Dillon negotiations will be incorporated into the EEC common tariff simply by adaptation of the latter, or whether the tariff will adopt the double-column system. If so, the treatment deriving from the negotiations would cease to be extended to countries outside GATT or to those that have not reached agreement with the member countries of EEC to accept the unconditional most-favoured-nation clause.

/As announced

As announced on 20 July 1962, EEC plans to make a number of reductions and suspensions (some fourteen) in the external tariff on its own initiative, pursuant to article 28 of the Rome Treaty. The favoured products would include chilled goose and duck liver, snails, almonds, natural or synthetic precious stones (in powdered form), Fuller's earth and naphthaline.

(c) Tariff quotas

17. The fifth series of negotiations of GATT, comprising those based on Article XXIV, paragraph 6 of the Agreement, and the Dillon negotiations, were conducted selectively, that is, product by product, the resulting duties being consolidated to safeguard them against possible increases in their rates.

In the case of various products, some of them staple Latin American exports, e.g. meat and fish flour, the consolidation of duties will be valid for a specific tariff quota. Once this has been covered, further imports of the goods may be subject to prior permits, embargoes or the system of adjustable duties designed as a basic element of EEC's agricultural policy.

Quotas such as those referred to are fixed regardless of which EEC country or countries will be the buyers. It should be recalled that under the GATT regulation a quota may not be reduced until it has been in force for three years.

Another type of quota valid for one year has also been established, not officially through negotiation with third countries but by agreement within EEC. Under this system a particular member of EEC is authorized to purchase not more than a given quantity of a certain product, a lower rate of duty being applied than those established by the common tariff (see annex I, tables 2 and 3).

18. It is often asked in Latin America how the findings of the 1960-61 Tariff Conference affect countries outside GATT. Countries whose relations with one or more members of EEC are based on the unconditional most-favoured-nation clause would clearly have grounds for requesting the same treatment as that agreed upon at the Conference for specific

/products, in

products, in the shape of external tariff reductions or consolidations. They could also produce cogent arguments in support of their right to participate in the quota system. The products of Latin American countries that have not established the unconditional most-favoured-nation clause with EEC members would be given the treatment indicated in the external tariff. The benefit of the reductions or consolidations established at the recent tariff conference would be obtained so long as EEC does not adopt the double-column system referred to above.

19. If, however, as is already the case with certain products, distribution continues exclusively in the hands of the EEC countries, it might happen that when a particular shipment arrived at its destination, the exporter country would have difficulty in clearing its goods through the customs because other suppliers had already used up the tariff quota.

The uncertainty deriving from such a system could be prejudicial to Latin America's products and exports unless appropriate agreements were reached to provide for some degree of participation by the supplier countries in the quota arrangements, perhaps through joint consultative groups or some other suitable procedure.

3. New tariff negotiations

(a) Linear reductions

20. The approval which the United States Congress is expected to give to the Bill granting the Executive considerably wider powers than those envisaged previously in the Reciprocal Trade Agreements Act to negotiate reductions in customs duties, will remove a major obstacle to the possibility of holding new tariff negotiations in GATT, perhaps towards the end of 1963. In September 1962, an inter-governmental group at Geneva will begin to examine the bases for the sixth series of negotiations, in which it is planned to introduce the technique of linear reductions applicable to groups of products, in place of the system of selective (i.e. product-by-product) negotiation, used currently.

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In this respect circles in European countries and in the United States point out that experience of international tariff negotiations has convinced them that reciprocal concessions applying to specific products are losing their importance as trade-promoting factors. Furthermore, under the traditional method of selective negotiation on a product-by-product basis, pressures can be exerted which may interfere with the application of liberalization programmes advantageous to the national interests of the countries concerned.

21. The work of the inter-governmental group mentioned above, and any proposals it may put forward to the Contracting Parties of GATT are of considerable interest to Latin America. Under its terms of reference, the group will consider ways and means of stimulating the diversification of exports from the less-developed countries, within the framework of the negotiations and by means of a modification of the traditional notion of reciprocity, so as to help them in placing their manufactured products on the great world markets.

22. How can this new idea be reconciled with the system of linear reductions? In general it can be said that in Latin American circles the linear reductions procedure has been received with caution. It is recognized that linear reductions are useful in the case of negotiations between countries at a similar level of development. When the negotiating countries are at very different levels, a clear prior definition of the relative extent of the concessions to be granted on either side would be needed to make the procedure attractive to the weaker party. It is likewise pointed out in Latin American circles that since the power of negotiation of the less-developed countries is slight, the linear reduction procedure would do them even further harm by depriving them of the use of devices arising out of selective negotiation.

23. However, no considered judgment is possible until the decisions of the inter-governmental group referred to above are known. The usual procedure within GATT is for the purchasing country to negotiate with the main supplier country. If, as is to be feared, agricultural products are for the most part excluded from the negotiations, these might turn out to be conducted chiefly by the great industrial countries, with

/little participation

little participation by the developing countries. Hence linear concessions would be negotiated primarily among the large countries. The less-developed countries would, in any case, be entitled to the same concessions through the most-favoured-nation clause of GATT. In return for this benefit, what kind of compensations or reciprocal concessions would the major countries require? As far as Latin America is concerned, a peculiar situation would arise. Of twenty countries, only eight belong to GATT, while another is an associated country.^{6/} The concessions granted by the major countries under the Agreement would be available to practically all the Latin American countries, since most of these have most-favoured-nation arrangements with the European countries, made many years ago under various bilateral trade agreements. On the other hand, the concessions required by the bigger countries in return would only apply to the Latin American countries belonging to GATT, should these accept the invitation to take part in the negotiations.

However, the foregoing is no more than conjecture. The situation will not become clear until the conclusions of the inter-governmental group mentioned above are known.

(b) Exports of manufactured goods

24. At all events, it is felt in authoritative Latin American circles that, whether as part of the sixth series of GATT negotiations or outside it, new tariff negotiations with the EEC should be embarked upon, with the object of cushioning the harmful effect of EEC's external tariff on Latin America's foreign trade, and at the same time making a bid for markets for the region's industrial products.

25. In this respect it should be remembered that the less-developed countries are greatly concerned about the gap between the increase in their import needs and the growth of their foreign exchange export earnings. On this point, a projection made by the Economic Commission for Europe^{7/} indicates that if the less-developed countries of the world are to expand their economies at a more or less satisfactory rate, they

^{6/} The Latin American parties to GATT are Brazil, Chile, Cuba, the Dominican Republic, Haiti, Nicaragua, Peru, and Uruguay. Argentina is an associated country.

^{7/} See Economic Survey of Europe in 1960 (E/ECE/419), United Nations Publication (Sales No.: 61.II.E.1), Chapter V, p. 47.

will need to increase their exports over two-and-a-half times during the next twenty years. According to this projection in the most favourable circumstances the over-all picture of demand in the great centres suggests that the prospects they offer for absorbing the traditional export products of the less-developed countries are not likely to increase by much more than one-and-a-half times over the next two decades. The enormous gap thus created will have to be filled largely by adding industrial products to the flow of exports from the developing countries, even assuming a considerable increase in movements of capital.

26. In European circles it is apparently felt that in time factors will come into play which may help to open up Europe's markets more liberally to the industrial products of third countries. It is pointed out first and foremost that the impetus given to the economic expansion of the EEC countries by the fusing of markets opens up endless prospects.

This fusion is already producing an effect on the growth of the gross national product, which in 1957-60 rose at an average level of 4.8 per cent in the EEC zone, as against 3.3 per cent in the other countries of eastern Europe. The effects of the common market on trade within EEC are also considerable - it has been increasing by 20 per cent per year since 1957, whereas trade between the EEC countries and the rest of the world has risen by only 10 per cent per annum. One of the main aspects of the liberation of productive factors as a result of the common market will be a sharp rise in productivity, as a consequence of which industrial prices within the EEC zone may well be highly competitive. This, in the opinion of informed European circles, could in due course mean the reduction and possibly even the abolition, through negotiation, of the external tariff on a large number of industrial products. Hence the only protection required for European products of a similar nature would in general be the freight charges payable on the foreign article from the country of origin.

/27. Authoritative circles

27. Authoritative circles in Latin America do not take a very optimistic view of the foregoing as an indication of the possible attitude of EEC towards the entry of manufactured goods. They point to the fact that the external tariff of the European Common Market has by and large followed the principle of freeing only imports of industrial raw materials partially or totally unobtainable in Europe, while in the case of semi-manufactured and manufactured goods produced from these raw materials, duties are established, the amount increasing with the degree of finishing, so that little margin is left for foreign competition. It is difficult to believe that an increase in productivity is likely to lead to any significant change in protectionist policy, especially when the tariff rates represent a negotiating instrument which EEC would lose if these were substantially reduced within a few years.

The register started by GATT for the purpose of listing the facilities granted by the major countries for the disposal of manufactured products from the less-developed countries does not show a very encouraging trend in this direction on the part of the European countries. Yet if only it were possible to achieve fruitful collaboration between Latin America and Europe, at this level, as might be wished, it would not be unreasonable to imagine that the present shortage of manpower in some European countries might, inter alia, lead to certain types of agreements regarding the interchange of manufactured goods. Certain highly mechanized industries in the EEC area requiring a relatively small labour force would find a market for their products in Latin American countries, which in turn could avail themselves of the European market to export manufactured goods needing a large amount of labour for their production.

(c) Preparations for negotiation

28. As has already been pointed out, it is thought in Latin American countries that a new tariff agreement should be reached with EEC, whether within the framework of the next series of GATT negotiations, or outside it. It is, however, also considered that in these new negotiations, the regional interests of the zone should be safeguarded by collective action. The recent case of the raising of the customs duties on imports of sheet glass into the United States is a good example of the reinforcement given

to individual negotiating capacity by collective action. The immediate support given by the rest of the member countries of EEC to Belgium, the country affected by the measure concerned, led the Community to consider the adoption of the counter-measures mentioned earlier, so that the increase in the import duties for sheet glass became the concern of EEC as a whole. It is obvious that for Latin America, negotiating capacity, which is very slight as far as each country taken separately is concerned, would gain vastly in strength from joint action, if only because of the size of the import market represented by the region as a whole.

Now that the fifth series of negotiations of GATT has ended, and the level fixed for the external tariff of EEC is known, each country is now in a position to appreciate the extent to which the new rates, or some of them, will be harmful to specific export items. For example, it is officially estimated that Brazil's export losses in respect of four products only - coffee, cocoa, cocoa butter and Brazil nuts - may well amount to 100 - 130 million dollars per year.^{8/} It should be noted that these products account for about two-thirds of the total value of Brazil's exports to the EEC area.

29. As part of the preparations for negotiation, lists might be drawn up of traditional export commodities for which EEC would be urged to give more favourable treatment. Lists might also be made of products whose manufacture might be developed in Latin America to such a competitive level that their export to the great world markets would ultimately constitute a valuable contribution to the balance-of-payments position of the Latin American countries concerned. In drawing up these lists, it would have to be borne in mind that non-EEC suppliers of similar products from other areas would automatically receive from EEC the same treatment as that accorded to Latin America. The lists would also show what articles are "sensitive items", both export and import, in trade with Europe, discussion of which would have a considerable influence on the negotiations as a whole.

^{8/} See "O Brasil na ultima assembleia do GATT" (Revista do Conselho Nacional de Economia) year XI, No. 2, Rio, March-April 1962, p. 160.

30. As regards the reciprocal concessions to be accorded to exports from EEC to Latin America, it would also be useful to compile in advance a list covering all the Latin American countries. This would presuppose a series of consultations with the competent organs of each country.

31. In initiating the negotiations from the angle of Latin America's wishes in respect of its exports, and the concessions offered in return to European products, would it be desirable to follow the EEC procedure and make a blanket presentation of what is wanted and what is offered?

Informed circles in Latin America think so, on the grounds that the presentation and negotiation of desiderata and concessions as a whole strengthens the power of negotiation. Otherwise each country acting separately would be too weak to negotiate with the EEC countries acting as a whole. Moreover, in regard to the possible concessions to be granted by Latin America an interesting idea may be considered. As is well known, the high rates of customs duties characteristic of Latin America, are to a large extent due to deficiencies in the balance of payments caused by the obstacles set up in the great world markets to exports directed to them. Hence, in the negotiations for reciprocal concessions it might be worth while to propose the fixing of maximum import tariffs for imports of certain goods into Latin America, rather than to insist on the granting of specific concessions for particular products or groups of products.

An indirect but effective stimulus would thus be given to the establishment of a Latin American common external tariff, already largely in operation in respect of the customs duties of four countries - the recent accession of Costa Rica will make five - in virtue of the general treaty on Central American Economic Integration. To a certain extent it was also foreshadowed in article 15 of the Montevideo Treaty. All this is part of the effort called for with the eventual object of establishing the Latin American common market.

32. As regards the possible bases for negotiation, it has already been noted that an inter-governmental group has been preparing under GATT's auspices the bases which, subject to approval by the Contracting Parties,

/will govern

will govern the sixth series of negotiations. Fundamental points of these bases for negotiation might be ways and means of conducting linear negotiations and how to measure reciprocal trade concessions between countries at very different stages of development. If these bases are laid down in terms acceptable to Latin America, and if in addition some way can be found of extending the negotiations to include all the Latin American countries, whether Contracting Parties to GATT or not, the sixth series might perhaps be the appropriate occasion to settle matters. Otherwise it would be preferable to try to reach new tariff agreements with EEC by means of negotiation governed by special rules; in point of fact this is the procedure followed by the European Common Market itself in its negotiations with the United Kingdom and Africa, which in both cases cover the question of customs treatment.

It would be extremely useful if a series of talks on these matters could be arranged between the Latin American countries on the one hand and GATT and EEC on the other, especially if in respect of certain points at least this could be done before the bases for the sixth round of negotiations are finally approved. It would also be helpful to hold preliminary talks with EEC concerning the lists of commodities and groups of commodities on either side which would be the subject of negotiations between the Community and the Latin American countries.

The negotiations themselves would be pointless unless both the conditions governing the accession of the United Kingdom to EEC and the new statute of association for the former overseas territories were known beforehand.

4. The problem of agricultural products

33. The great changes now taking place in the structure of world food production has had far-reaching effects on the basis of its trade. At the same time as the United States are accumulating stocks of temperate-zone commodities there is an easing of the traditional situation of shortages in Europe, where production now tends to increase at a much faster rate than the growth of population. This is what is happening in the EEC area, where the population is increasing by only 0.7 per cent

/per annum,

per annum, while the rate of agricultural expansion is at least four times that figure. The factors in this expansion include the application of import restrictions for the purpose of stimulating the domestic production of certain commodities. The severity of these restrictions has apparently had the effect in Europe of limiting the growth of demand, keeping it below levels which the rise in income would have warranted.

The accumulation of surpluses in the United States, and the import restrictions applied in the European continental countries as part of their self-sufficiency programme, have played a large part in strengthening the tendency virtually to exclude from the GATT system all trade in the principal temperate-zone commodities. As a result, the value of the tariff concessions for these items negotiated within the framework of GATT has gradually been whittled away.

34. Since as regards the majority of agricultural commodities, production in Western Europe is increasing more than demand - in some cases as a sequel to shortages created by import restrictions - the system of support prices has been greatly extended. This does not, however, provide an adequate solution for the social problems arising out of the fact that the agricultural workers' share in the distribution of the national income is extremely small. On this point, the general consensus of opinion is that the development of industrial productivity, by increasing wages, is bound to create resources making for a policy of high prices for certain commodities, for example, meat, which might well help to increase this share.

35. Lastly, the statements made by the representatives of some of the EEC countries at the 19th session of GATT offer little prospect of application of the rules of GATT to commodities in respect of which European production is expanding faster than demand.

36. On 14 January 1962, the Council of Ministers of EEC adopted various rules, regulations and resolutions, with a view to giving effect to the common agricultural policy. The regulations establishing bases and methods for organizing the markets for cereals, pork, poultry, eggs, fruit, vegetables and wine come into force on 29 July 1962. The rules include a large number of provisions affecting finance, competition, the processing of agricultural products, the question of which items shall be subject to

/adjustable import

adjustable import duties, and certain bases for the establishment of minimum prices. The resolutions embody a number of fundamental principles, and include a time-table for the gradual organization of the internal market of EEC as regards dairy produce, beef and sugar.

37. The regulation on cereals is applicable to the following: wheat (hard and soft), rye, barley, oats, buckwheat, millet, maize and sorghum; and also to wheat and rye flours and grits, other cereals, and certain processed goods. It was agreed to liberalize trade in all the above-mentioned commodities within EEC itself as from 1 July 1962, abolishing the traditional customs duties for these items, but substituting an adjustable intercommunity charge (droit de prélèvement or levy). This will be equivalent to the difference, under specific conditions, between the price in the supplier country and the price on the domestic market of the importing country.

As from the same date, the customs duties, dues and taxes, long-term contract arrangements or minimum-price agreements are abolished in respect of supplies from third countries. All these charges will likewise be replaced by an adjustable levy similar to the above and in line with the level of prices.

In the first case, i.e. for internal trade within EEC, the levy will be reduced gradually over a transitional period of seven-and-a-half years, and will disappear when EEC becomes effectively a common market and establishes a basic price for all its members. In the second case, i.e. for trade with the rest of the world, the levies will taper off as the internal prices within the Community even out. No time-limit is set for this.

38. As regards cereals, the domestic price will be understood to be the one resulting from the interplay of supply and demand, but it will in any case not exceed the limits constituted by the maximum price in the country with the greatest shortage and the lowest official price in an

/EEC country

EEC country where the authorities fix the prices.^{9/} Hence prices for cereals within the EEC have been frozen for the business year 1962-63.

39. The rules relating to the marketing of fruit, vegetables and wine do not envisage an adjustable levy. Protection in relation to third countries will be essentially based on the common external tariff. However, should imports be effected at prices which could upset the EEC market, an intra-Community saving clause is envisaged consisting of the application of special taxes to the imports concerned, or in the temporary suspension of such imports. These measures will apply immediately to third countries.

40. In the case of all the other products that were not the subject of special regulations, imports from third countries and the regulations governing them are tied to a specific level of prices in the national consumer market.

41. The revenue from the import levy in respect of agricultural commodities from third countries has been used together with funds from other sources to set up a European Fund to provide guidance and guarantee. Thus, the very taxes applied to products from these third countries will be used to finance programmes designed to curb or eliminate those countries' access to the European market. The Fund's activities will be primarily directed towards ensuring that EEC's agricultural market operates in a way that is

^{9/} According to well-informed sources in EEC, the fixing of prices on the national markets will follow the law of supply and demand, "around the index price of the region where the shortage is greatest". A minimum price will be established, the so-called guaranteed or support price, i.e. the index price reduced by not more than 10 per cent. This will constitute the main guarantee for agriculturalists, since surpluses will be purchased by the guarantor body at this price.

In connexion with the guaranteed or support price it is interesting to note the EEC's decision as regards cereals for the period 1962-63. The support price is apparently fixed between upper and lower limits for all the countries of the Community. The maximum price is 7.5 per cent above the present wholesale price in the zone of the Federal Republic of Germany, where the shortage is greatest, and the minimum price at least 5 per cent above the wholesale price at present in operation in the area of highest production in France. As from the agricultural year 1963-64, the differences between the national support prices will be progressively reduced, since the aim of the Community is to have a single guaranteed price by the end of the transition period.

/consonant with

consonant with the interests of European producers and consumers. It will therefore promote, pursuant to article 39 of the Rome Treaty, the optimum utilization of the factors of production and the increasing of the individual earnings of persons engaged in agriculture. The regulations of the Fund apparently allow subsidies to be granted to producers, and subsidies to ensure the exportation of surpluses.

42. Latin America is understandably concerned about the practical effects on its trade with Europe of the workings of the system of adjustable levies as well as of the manipulation of imports by means of measures whose scope is determined by the movements of price levels established on specific bases, not to mention the possible repercussions of the subsidy system.^{10/} As the aim of the system seems to be to even out prices upwards within EEC, i.e., to the level of the less efficient producers, adjustable duties, while providing a strong incentive to self-sufficiency, augur ill for the future of the traditional foreign suppliers. It is indispensable that there should be a thorough examination - already undertaken in certain respects by the ECLA secretariat - of the operation of this system from the standpoint of Latin America's export interests so that future activity in this field can be directed towards safeguarding the level of the region's trade with Europe.

43. Possibly in response to the criticisms and misgivings aroused by the protectionism implicit in EEC's agricultural policy, the idea of the organization of markets for agricultural commodities on a world scale was mooted by influential European circles during the 19th session of GATT, when its internal affairs seemed to have arrived, so to speak, at a crossroad. It had become evident, in fact, within GATT itself that, for various reasons, several of the larger countries were finding it very difficult to apply to their trade in agricultural commodities the principle that had prevailed when GATT was first established, namely that world economy functions along sounder lines, both economically and socially,

^{10/} In October 1962 GATT (Committee II) will decide whether the regulations that are to govern the EEC common agricultural policy are compatible with the pertinent GATT regulations.

if it is based on freedom and non-discrimination in international trade. It was clear, moreover, that there was no hope of re-establishing the application of the relevant GATT regulations to agricultural commodities. This was a source of deep disappointment to the less developed countries which, on the strength of the aforesaid principles, had been urged to join the world movement towards free trade that was launched after the Second World War. In the course of the explanatory statements made during the 19th session, various countries in Latin America and other regions gave it as their opinion, that to accord agricultural commodities a different treatment from the general treatment established by GATT would be to practise unfair discrimination against economies whose situation depends upon the level attained by their agricultural exports. Argentina, Brazil and Uruguay categorically maintained that the extension of one treatment to agricultural commodities and another to the remaining international trade items was incompatible with GATT. It was even said that if a distinction continued to be made, it might be necessary to invoke, inter alia, article XXIII of GATT, authorizing the application of the compensatory measures referred to before (paragraphs 12-13 above).

44. As yet there is little background information available from which to assess the implications of the plan for the international organization of agricultural commodity markets which the French Minister for Finance outlined at the 19th session of GATT.^{11/} To judge by what was said at the time and

^{11/} As the outcome of the discussions at the 19th session, inter-governmental groups carried out studies on conditions governing access to the world market, especially as regards trade in cereals, beef and mutton and some tropical-zone products. Among the Latin American countries whose representatives took part in the work of the groups during 1962, the prevailing impression is that the practical achievements of the groups amount to little. On the whole, the EEC and Commonwealth countries seem to be anxious for the work not to proceed quickly, since they are waiting the results of the current negotiations on the possible entry of the United Kingdom into the European Common Market before defining their positions.

/by some

by some details provided recently, the application of the plan would make it possible, over the medium and long term, to regulate the conditions governing access to the world market through a quota system at remunerative prices, fixed at the EEC level. Within the EEC territory it is to be supposed that the less efficient producers will influence that level for some time to come. This would finally do away with the system of national subsidies for exports after a preparation period lasting up to 1970. Some special administrative mechanism might be set up whereby measures would be devised to eliminate the present disparities between production and demand in the case of individual products, as well as to guarantee prices and quota volume.

45. In order to restore and preserve the balance between world production demand, the problem of the disposal of agricultural surpluses would be tackled on a clearly-defined basis of international assistance. There is, for instance, the Development Aid Group (DAG) operating in Paris within the framework of the Organization for Economic Co-operation and Development (OECD). It is hoped to conclude an agreement under DAG whereby the EEC and EFTA countries, together with the United States, Canada and Japan would set aside a certain proportion of their national income - possibly 1 per cent - for financing an over-all programme of assistance to the less-developed countries.

The promoters of the plan apparently intend that a quarter of the funds thus obtained should be devoted to international food campaigns, food being donated in such a way as not to disrupt the agricultural development of the recipient countries, and the agricultural worker in those countries being assured of subsidies from the same source. It has been suggested that the system might be administered through regional organizations, co-ordinated at the top by an international agency.

46. The plan sketched out seems to have been kept very much in the forefront during the discussions on the possible entry of the United Kingdom into EEC, to be dealt with later (paragraphs 51-64 below). The adoption of this plan by EEC, enlarged by the inclusion of the United Kingdom, would involve a radical change in the traditional price policy

/of the

of the British market, which is vitally important for certain Latin American exports. It is well known that, while that market subsidizes domestic agriculture, protects it in certain cases by customs duties, and gives tariff preference to its Commonwealth associates, in general it hands over the task of supplying the balance of the demand to importers, without quantitative restrictions, allowing them to compete freely on the basis of price and quality. Would the proposed market organization put an end to this system, under which various Latin American countries carry on their trade with the British market?

47. The idea of market organization does not appear to have been launched without considerable forethought. In fact, on 30 June 1962, information came from Brussels, in connexion with the current United Kingdom negotiations with EEC, that EEC was proposing to invite the principal exporters and importers of temperate-zone agricultural commodities to an international conference.

According to European sources, the first point which was to be considered was that EEC, expanded by the incorporation of the United Kingdom, would absorb half the world's commercial imports of wheat, two thirds those of dairy products, three quarters those of meat and a third of the imports of sugar. Consideration was also to be given to the present disruption of markets by such factors as low prices, surpluses and subsidies, as well as by the existence of vast areas that are under-supplied. All these matters give rise to problems which might be solved by means of international collaboration. The projected conference to promote international market organization will probably take place in 1963 on the basis of a joint declaration on the part of EEC and the United Kingdom issued prior to the entry of the latter, if, as is expected, the negotiations under way are brought to a successful conclusion. The products on which an attempt would be made to reach an international agreement - preceded by certain provisional arrangements valid for an interim period - would be wheat, barley, rye, serghum, beef, butter and sugar. An endeavour would also be made to guarantee remunerative prices for tropical products,

/In order

In order to make the respective agreements thoroughly international in scope, the following points would be taken into account: (a) the price and subsidy policies of both exporting and importing countries; (b) the maximum and minimum quantities admissible in international trade; (c) the policy of stocks and their financing; and (d) the requirements of countries whose population is under-nourished.

The expanded EEC would act as a single unit for the purpose of the agreements, which would be reviewed every three years.

48. The success of the market organization plan will depend to some extent on the attitude of the United States towards it. It should not be forgotten that the United States economy is under heavy pressure as a result of the accumulation of agricultural surpluses and the concomitant system of subsidies, which give rise to problems similar in certain respects to those of the European countries.^{12/}

The following data indicate the importance of the part to be played by the United States in the outcome of the EEC agricultural policy and its possible adaptation in the light of the market organization plan.

During and in connexion with the fifth GATT Tariff Conference, important standstill agreements were concluded between the United States and EEC. Canada also reached similar agreements.^{13/} These stipulate that the countries belonging to EEC will make every effort to avoid any change that would have an adverse effect on the level of wheat imports from Canada and the United States or other grains from the latter country, until the common agricultural policy has been put into effect. It was also decided that, not later than 30 June 1963, EEC would institute negotiations with both countries on the impact of the

^{12/} According to an article in The Economist of 30 June 1962, the Baumgartner Plan would appear to have been provisionally adopted by the United States.

^{13/} The EEC Council apparently agreed at the end of July 1962 that the present system for importing agricultural commodities from countries with a centrally-planned economy should remain in force for five months without any modification in the respective quotas. This is a provisional decision intended to give time for the study of other resolutions.

common agricultural policy on the imports in question. It agreed to hold consultations or take corrective measures if, as a result of that policy, such imports were to drop appreciably below the level agreed upon in the negotiations.

It was agreed that, once the relevant regulations of the common agricultural policy were being applied, negotiations should be opened on the situation of United States exports of wheat, maize, serghum and rice.^{14/}

49. Insofar as they help to throw light on some points that should be cleared up, it is interesting to note - for what they are worth - the first reactions of responsible Latin American circles to the market organization plan. Admittedly the question merits lengthy and careful consideration, but meanwhile these reactions can be summarized as follows:

- (a) Until the plan is put into practice, there would apparently be a transition period during which the system of adjustable duties would be in full force for several years. Accordingly there are grounds for fearing that the combined effects of the investment programme to raise agricultural productivity and the system of adjustable duties will give a fillip to Europe's tendency towards self-sufficiency, and will narrow the margin left at the end of the transition period for fixing quotas for its traditional foreign suppliers.
- (b) Acceptance of the plan would be tantamount to admitting the impossibility of keeping a competitive foot in EEC markets and possibly in the United Kingdom market, which means that, under the increasing pressure of European self-sufficiency, Latin America might eventually find it almost impossible to dispose of its agricultural commodities in Europe.

^{14/} See United States Department of Agriculture, Foreign Agriculture Circular, Grain F.G.8-62, Washington, May 1962.

/(c) Instead of

- (c) Instead of quotas in terms of fixed quantities, which would tend to represent a decreasing proportion of consumption, would it not be more equitable to establish quotas on the basis of specific proportions?
- (d) To judge from what is known of the plan, the question arises whether it is not likely to aggravate the adverse effect of EEC's agricultural policy on the specialized export trade of certain Latin American countries. One result of this policy might be, for instance, to force Latin America to fill the gap in its foreign exchange earnings as a result of the reduction of meat purchases, by increasing the production and export of secondary crops, to the serious detriment of its agricultural economy.^{15/}
- (e) The Latin American countries that have attained a high rate of productivity for some agricultural commodities would find that instead of being able to sell their goods on the scale indicated by their competitive ability, they must resign themselves to accepting a system that did not offer any particular incentive for the maintenance of efficiency.
- (f) Given the importance of co-ordinating Latin America's trade policy, piecemeal product-by-product negotiation seems to be a potential source of conflict. The interests of the Latin American countries might well be incompatible with the regulations envisaged for the international marketing of specific products. For instance, Argentina is a major exporter of wheat, and Brazil a major importer. In cases such as these, a different criterion would obviously have to be adopted for fixing prices and quotas, within the purview of the discussion on each agreement.

^{15/} An agreement between EEC, Benelux and the United States is envisaged whereby meat production would be increased, at reduced costs and with social benefit to farmers. Land that is now used for growing secondary crops for animal fodder would be set aside for this purpose. Fodder would then have to be imported.

/(g) If events

- (g) If events bring Latin America to negotiate the terms of the market organization plan, in which EEC and possibly the United Kingdom would act in concert a prior examination should be made of the possibility of adopting a common position in the negotiations as a whole and in individual discussions.
- (h) Once the possible bases of co-ordination have been defined by the Latin American countries themselves, it seems desirable that, through some appropriate mechanism for the co-ordination of its trade policy, Latin America should hold conversations with the United States with a view to obtaining its support - as already given in the past - for Latin America's views. This backing would be particularly valuable for the negotiations on the market organization plan, the negotiations within GATT and negotiations in other agencies. The conversations would make it clear what are the points of agreement on which United States support should be requested.

50. The foregoing considerations refer in particular to agricultural commodities from the temperate zones. Those from tropical zones will be discussed later (paragraphs 66-81 below), in connexion with the question of the stage reached by the negotiations for revising the association agreement between EEC and the African countries.

5. The European Common Markets

(a) Entry of the United Kingdom into EEC

51. Pending developments whose final outcome is impossible to foresee include, in addition to those relating to market organization (paragraphs 43-50 above), the possible accession of the United Kingdom to EEC and the future treatment which this would imply for the Commonwealth countries. The latter's exports, besides certain ores, metals and manufactured goods, include wheat, meat, fats, wool, coffee, cacao and bananas, products similar to those exported by Latin America. The competitive position of
/Latin America's

Latin America's exports in EEC would deteriorate if their counterparts from the Commonwealth were accorded any kind of preferential treatment as a result of the United Kingdom's entry into the European Common Market.

52. The incorporation of the United Kingdom would have repercussions on the situation of the agricultural commodities produced in EEC countries themselves. Objections were raised to the idea of some form of membership excluding agriculture - as was suggested at an early stage - because, among other reasons, national agricultural policies have a certain effect on industrial prices, and hence on competition in general within the European Common Market. Furthermore, membership of the latter is conducive to the solution of productivity problems.

53. To judge from the preliminary stage of the discussions, it is considered essential in authoritative European circles that insistence upon any requisite or evidence relating to markets of origin be avoided for common market purposes once the period of transition is over. This objective pursued by EEC is attainable through the establishment of the common external tariff. The admission of countries to membership on the basis of formulas freeing them from the obligation to participate in the common external tariff would imply a reversion to the system of the free-trade area and therefore to the need for requiring evidence of markets of origin, which is a violation of the principle of unrestricted freedom of circulation for goods proper to the Common Market.

54. The intricate negotiations on the possible entry of the United Kingdom have been proceeding since the end of 1961 in respect of four distinct, but closely related and in actual fact indivisible items. Three of these have to do with existing treaties, to which the United Kingdom would accede, namely those of EEC, the European Coal and Steel Community (CECA) and the European Atomic Energy Community (EURATOM). The fourth item concerns United Kingdom participation in the projected political union to be formed by the EEC countries.

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In the case of the treaties, the negotiations are being conducted simultaneously with the executive authorities of each one. In practice these negotiations are co-ordinated at a high government level and are closely related to those on political union.

55. One of the main problems discussed in the negotiations is the adoption by the United Kingdom of the EEC external tariff and the way in which the application of the tariff would affect the preferential treatment given to the Commonwealth in the British market.

56. A question discussed in advance was the negotiation procedure - whether the essential concentration would be on the study of the situation of each of the Commonwealth countries individually or whether the approach to the respective problems would be an examination of the situation of each product or group of products. The problems were finally classified by countries in the following way:

- (a) Countries exporting manufactured or intermediate goods which would suffer by the adoption of the EEC external tariff on the part of the United Kingdom;
- (b) Countries that, whether or not harmed in this way, would see their exports to the United Kingdom market affected by the new competition from EEC associate States, such as the African countries;
- (c) Countries that, apart from the aforesaid damage, would be affected in other ways by the EEC's agricultural policy
- (d) Countries or areas - Cyprus, Malta, Gibraltar, Aden - whose problems with respect to the entry of the United Kingdom into EEC are of another kind, and derive particularly from their special systems of storage and transit.

57. With respect to the exports of special interest to countries in the first two groups, the United Kingdom has mooted the possibility of freeing a number of agricultural and industrial goods from all payment of duty under the external tariff, or of reducing the duty to a very low level.

/In the

In the case of tropical agricultural commodities, the suspension of customs duties or their reduction to a very low level would depend upon the new association agreement between EEC and its former overseas territories in Africa. This agreement is hardly conceivable without the preferential treatment for African exports now accorded by EEC. It is apparently thought feasible to make certain reductions in the duties on specific products under the EEC external tariff, thereby diminishing the present margin of preference in favour of the African countries. In this connexion it is interesting to note that on 3 July 1962 the agreement which seems to have been reached with EEC was made public in Brussels. Under this agreement the levels of duty envisaged in the external tariff for cacao and coffee would drop 40 per cent (25 per cent reduction and 15 per cent suspension). It would not be surprising if similar decisions were taken shortly on other tropical products, excluding bananas and wood, as well-informed circles have predicted. Discussions on tea are being held which may lead to its complete exemption from the EEC external tariff or to a 40 per cent reduction in the present level.

58. The course taken by the negotiations may well be a sign that the discussion of specific problems relating to the products in question or to the particular situation of the Commonwealth country concerned will lead to a series of practical solutions mainly envisaging the eventual and complete adoption of the EEC external tariff by the United Kingdom market with certain modifications, following a period of transition during which the United Kingdom would apply a quota system. According to a statement made after the ministerial conference of 30 June 1962 it has not yet been agreed whether these quotas would be tariff-based, i.e. governed by the price system, which is essentially EEC's policy, or quantitative, as the United Kingdom hopes, in order to assure Commonwealth exporter countries of a certain income.

Technical and financial assistance would be given to Commonwealth countries in process of development in order to facilitate the adjustment of their exports to new market conditions.

/Mention has

Mention has already been made (paragraph 43 above) of the understanding reached in principle at the end of June, whereby the United Kingdom and EEC acting together would convene a world conference on the organization of markets for temperate-zone products in 1963. This would be an event of the utmost importance.

59. One salient point still remains to be settled during the present negotiations. The United Kingdom is anxious for the preferences currently applied in the Commonwealth to temperate-zone agricultural commodities to remain in force until international agreements on market organization have actually been concluded. In this way the duration of the preferential treatment would not be tied to a predetermined transition period. EEC, on the other hand, seems to consider it indispensable to fix a deadline.

60. If the negotiations under way lead to the gradual disappearance of the Commonwealth tariff preference system, it may be asked whether association agreements are likely to be entered into thereafter between the Commonwealth countries and EEC expanded by the incorporation of the United Kingdom.

In this connexion, EEC and the United Kingdom seemingly agreed at the above-mentioned ministerial meeting on 30 June 1962 that the United Kingdom should hold conversations with Commonwealth countries to ascertain which of them were interested in the possibility of eventual association with EEC. It is not clear from the information available whether the talks would include all or only a few of the Commonwealth countries. In addition, the European Parliament, at a meeting held at Strassbourg a few days before (26 June), adopted a resolution to the effect that solutions to the problems raised by the entry of the United Kingdom into EEC should be sought in the association of the Commonwealth countries with the Community.

61. The foregoing chiefly concerns the problems that the preferential treatment given to Commonwealth countries in the British market will present in relation to the possible incorporation of the United Kingdom in EEC. In connexion with other aspects of the procedure, negotiations are under way to give the agricultural sector in the United Kingdom a

/certain amount

certain amount of time in which to adapt itself to the rules governing EEC's agricultural policy, so that the necessary readjustments can be made and the level of income of the British peasant safeguarded. It would not be surprising if this part of the negotiations were to bring about certain changes in the regulations governing EEC's agricultural policy.

62. If, as seems likely, the general negotiations are successful, it is unlikely that the United Kingdom's membership of EEC will become effective before January 1963.

63. As regards the picture that emerges from the negotiations between EEC and the United Kingdom, there is no doubt that, quite apart from developments in regard to agriculture, their results will be instrumental - perhaps extremely so - in deciding whether EEC is to continue to develop the strong tendency towards self-sufficiency inherent in any market grouping based on discriminatory treatment, or whether it will become less exclusive and help to promote greater freedom of trade throughout the western world.

The time is not yet ripe for hazarding conjectures. For the first alternative to materialize, the United Kingdom would have to become a member without any appreciable changes taking place in the basic principles followed by EEC in such matters as the external tariff, definition of origin, the common agricultural policy and the régime of association with former overseas territories. Nevertheless, unless unforeseen breakdowns occur, the trend of the present negotiations leaves a margin of possibility for events to take the second of the two alternatives indicated. Without violating the basic principles referred to, it is very difficult to find a solution to the problems raised by the incorporation of the United Kingdom into EEC and the consequent weakening or disappearance of the Commonwealth preference system. In connexion with this difficulty, another possibility is crystallizing for EEC: the association of Australia, Canada, Ceylon, India, Pakistan, New Zealand and other Commonwealth countries with the European Common Market. Apart from producing radical changes in EEC, this might drag off its course the association agreement

/between EEC

between EEC and Africa, which will be dealt with later (paragraphs 66-81 below). It would be hard to maintain in Europe discriminatory treatment that favoured African exports to the detriment of other associates' foreign trade. Taking an optimistic view, all this suggests that it is not beyond the bounds of possibility that EEC may take on the aspect of a vast free-trade area for non-agricultural commodities at least, an area broadened by the addition of the European countries that are now grouped in EFTA. The latter would disappear once the United Kingdom - its chief member - entered the European Common Market.

64. This trend of events seems to be in keeping with the situation as foreseen by the United States. It has often been observed that two opposing forces exist in United States trade policy which are generally difficult to reconcile: a protectionist trend, based on the relative unimportance of its exports, and another in favour of free trade and frankly advocating the adoption of the unconditional most-favoured-nation clause as the norm for international trade relations. Over and above these tendencies, the motives which led the United States to support the formation of a European common market were, as is well known, chiefly political. The decisive influence exerted by the United States' stand in GATT during the discussions that followed the submission of the Rome Treaty for GATT's views should be remembered in this respect. But without prejudice to this support the concept of a kind of Atlantic economic community, capable of working towards the same political objectives as the European Common Market but not using the discriminatory treatment inherent in the application of the Rome Treaty as a weapon against the growth of trade relations in the West, inspires strong sympathy in powerful United States circles. If EEC continues to develop along the same lines as at present, it would not be surprising if the somewhat disconcerting step announced recently and demonstrating the rapidity with which the European Common Market has strengthened its international standing - the application of tariff reprisals to the United States - were taken again in future. If, on the other hand, the entry of the United Kingdom leads to a change in some of EEC's basic lines of policy, it would also not be surprising to find a strong movement towards greater freedom of trade between the

/United States

United States - whose Government has made some unequivocal statements in this respect - and the European Common Market and its associates. Accordingly, although none of this looks straight forward as things stand at present, it would be wise, in examining Latin America's position in relation to the new turn in affairs, not to rule out entirely all possibility of a development of this kind. The repercussions on Latin American interests of a closed-shop EEC - open only to a preferential system for Africa - would undoubtedly be very different from those of a Community open to all countries and integrated into a wide range of markets. Within the sphere of the latter it might be possible to prevent tariff treatment from imposing other discriminations besides those that derive from the system of incentives offered by the major importing centres to manufactured goods from less-developed countries.

(b) EEC political union

65. With respect to this project, whose future also seems to depend on the negotiations under way between EEC and the United Kingdom, it was agreed by the Chiefs of State of the Six, at a meeting held on 18 July 1961 at Bonn, that the desire for European political union implicit in the CECA, EEC and EURATOM treaties should be given constitutional form. A commission was appointed to draft statutes for the political union, with due regard for:

- (a) The development of common action in defence of human rights, democracy security and economic and social progress;
- (b) The co-ordination of foreign policy;
- (c) The creation of a Council whose meetings would be attended every four months by Chiefs of State and more frequently by their respective Ministers for Foreign Affairs. The decisions of the Council would require unanimity, the votes of all the members having equal weight;
- (d) The establishment of an Assembly composed of representatives of CECA, EEC and EURATOM; and

/(e) The formation

(e) The formation of a political commission in the nature of a secretariat which would prepare the background for the decisions of the Council and see to their fulfilment.

(c) Association between EEC and African countries.

66. This question has an important bearing on the future of Latin America's exports of tropical products to Europe, which might be adversely affected if EEC maintains its tariff preferences in favour of African countries. Since, depending on the course of events, these preferences might cover not only the natural product but its industrial derivatives as well, the competitive power of the country exporting the former would be substantially increased. In the case of bananas, for example, the competitive status of the exporter country in respect of the unripe fruit depends not only on the treatment accorded to this commodity by the purchasing market but also to the treatment given to banana meal.

67. The basic provisions now in force, and due to be renewed or superseded early in 1963, allow for the duty-free entry into the EEC countries of primary commodities and manufactured goods from their former overseas territories in Africa. These territories, on the other hand, can levy duties on imports from their European associates. It is taken for granted that political motives will play an important part in the decisions ultimately adopted with respect to the future of this system.

68. Reference has often been made in Europe to the desirability - again for political reasons - of smoothing out or harmonizing the tariff régime instituted between EEC and its former overseas territories and the treatment to be accorded to the Commonwealth in connexion with the United Kingdom's entry into the European Common Market. It is recognized in various circles in Europe that it is important to avoid the conflicts which would arise if different treatment were given to Europe's imports from its former overseas territories and to those from the Commonwealth. Harmonization would give the Commonwealth countries some compensation for the setback which their agricultural exports will presumably suffer in the British

/market if

market if the United Kingdom joins EEC. Nor must the possibility be excluded that after a while the new bases for the association of EEC with Africa, and possibly with the Commonwealth countries, may result in the establishment of a system of minimum prices and quota tonnages for certain agricultural products from supplier countries belonging to the association, until the international agreements on market organization mentioned above have been concluded (see paragraphs 43-47). 69. A short while ago^{16/} a draft prepared in EEC was issued, providing a basis for discussing with the African countries the final terms of the association that will represent the relations between the Community and its former overseas territories for five years, beginning in January 1963. It is not yet known whether the association will eventually assume the legal form of a free-trade area. The text of the draft, which brings together a large number of the conclusions reached at the first ministerial meeting between EEC's African associates and the EEC Council,^{17/} consists of fifty-eight articles, followed by seven protocols and three declarations of intention.

In the preamble, laying down general principles, it is established that there will be equality between the partners. Subsequently, the part dealing with objectives stipulates that these should promote the economic, social and cultural development of the African States. Then follow a series of provisions by virtue of which EEC members are to eliminate customs duties on imports from their sixteen African associates. In so doing they are to abide by the same rules as those applied by the Treaty of Rome to reduce or suspend existing tariff charges on trade between EEC members. Apart from these measures, the duties on imports of the following goods are to be completely abolished in January 1963: bananas, pineapples, coconuts, coffee not roasted and or freed of caffeine, tea, pepper, not crushed or ground, vanilla, cloves, cacao (beans whole or broken, raw or unroasted) and tropical wood (sawn but not further prepared).

^{16/} See Europe, Bulletin No. 1273, Luxembourg, 24 May 1962, pp. 1-3.

^{17/} See Bulletin of the EEC, Fifth Year, No. 1, Brussels, January 1962, pp. 13-19.

70. Similarly, as of that date, products that are duty-free when they come from the African associates must, in order to enter EEC, pay the whole of the duty established for such products in the EEC external tariff if they come from third countries.

71. In respect of quantitative restrictions, EEC proposes to apply to imports from its African associates the same measures of liberalization as govern trade relations among EEC members.

72. As regards imports into African countries from EEC countries, these will be given non-discriminatory treatment. In other words, the import duty imposed on a particular product from one EEC country will be equivalent to the duty levied on the same product from other EEC countries.

Any African customs duties in effect on 1 January 1963 that are applied selectively to certain EEC countries will be abolished forthwith. If at that same date the duty on a particular product is applied to all EEC countries alike, the process of abolition will be gradual, the incidence being reduced by 15 per cent every year beginning in July 1963.

73. It should be added that the duty applied by an African State to specific imports from EEC may in no case be heavier than the duty on a similar product from a third country.

74. Import quotas applied by the African States to goods from EEC countries will be eliminated if the latter have not used them for two consecutive years. The remainder will be transformed into a single comprehensive quota for each product, in EEC's favour, equal to the sum of the 1962 quotas expanded by 20 per cent. The quota system for imports of goods from EEC into the associated African States is to be eliminated by January 1967.

75. After prior consultation with the Council to be set up as an organ of the association, the African States may apply non-discriminatory duties and quotas to imports from EEC, whenever this is necessary to stimulate the creation and development of new industries or for sound fiscal reasons.

/76. In addition,

76. In addition, the draft contains provisions dealing with matters such as the following: (a) definition of the circumstances in which EEC countries would be entitled to take certain protective measures with respect to restrictions on imports from the African States; (b) due consideration by EEC for the interests of its African associates under the common agricultural policy in respect of certain commodities produced by them that compete on the markets with products from countries in other regions; and (c) participation of the African States in the new Development Fund set up to finance investment for economic and social development, carry out technical co-operation and promote the marketing of agricultural commodities. Investment would take place through loans at a low rate of interest or, in some cases, through the granting of subsidies.

For those purposes the Development Fund would contribute about 730 million dollars in the form of loans and donations during the five-year period 1963-67, and another 50 million would be supplied by the European Investment Bank. An increasing proportion of this sum would be allotted every year to projects relating to the infrastructure and the diversification of production, and increasingly smaller amounts to the sale of tropical products such as coffee, cotton, tobacco, sugar and oil-bearing plants. The rate at which these annual allotments are increased and decreased will be decided by agreement between EEC and the African countries.

77. Little by little the terms will be laid down on which industrial and commercial undertakings from EEC countries can be established in the associated African States.

78. The organs of the Commission will be: (a) the Council, whose decisions must be unanimous. This will comprise the EEC Council (one vote) and the representatives of the associated African States (one vote in all); (b) the Committee, consisting of a representative from every EEC country, an EEC representative and a representative from each African State; and (c) the Parliamentary Assembly, which will meet at least once a year. This will consist of representatives of the European Parliament and an equal number of representatives from the Parliaments of the associated African States.

/79. The discussions

79. The discussions in EEC of the bases for negotiation summarized above (paragraphs 69-78) gave an opportunity to some EEC members to declare themselves in favour of a reduction in the preferential treatment applied under the common external tariff to tropical agricultural commodities. In this connexion, as stated before (paragraph 57 above), an agreement appears to have been reached in Brussels on 3 July 1962 whereby the duties fixed by the common external tariff for coffee and cacao would be cut by 40 per cent. This would appear to have something to do with the representations made by third countries, including Brazil, that have long supplied Europe with these commodities.

80. On 4 and 5 July 1962 a meeting at the ministerial level took place between the EEC Council and the associated African States with a view to expediting the relevant negotiations. The meeting was unable to come to an understanding on some of the commercial, financial and administrative aspects of the association. The representatives of the African countries apparently considered that the amount offered for diversification and marketing of production was not enough to compensate for the abolition of the system of subsidies prevailing in some of France's former overseas territories, and they therefore requested that the same system be maintained. In any case, the allotment of the funds would be independent of any additional assistance that individual African States might obtain bilaterally from EEC members. The ministerial meeting will be reconvened in September to enable the experts to carry on with their technical studies in the meantime.

81. Some of the comments which the convention between the African States and EEC has evoked in Latin America are summed up below:

(a) The preferential treatment accorded to Africa has given a great boost to its economic development by stimulating its exports. Combined as it is with financial and technical assistance to improve productivity and marketing, this preferential treatment will enable an increasingly large volume of African products to enter the world market, and precisely those items which Latin America traditionally exports and which are becoming more and more problematic as far as marketing is concerned.

/(b) If the

(b) If the renewal of EEC's preferential treatment for Africa turns out to be inevitable, this will set a precedent that might authorize Latin America to consult with the United States on the possible establishment of some form of preference in the United States market for particular items of great actual or potential importance for the Latin American countries' balance of payments. The precedent provided by the first association agreement between EEC and its former overseas territories, and now likely to be endorsed by the new convention gives sufficient grounds for overruling any objections that third countries might put forward, on the strength of the GATT rules, to the possible concession of preferential tariff treatment to Latin America by the United States provided the relevant negotiations show that their interests coincide on certain points. In view of the fruitful economic collaboration in the past between Latin America and the United States there are good prospects of an understanding being reached.

(c) Would the association convention between EEC and the African countries constitute an obstacle to the eventual conclusion of trade agreements between those countries and Latin America? Such agreements would aim at obtaining on the basis of reciprocity, the same tariff treatment for Latin America's exports to Africa as for their European counterparts. The opening of the African market might be one way in which Latin America could be indemnified for the damage it has suffered through the restriction of its exports to the European market as a result of the discrimination practised in favour of the African countries.

6. Bargaining power

82. The solution to the problems with which Latin America is beset as a result of the present trend in world trade policy will primarily come from the region itself, if it makes satisfactory progress towards the formation of its common market, allowing autonomous economic growth and increasing that rate of growth and adapting the structure of certain branches of production to the structure of world-wide demand, thereby

/strengthening its

strengthening its bargaining power vis-à-vis third countries or economic groupings in other regions. It is essential to strengthen this bargaining capacity, since groups such as EEC are largely motivated by political considerations beside which arguments inspired by economic facts lose their significance, particularly if the representations in question are made by countries acting in isolation. Any negotiation therefore needs to be solidly backed by a common political purpose, translated into proper co-ordination and based on a plan of action and programme of practical targets it is desired to attain.

83. One obstacle to the strengthening of bargaining power is the limited number of Latin American specialists in these fields and the natural concern frequently aroused in Governments by the employment of foreign experts when negotiation tactics have to be devised in respect of matters in which interests may be involved that run counter to those of countries or groups of countries in other regions.^{18/} The scarcity of specialists is another reason for making full use of those that are available for the benefit of the region, and this cannot be done without proper co-ordination.

84. As is pointed out in paragraph 81 above, it is important for Latin America's bargaining power that this should be based on similarity of interests between Latin America and the United States if these interests are to carry weight in the course of the negotiations with EEC and in GATT.

^{18/} For purposes of training in trade policy, the Governments members of ECLA agreed that specialized courses should be given (resolution 14 (III) of the Trade Committee, adopted on 10 May 1961). The first of these courses is being prepared and will be attended by the government officials concerned.

Among the possible points of economic agreement, some thought should be given to the following. If in view of the trends apparent at the present time - in the Western European countries towards economic recovery, in the Latin American countries towards stagnation of their export trade (see annex I, table 4), and in the United States towards the shrinking of their gold and foreign exchange reserves as a result of balance-of-payments problems - the increase in real income in the Western European countries could be partly used to expand their purchases in Latin America, the latter region would be able to import more from the United States. Apart from its importance for western solidarity, this would have a favourable impact on international liquidity, to the benefit of all concerned.

85. One limitation to Latin America's power of negotiation comes from the fact that, since its countries as a whole make scant use of the opportunities offered by GATT as a forum in which a kind of comparative assessment may be made of the major international trade flows. Some of the rules laid down for this comparison could be made use of by Latin America - if it acted in a thorough and co-ordinated way - to protect and expand its own exports.

86. There are signs that great care will be taken in the negotiations with economic groupings in other regions and that a clear distinction will be drawn between the economic and the trade angle, since the frequent tendency to harbour illusions as a result of the prospect of economic assistance can easily undermine action in the field of trade. This is the source of the principal difficulties afflicting Latin America's external balance of payments.

7. Financial matters and technical assistance

87. As already stated (paragraph 12), authoritative circles in Europe seem in general to incline towards collaboration with Latin America in financial and technical assistance matters rather than towards negotiable tariff agreements of a compensatory nature. Such compensatory measures would be intended to repair the damage that might be done to

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the Latin American economies by the establishment of the external tariff, by measures inherent in the common agricultural policy, or by preferential treatment for Africa.

In this connexion, since responsible circles in Latin America consider that however valuable the financial and technical collaboration of EEC may be, it can never replace the necessary trade agreements,^{19/} it is desirable that the Latin American countries should find some co-ordinated means of expressing their views with respect to such collaboration also. The fact that a number of different organizations deal with these matters in relation to Latin America is an impediment to the definition of principles and to the establishment of agreements that would lead to practical action.

These organizations include the EEC Commission and Council of Ministers, and the Development Aid Group (DAG) in the Organization for Economic Co-operation and Development (OECD). Another agency likely to be of importance may also be established. This would be a Commission, possibly with its headquarters in Paris, and, within the purview of EEC's political organization it would concern itself chiefly with financial questions and technical assistance for Latin America from the countries making up the European Common Market.

88. The role allotted to DAG is essentially to promote the co-ordination and efficacy of measures to aid the less-developed countries. It will begin by making a sort of inventory of the OECD countries' activities in this respect, and hold periodic meetings, possibly once a year, to examine the situation and study the bases for co-ordinated action. There is a general impression in Latin America that progress will not be very rapid, because of the variety of circumstances, motives and principles - some of them peculiar to the application of the various countries' foreign policy - that determine the respective conduct of OECD members.

It has been suggested, as already mentioned in this document, that during the initial stages DAG's activities may specifically relate to the establishment of a minimum level of assistance for the less advanced countries. This might perhaps be fixed at 1 per cent of the income of

^{19/} Annex I, tables 5 and 6, demonstrate the importance of the Western European market for Latin America's exports.

each DAG member. It has also been proposed by DAG that, in due course, it should concern itself with encouraging the formation of financial consortia to pave the way for the application of specific over-all development plans. In such cases, the country assisted would be invited to join a special DAG group.

89. With respect to the inflow of capital into Latin America, it is felt in certain European circles that the establishment of some form of multilateral insurance to cover non-commercial risks in foreign investment would to a certain extent help to raise the future level of such investment.^{20/} The World Bank has been requested to study certain economic and financial aspects of a draft agreement on the subject which was prepared by OECD without the participation of the Latin American countries or of its non-members.

90. Viewed as a whole, European experience with respect to long-term export credits cannot be regarded as satisfactory, according to competent observers. Not only does it to a certain extent make for the preservation of bilateralism and have an unfortunate effect on the monetary system, but it produces a type of competition whose repercussions have been felt equally by the different countries.^{21/}

^{20/} It is public knowledge that, in a document recently submitted to the EEC Council of Ministers, the EEC Commission pointed out the desirability of considering, as part of a plan of action embracing other aspects of the relations between EEC and Latin America, ways and means of facilitating direct investment in Latin America through the establishment of a guarantee fund to assure the profitability and security of such investments. With the same end in mind, it is also recommended that Latin American securities should be offered for sale on the European stock market.

^{21/} European experts theoretically believe that, for Latin America, it would be best to regard any system of credit for inter-Latin American exports simply as a complement to import credits, and to make every effort to finance the latter by means of international public funds. In terms of interest this would cost much less to finance than commercial credit for exports.

/EEC is

EEC is controlling the policy of long-term export credits for third countries through an inter-governmental group that reviews cases of exports for which total payment would be effected over a period of more than five years. By means of contact between this group and an appropriate Latin American organization it might be feasible to reach an understanding that would lessen or ward off the effects of competition between Latin American and European suppliers with respect to the period of credit for sales in Latin America.

91. As regards technical assistance - to mention one aspect only - attention should be drawn to the aid that Latin America might receive from EEC countries through EURATOM.

Thanks to the research that is being carried out in EURATOM's own laboratories and, on its behalf, in certain public and private institutions, it seems likely that suitable types of reactors capable of producing energy at competitive prices and in conditions affording adequate protection for health will soon be found. It is expected that the construction of public power plants on a fairly large scale will be started in EEC countries within the next four years or so. It is also estimated that by about 1985 nearly a quarter of their energy requirements will be supplied by those plants.

92. Apart from an agreement for certain specific purposes between EURATOM and the Inter-American Nuclear Energy Commission (IANEC), Brazil was the only Latin American country to sign an agreement to make use of the technical collaboration offered by EURATOM. This agreement offers Brazil the possibility of technical assistance in its prospecting for minerals of nuclear importance, in the analysis of such minerals, in the construction of research and production plants, in the exchange of radioisotopes and the processing of radiation fuels. Brazil will also make use of some of the 200 fellowships provided by EURATOM. Argentina has started negotiations for a similar agreement on co-operation.

93. The possible use of technical assistance from EURATOM implies the existence of certain national or multi-national resources. Among them would be reactors and other laboratory equipment, and the creation of university chairs, to provide basic training for physicists, chemists, biologists, engineers, economists and other nuclear specialists so as
/to equip

to equip them to channel the co-operation of EURATOM and to ensure that it is advantageous for the recipient country. It should be noted in this respect that the fellowships are distributed among nuclear specialists of a certain standing, since the fellows work as an integral part of EURATOM's technical teams, mainly in the central laboratory at Ispra (Italy).

94. The fact that the progress made in the matter of peaceful uses of atomic energy is very uneven will bring into play in Latin America a new factor making for unbalanced economic growth. This will be unfavourable to those countries which, for want of the necessary raw materials, are unable to make a start towards utilizing European technical assistance through EURATOM.

8. Channels and machinery

95. This brief list of points should be rounded off by an examination of the most appropriate channels and machinery for facilitating and imparting continuity to the contacts between Latin America and the large groupings of countries - particularly EEC - which, being in the nature of customs unions, will develop a joint trade policy once the transition period is past. This policy is already taking shape in some respects.

96. In October 1961, when it seemed likely that a political union of the States members of EEC would shortly be established, it was understood that general consideration was being given to a co-ordinated approach to direct and indirect economic co-operation affecting Latin America, to the machinery for such co-operation, specific projects suitable for joint assistance, technical collaboration and examination of the problem of Latin America's basic export commodities. As regards institutional matters, action was to be taken within the province of the Council envisaged for the European political union, through the secretariat or a special committee.

97. Four years ago EEC suggested to Latin America that consultative meetings should be held at the government level, but it did not obtain sufficient Latin American backing to put the idea into practice.^{22/}

^{22/} At the request of government officials, the ECLA secretariat collaborated at the time in the preparation of the preliminary draft of a joint reply from the Latin American countries to the European Common Market. It was thought then that their reply, in conjunction with other measures under consideration, would mark the beginning of endeavours to co-ordinate certain phases of Latin America's trade policy. Thirteen countries eventually sent individual replies to EEC couched in similar terms.

On 22 June 1962 a preliminary document prepared by the EEC secretariat and relating to a project for relations between Latin America and the European Common Market was brought to the attention of the EEC Commission. The document, reviewed the existing relations between EEC and the Latin American countries and their prospects, with due regard to the results of the tariff negotiations concluded a short while ago in Geneva, the possible influence on those relations of the association between EEC and the African countries, and the repercussions of the European agricultural policy. One of the suggestions made in the document refers to the establishment of EEC liaison offices in Latin America.

The actual text of the document was not published, but from fragmentary and unofficial information, it appears that it contained suggestions on the following lines:

(a) The EEC countries should adopt a common attitude in international circles in favour of the preparation and proper application of world-wide agreements. As part of this policy, the EEC countries should also support in GATT the application of a new theory on world trade in agricultural commodities from temperate zones.

(b) Although the actual repercussions on the trade in question may be very slight, their psychological effect on the atmosphere of trade relations between Europe and Latin America makes it advisable to give favourable consideration to the reduction of taxes in Europe and some cuts in the EEC external tariff, particularly with respect to coffee, cacao and bananas.

(c) The measures taken to increase trade between the two regions should definitely take into account the possibility of assisting Latin America's industrialization effort. This point demands careful consideration since under the terms of the present trade régime any tariff reductions favouring imports of Latin American manufactured goods into Europe would be extended to the rest of the world as well. At another stage, the Six might use the European offices for external trade to help South America to publicize its export possibilities in Europe.

/(d) The Latin

(d) The Latin American countries often ask for extension of the credit terms given to them for the purchase of industrial equipment in Europe. Only a short while ago they made representations for an extension of the period from five years - which was the usual time-limit allowed - to ten years. The co-ordinating group for credit insurance, guarantees and credit policy set up in EEC might study the question.

(e) One of the basic problems of European private investment in Latin America is how to guarantee the security of the capital. EEC might have exploratory talks with appropriate agencies, as for instance, the Inter-American Development Bank, with a view to ascertaining the possibility of establishing some sort of guarantee fund for the purpose. In order to ease the flow of capital, consideration should also be given to the opening of European markets to Latin American securities.

(f) There are several feasible methods of achieving technical co-operation. There is undoubtedly room for such co-operation between the future Institute for European development and the Latin American Institute for Economic and Social Planning established by ECLA at Santiago, Chile. But if substantial assistance is to be given to Latin America in technical training, vocational training and the improvement of productivity and administrative methods, the prime need is for the six EEC countries to co-ordinate their activities in the field of technical co-operation. One possibility might be for EEC to set up some training centres in Latin America for specific branches of industry.

(g) As regards the establishment of mutually advantageous relations between EEC and Latin America, it was suggested that EEC representatives should participate in technical meetings for the purpose of clarifying problems relating to mutual relations, the organization of information courses in EEC for Latin American officials, and the formation of a liaison group to bridge the gap between the departments of the Commission in Brussels and the representatives of the Latin American countries.

98. In Latin American circles it is beginning to be clearly understood that if Latin America persists in acting without any co-ordination vis-à-vis the present policy of grouping, it will continue to have too little to say in decisions that closely relate to its economy and its future. Various circumstances have combined to crystallize this, including the experience gained in the 1960/61 tariff conference and the alarming uncertainty of the present situation.

99. In compliance with the recommendations of the Governments represented on the Trade Committee, the ECLA secretariat has had these matters in hand for many years.^{23/} In order to follow the trend of events, it maintains

^{23/} Resolution 121 (VII) of the Economic Commission for Latin America, adopted at La Paz on 27 May 1957, recommends to the secretariat that it observe closely the economic integration of Europe, that it keep the member Governments supplied with the relevant information, and that it carry out broad studies on the prospects for trade relations between Latin America and Europe. At the same time it recommends to the member countries of the Commission that they carry out consultations on the possible repercussions of the European Common Market.

Resolution 11 (III) of the ECLA Trade Committee, adopted at Santiago, Chile, on 10 May 1961, recommends to the secretariat that, in carrying out its studies on trade policy, it give special consideration to the expansion of trade with other regions and that it examine the problems of trade relations with countries or groups of countries in those regions.

These two resolutions, as well as others authorizing the secretariat to convene meetings of experts for the purpose of carrying out tasks relating to Latin America's foreign trade, bear out resolution 101 (VI) of the Commission, adopted at Bogota on 15 September 1955 recommending the creation within the Commission of a Trade Committee which, mindful of the fundamental necessity of increasing over-all world trade through the solution of the practical problems which hamper or delay it and the preparation of bases to facilitate trade negotiations, would prepare specific proposals in harmony with the present and future bilateral and multilateral commitments of member Governments.

/informal contacts

informal contacts with EEC, EFTA and OECD and keeps a close watch on the progress of affairs in GATT that have to do with Latin America's over-all foreign trade.^{24/}

As a result of some of these contacts, it was agreed at the end of 1960, in the course of discussions with specialists in EEC, that both secretariats should work simultaneously on the preliminary elucidation of problems to be clarified before the bases of the financial and commercial collaboration between the European Common Market and the Latin American countries can be adapted to the new circumstances that have come into being. In connexion with this agreement, EEC requested the Hamburgisches Welt-Wirtschafts-Archiv to analyse the existing trade between Europe and the Latin American countries and its future prospects. The analysis offers interesting suggestions for future dealings between EEC and the countries belonging to the Latin American Free-Trade Association; these are reproduced in annex II to the present document.

100. Pursuant to various resolutions adopted by Governments at conference and meetings of inter-American agencies, the Organization of American States (OAS) has been carrying out valuable studies. These include a study on basic products and the effect on their export trade of the establishment of the European Common Market; another on the different problems caused thereby; and finally, the recent contacts entered into with EEC.

101. There is no doubt that present circumstances and the developments now under way, as briefly pointed out, are good grounds for the views beginning to be held in Latin American circles on the advisability of a joint governmental examination of the situation as a preliminary to possible co-ordinated action in the future.

^{24/} See the documents cited in footnote 1, and also a Study of Inter-Latin American Trade, United Nations Publication, Sales No.: 56.II.G.3; Inter-Latin American Trade: Current Problems, United Nations Publication, Sales No.: 57.II.G.5; The Latin American common market, United Nations Publication, Sales No.: 59.II.G.4 and Multilateral Economic Co-operation in Latin America, Vol. I, United Nations Publication, Sales No. 62.II.C.3.

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Annex I

TARIFF AND STATISTICAL DATA ON LATIN AMERICAN EXPORTS TO EEC

KEY TO SYMBOLS

1. Import permits: Individual authorization granted subject to certain conditions.
2. State trading: Direction and control of import trade by the State, either directly or through official agencies.
3. Discrimination: Extension of advantage to products from specific countries or currency areas.
4. Variable import duties or charges: Levies over and above customs duties, applied to imported goods for specific purposes, such as the stabilization or maintenance of domestic prices at a given level.
5. Health restrictions: Prohibition of imports from countries in which foot-and-mouth disease exists.
6. Maximum and minimum price system: Liberalization of imports when domestic price exceeds the maximum price fixed for the product in question, and automatic suspension of imports when domestic prices fall below the fixed minimum.
7. Tie-in purchase requirements: Regulations requiring importers or manufacturers to purchase a given percentage of similar domestic products.
8. Quota system: Establishment, at regular intervals, of maximum quantities that may be imported, on the basis of either volume or value.
9. Production or turnover taxes: Taxes applied when goods have been manufactured from the products concerned.
10. Tariff preference: Application of a preferential tariff for specific countries.
11. Seasonal regulations: System whereby imports are suspended during certain periods of the year.
12. Corporate system: System under which imports are the responsibility of national associations or agencies to which the producers belong.

EXPLANATORY NOTES

Table 1 was drawn up on the basis of data from the following sources:

- a) GATT documents;
- b) Information given to the Uruguayan delegation by other delegations accredited to GATT;
- c) Information furnished by the Governments of the countries mentioned in the table to diplomatic missions of the Republic of Uruguay in Europe.

For the purposes of the table, nineteen countries were selected which are major consumers of Uruguayan products. As regards the latter, thirty items were taken which during 1960 accounted for 97.5 per cent of Uruguay's exports. It should be pointed out that the table includes only twelve types of restriction applied to Uruguayan exports by the nineteen countries considered; no account is taken of other important types, such as the following:

1. Certain customs duties considered to be prohibitive;
2. Bilateral agreements;
3. Domestic subsidies;
4. Preferential treatment arising out of the creation of the European Economic Community (EEC) and the European Free-Trade Association (EFTA).

No distinction is made in the table between restrictions applied under GATT provisions and those which might be considered to constitute a breach of the General Agreement.

/Table 1

IMPORT RESTRICTIONS IN FORCE IN EUROPE IN RESPECT OF COMMODITIES EXPORTED BY URUGUAY

Classification under the Brussels tariff nomenclature	Description of products	European Economic Community (EEC)					European Free-Trade Association (EFTA)										Czechoslovakia	Spain	Yugoslavia
		Federal Republic of Germany	France	Italy	Belgium and Luxembourg	Netherlands	United States	Canada	United Kingdom	Austria	Switzerland	Portugal	Denmark	Norway	Sweden	Finland			
02.01	Meat of bovine animals, frozen	2	2-10	6	1-3	1	5	5	10	1-4	1-8	1-3	1-3-8	1-6	1-3-4-6	1	2	2-4	2
02.01	Meat of bovine animals, chilled	2-3	2-10	6	1-4	1	5	5	10	1-4	1-8	1-3	1-3-8	1-6	1-3-4-6	1	2	2-4	2
02.01	Meat of sheep and lambs, frozen	2	2-10	6			5	5		1-4	1-8	1-3	1-3-8	1-6		1	2	2-4	2
02.01	Offals of bovine animals or sheep (chilled)	2	2-10	6		1	5	5	10	1-4	1-8	1-3	1-3-8	1-6	1-3-4-6	1	2	2-4	2
16.02	Preserved meat	2	2-10		1-4				10	1	1-8	1-3	1-3-8	1	4	1	2	2-4	2
16.03	Meat extracts		10		4				10	1		1-3	1-3-8	1		1-8	2	2-4	2
10.01	Wheat	2-4-7	2-10	2	1-4-7	1-4-7	8	2	10	2-4-7	1-4-7	3-12	1-3-4-8	2	4-6-7	1-7	2	2-4	2
11.01	Wheat flour	2-4-7	2-10	2	1-4	1-4	8	2	10	2	2	3-12	1-3-7-8	2	4	1	2	2-4	2
10.03	Barley	2-4	2-10	11	1-4	4		2	10	2-4	1-4-8	3-12	1-3-4-8	2	4	1	2	2-4	2
10.06	Rice	2	2-10				1-3				1-4	3-4-12	1-3			1	2	2-4	2
15.07	Linseed oil, crude	9	2-10	1-3-8-9	1-4				10	9	1-3	1-3	1-8			1-8	2	1-3-4	2
15.08	Linseed oil, refined	1-9	10	1-8-9	4				10	9	1-3	1-3	1-8			1-8	2	1-3-4	2
15.07	Edible oils, crude	9	2-10	7-9	1-4		4	9	10	1-9	2-4	1-3-4	1-3-8	1	4		2	2-4	2
15.07	Edible oils, refined	2-9	2-10	7-9	1-4		4	9	10	1-9	2-4	1-3-4	1-3-8	1	4		2	2-4	2
23.04	Oil cake				1				10		1-4-8	1-3	1-3		4	1	2	2-4	2
23.04	Oil meal				1				10		1-4-8	1-3	1-3		4	1	2	2-4	2
41.01	Cow-hides, dried and salted								10			1-3-4	1-3				2	1-3-4	2
41.01	Sheepskins, dried and salted								10			1-3-4	1-3				2	1-3-4	2
41.01	Sheepskins in the wool								10			1-3-4	1-3			1-8	2	1-3-4	2
41.02	Bovine cattle leather	8	10		1-4	1			10		1-4	1-3			1-8-10	2	2-4	2	
41.03	Sheepskin leather		10		4				10		1-4	1-3				10	2	2-4	2
41.06	Crack-dressed leather	8	10		4						1-4	1-3				10	2	2-4	2
41.07	Parchment-dressed	8	10		4						1-3-4	1-3				10	2	2-4	2
41.08	Patent leather and leather	8	10		4						1-4	1-3				10	2	2-4	2
53.01	Greasy wool /metallized										1-3-4	1-3					2	1-3-4	2
53.01	Washed wool				4						1-3-4	1-3					2	1-3-4	2
53.03	Waste of combed and carded wool and other wool waste		10									1-3-4	1-3				2	1-3-4	2
53.05	Wool tops	1-3	1-3		1				10			1-3-4	1-3				2	1-3-4	2
53.07	Yarn of combed sheeps or lambs wool	1	1-3		4				10	1-3		1-3-4	1-3			10	2	1-3-4	2
53.11	Woollen shawls	1	1-3		4				10	1-3	1	1-3-4	1-3			1-8-10	2	2-4	2

NOTES

1. The 1960-61 Tariff Conference is the title given to the fifth series of negotiations of the General Agreement on Tariffs and Trade (GATT). This series comprises:
 - a) The negotiations of the European Economic Community (EEC) with the other countries members of GATT in connexion with article XXIV, 6 of the Agreement;
 - b) The Dillon negotiations, which are general in character and concern all the Contracting Parties of GATT;
 - c) The incorporation of new countries into GATT.
2. Rates of incidence are expressed in ad valorem percentage terms
3. A list of quotas is presented in table 3.
4. "Ex" implies that the duty is seasonal or that only part of a tariff item has been negotiated or consolidated. Seasonal duty is usually in force from 15 March to 15 September.
5. Quotas negotiated under GATT remain in force for three years and cannot be reduced within that period.
6. The rates of incidence which are not underlined in the appropriate column are those fixed by EEC's external tariff and not negotiated at the 1960-61 Tariff Conference. Once the quotas have been covered, imports in excess of their volume are subject to the regime of duties established by EEC for the product concerned.
7. Underlining of the percentages or of the note "free" implies that the treatment accorded by the common external tariff was not negotiated or consolidated at the 1960-61 Tariff Conference.
8. The value of the EEC unit of accounting, in terms of which the duties established by the external tariff are expressed, is 0.88867038 grammes of fine gold. Its gold equivalence is therefore the same as that of the United States dollar.
9. The following abbreviations have been used for national currencies:

DM = Deutschmark
BF = Belgian franc
LF = Luxembourg franc
FF = French franc (old)

/Table 2

Table 2

TARIFF CONFERENCE 1960-61: TREATMENT OF EXPORTS INTO THE EUROPEAN COMMON MARKET OF SELECTED
COMMODITIES EXPORTED BY LATIN AMERICAN COUNTRIES

Classification under the Brussels tariff nomenclature, BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
02.01 A	Meat of bovine animals, chilled	20	12	35	30		20 ex: The rate of incidence of the duty was stabilized for an annual quota of 22 000 tons
02.01 B	Meat of sheep, chilled or frozen	20	12	35	40	B II B III	20 12
02.01 E	Offals	20	12	35	40	A I, B I, A II, IIIa, IV, B II, B III	(16) (20) (12) Free (for the manu- facture of pharmaceutical products)
03.02	Fish flour	10 7	20 0	35 30	35 40	A I C: from cod; annual quota of 24 000 tons. From other fish, 13 per cent. Smoked salmon 13 per cent	4
04.03	Butter	25	15	25	30		24

/Table 2 (cont'd 1)

Table 2 (continued 1)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	ETN sub-items	Rate of incidence
04.04	Cheese	25 10 30 DM 30 per 100 kg	15	15 12	25 20 11		ex (20) ex (23)
07.05	Beans	10 Minimum amount chargeable DM3 per 100 kg		18 Minimum amount chargeable FF 10 per gross kg	10	A B	<u>10</u>
		1-VII 25 30-IX	10 15				Ex; lentils <u>7</u>
08.01 A	Bananas	5 10	15	20	40		<u>20</u>
08.01 C	Papayas	10	25	5	25		12
08.01 C	Pineapples	10	25	5	25		<u>12</u>
08.02 C	Oranges	15-III a 10 30-IX 1-X 10 30-III	15 0 0 15 20	20 25 35	5 5	1-IV to 30-IX 1-X to 15-X	15 ex: 1-IV to 30-IX 15 ex: 1-X to 15-X
08.02 E	Lemons	0	13	15	5		8
08.04 A	Grapes, fresh	1-IX 5 30-VI minimum amount chargeable DM 5 per 100 kg	BF 413 or FF 31.39 per 100 gross kg	15 25	10		18 22
		1-VIII to 3 14-VII minimum amount chargeable DM 5 per 100 kg					
08.04 B	Grapes, dried	0 10	12	5	18		8
08.06	Apples	7 Minimum amount chargeable DM 2 per 100 kg 25 Minimum amount chargeable DM 6 per 100 kg 10 Minimum amount chargeable DM 6 per 100 kg.	12	10 12	10 8	16-IX 15-XII 1-VIII 31-XII 1-I 31-III	<u>10</u> Minimum amount chargeable 0.5 UA per 100 kg <u>14</u> Minimum amount chargeable 2.4 UA per 100 kg <u>10</u>

/Table 2 (continued 2)

Table 2 (continued 2)

Classification under the Brussels tariff nomenclature, BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
08.06	Apples	Minimum amount chargeable DM 1.30 per 100 kg 20				31-III	Minimum amount chargeable 1.7 UA per 100 kg 8
08.06 B	Pears	Minimum amount chargeable DM 6 per 100 kg 1-VIII 10 31-XII minimum amount chargeable DM 1 per 100 kg 20	12	8 12 15	10	1-IV 31-VII 1-VIII 31-XII 1-VIII 31-XII 1-I	Minimum amount chargeable 1.4 UA per 100 kg 10 (unselected) Minimum amount chargeable 0.5 UA per 100 kg 12 (others) Minimum amount chargeable 2 UA per 100 kg 10
08.07	Plums	Minimum amount chargeable DM 6 per 100 kg 1-I DM 1 per 100 kg 31-I amount chargeable DM 3 per 100kg 10 minimum amount chargeable 1-II DM 1 per 100 kg 31-V 10 minimum amount chargeable DM 3 per 100 kg 1-VI DM 1 per 100 kg 31-VII amount chargeable DM 3 per 100 kg 1-VII 20 20-DX minimum amount chargeable DM 5.5 per 100 kg 1-X 30-VI	6 12 6 6 12 20	8 12 15 8 12 15 15	5	1-VII 30-IX 1-X 30-VZ	Minimum amount chargeable 1.50/UA per 100 kg 15 Minimum amount chargeable 3 UA per 100 kg 10 15
08.07	Peaches	0 20	20	20	5 10		15
08.09	Melons	20	15	10	5		11
08.12	Fruites	8	8	22	15		15
08.12	Chestnuts	8	10	15	5		7
08.12	Dried apricots	8	10	10	15		9 8
08.12	Nuts	8	10	5	10		8
08.12	Dried peaches	10	10	5	15		9

Table 2 (continued 3)

Classification under the Brussels tariff nomenclature BTW	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rate of incidence
09.01 A	Coffee beans	DM 1 per kg	free	18	58 lire per kg		16 (not freed of caffeine)
09.01 A	Coffee, roasted or ground	DM 300 per 100 kg	BF 717 or LF 54.48 per 100 net kg	55	90 minimum amount chargeable 300 lire per net kg		19 (freed of caffeine) 25 (not freed of caffeine) 30 (freed of caffeine)
09.02	Tea (black or green) of 3 kg or less	DM 50 per 100 kg	BF 987 or LF 75 per 100 net kg	45 (black) 50 (green)	50 minimum amount chargeable 450 lire per net kg		23 (5 kg or less) 18 (Others)
	Others	DM 500 per 100 kg DM 350 per 100 kg		30 45			
10.01	Wheat	20	0	30	50 30		20
10.03	Barley seed for fodder within a given annual quota	0	0	15	10		6
	Others	0	0	40	10		13
10.05	Hybrid maize seed	0	0	15 30	40 25		4
	Others (white maize for starch)			30	40		7
	Unspecified				40 25		9
11.04	Banana meal		Tariff, unspecified				17
11.07	Malt	20 Minimum amount chargeable DM 60 per 100 kg less 70 per cent of value	6	50	17		20
12.01 A	Ground nuts	0	0	suspended by GATT	10 8 0		Free

/Table 2 (continued 4)

Table 2 (continued 4)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rate of incidence
12.01 C	Palm nuts and kernels	0	0	10 minimum amount chargeable FF 400 per gross kg	0		<u>Free</u>
12.01 D	Soya beans	0	0	5			<u>Free</u>
12.01 B	Copra	0	0	10 minimum amount chargeable FF 500 per gross kg	0		<u>Free</u>
12.01	Cotton seeds	0	5	16.1/GATT	10		<u>Free</u>
12.01 E	Linseed	0	0	0	0		<u>Free</u>
12.01 H	Sesame seeds	0	0	10	10		<u>Free</u>
12.01 H	Sunflower	0	0	10	10		<u>Free</u>
15.01	Animal fats (lard) for industrial use	0	0	32	20		<u>3</u>
15.01	Animal fats (for other uses)	14 18	0	32	20		<u>20</u>
15.01	Poultry fat oils for technical use	0	0	32	20		<u>18</u>
15.07 B	Cotton seed oil						<u>5</u> <u>8</u>
15.07 C	Groundnut oil						<u>5</u> <u>8</u>
15.07 E	Sunflower seed oil						<u>5</u>
	Oil for other uses						
15.07	Cotton seed oil						<u>10</u> <u>15</u>
15.07	Sunflower seed oil						<u>10</u> <u>15</u>
15.07	Groundnut oil						<u>10</u> <u>15</u>

Table 2 (continued 5)

Table 2 (continued 5)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rate of incidence
15.07	Soya bean oil						<u>10</u> 15
15.07	Sesame seed oil						10 15 20
15.07	Coconut oil						<u>10</u>
15.07	Palm oil						<u>9</u> ex: for 14 technical use 4 per cent
15.13	Margarine	30	15	30	30		<u>25</u> 35
16.02	Preserved meat of bovine animals	20 21 22	30	30 45	25		<u>26</u>
16.02	Preserved meat of sheep	20 21 22	30	30 45	25		<u>22</u>
16.02	Preserved meat of swine	20 21 22	30	30 45	25		26
16.03	Meat extracts	0 30	3 8 25	0 15	5 15		2 9 <u>24</u>
17.01 A	Raw sugars		Tariff unspecified				80
17.01 B	Refined and semi-refined sugars						30
17.03	Molasses	20	0 BF 300 or LF 22.8 per 100kg	0 2 35	105 40	Free	9 19 65
18.01	Cocoa beans	9 (GATT 10 per cent)	L (GATT 10 per cent)	L (GATT 25 per cent)	L (GATT 5 per cent)		<u>9</u>
18.04	Cocoa butter	35	10	25	25		<u>20</u>
18.05	Cocoa powder	35	10	25	25		<u>27</u>

Table 2 (continued 6)

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Table 2 (continued 6)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rate of incidence
20.06	Preserved fruit	25	30	15	40		23
		35	15	10	16		25
		20	25	5	30		17
		10	13	0	25		19
			10	50	0		23
				35	5		
				25			
21.02	Coffee concentrates	DM 1 per kg, 16 per cent incidence	L	18 (GATT 20 per cent)	65 lire per kg (incidence 10.4 per cent) GATT 50 per cent but not less than 125 lire per kg		ex: 24
24.01	Unmanufactured tobacco	DM 180 per 100 kg BF or DM 390 per 100 kg LF 31.39 per 100 net kg BF 578.20 or LF 43.94 per 100 net kg	0	0			minimum 26 UA maximum 42 UA
26.01	Iron ore	0	0	0	5 10 0		Free
26.01 C	Copper concentrates	0	0	0	0		Free
26.01 F	Lead ore and concentrates	0	0	0	5		Free
26.01 G	Zinc ore and concentrates	0	0	0	5		Free
26.01 H	Tin ore	0	0	0	0		Free
27.09	Petroleum, crude	DM 12.90 per 100 kg	0	18	18 0 10 15 3 6		Free

/Table 2 (continued 7)

Table 2 (continued 7)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
27.10 B	Motor spirit	List G					
27.10 C	Kerosene	List G					
27.10 D	Distillate fuels (fuel-oil, Diesel oil)	List G					
27.10 F	Lubricating oils	List G					
27.16	Brucker oil (asphalt)	List G	0	0	3	10	3
31.02	Mineral fertilizers		0	0	0	20	1
	Natural nitrates and others		20		20	0 15 30	<u>10</u>
32.01	Quebracho extracts	No information					Free
41.01 A	Raw hides and skins		0	0	0	0	<u>Free</u>
41.02 A	Dressed hides and skins		3 5	6	10 12	22 20 23	<u>9</u> <u>10</u>
44.03	Wood in the rough or semi-prepared		0	0	10 0	8 20	5 some African species only, the remainder being duty-free
	tropical					22 13 10 5	ex: <u>Free</u>
	coniferous	15	0	10		18	8 Posts of 6 to 18 metres, etc., the others being free ex: <u>free</u>
44.03	Others	0 10	0	15 10 5 0	8 20 22 13 10		ex: <u>free</u>

/Table 2 (continued 8)

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Table 2 (continued 8)

Classification under the Brussels tariff nomenclature, BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
44.04/05	Wood, squared and prepared	0 13 5	0 3 5	15 0 20 7 18 5	8 15 12 20 18 5 6 10		<u>Free</u>
44.07	Sleepers	15 0	3	20	10 8 12 15 20 18		<u>10</u> <u>6</u>
44.15	Plywood	20 12 15	6 10	10 20 25	25 30		<u>14</u> <u>15</u>
47.01	Mechanical or semimechanical wood pulp	7	0 15	22	0		<u>Free (quota of 170 000 tons); remainder 6 per cent</u>
	chemical	0 20 2 5 20 9 7	0 15	22 24	0		<u>Free (quota of 1 995 000 tons); remainder 6 per cent</u>
	others	0 7 9	0 15	20 22 24 0	6		<u>Free</u>
48.01	Newsprint	12	10	25	15 18		<u>7</u>
53.01 A	Wool, greasy	0	0	0	0		<u>Free</u>
53.01 B	Wool, washed	1 0	0	1 0	0		<u>Free</u>
53.01 B	Wool, combed or in tops	2	4 2 0	2	0 8		<u>3</u>

Table 2 (continued 9)

Classification under the Brussels tariff nomenclature BTN	Commodity	National tariffs				External tariff EEC	
		Federal Republic of Germany	Belux	France	Italy	BTN sub-items	Rates of incidence
53.06	Woollen yarn	7	4	4	14		$\frac{5}{8}$
54.01	Flax (raw)	0	0	0	6		Free
					15		
					8		
54.03/04	Flax	3	4	10	23		3 per cent (for quota of 500 tons)
		12		12	18		others:
		7			13		<u>10 per cent</u>
		0			5		<u>6 per cent ex;</u>
					4		<u>10 per cent</u>
55.01	Cotton, raw	0	0	0	6		Free
					8		
55.05/06	Cotton yarn	8	0	15	15		$\frac{9}{16}$
		12	4	20	18		
		14	10	10	16		
		6	12	12	20		
		20			25		
		10			30		
		17			35		
		9					
57.01	True hemp	0	0	0	0		Free
57.02	Manila hemp	0	0	0	5		Free
57.03	Jute	0	0	0	5		Free
57.04	Agave	0	0	0	0		Free
57.04	Sisal	0	0	0	0		Free
57.04	Maguey	0	0	0	0		Free
75.01	Pig iron	3	3	4	7		
					5		

Table (continued 10)

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Table 2 (continued 10)

Classification under the Brussels tariff nomenclature, BTN	Commodity	National tariff				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
73.02 C	Ferro-silicon						Annual quota of 12 600 tons
73.02 D	Ferro-silico-manganese						Annual quota of 21 500 tons
73.02 E.I.	Ferro-chrome, etc.						Annual quota of 2 400 tons Bars and shapes containing up to 0.1 per cent of carbon by weight and 30 to 90 per cent of chrome
73.10	Wire rod	6	6	7	10		$\frac{1}{8}$
73.10/11	Bars and shapes	15	3	16	22		<u>10</u>
		18	8	18	35		
		12	15	11			
		6	19				
73.12	Strip	18	6	18	35		<u>10</u>
		25			22		
73.13	Plates and expanded metal	18	3	16	23		<u>10</u>
		20	4	18	35		
		22	6	19	20		
		28		22	22		
		9					
74.01 C	Copper, standard or blister, in ingots	0 5	0	0 20	3.5		<u>Free</u>
74.01 D	Refined in ingots electrolytic in ingots recast in ingots cement and precipitates Plates, unspecified	5	0	0	3.5		<u>Free</u>
		0	0	0	3.5		<u>Free</u>
		5	20	20			<u>Free</u>
			28				<u>Free</u>
		10	6	14	17		<u>10</u>
		15	15	15	16		
				12	39		
				30	13		
					18		
					27		

/Table 2 (continued 11)

Table 2 (continued 11)

Classification under the Brussels tariff nomenclature, BTN	Commodity	National tariff				External tariff EEC	
		Federal Republic of Germany	Benelux	France	Italy	BTN sub-items	Rates of incidence
74.07	Tubes and pipes	12	8 15	14 12 13 16 15	12 11 13		13 —
74.10	Wire (not insulated)	10	10	19	21		13
74.10	Wire, insulated	12	12 8	22	35 49		13
74.19	Other articles of copper						18
76.01	Aluminium	12	0	20 21	35	B II B I	Free 10 5
78.01 A	Lead ingots	5	0	8	20		1.32 UA per 100 kg
78.02	Lead bars	10 15	4 6	20	minimum amount chargeable 40 lire per net kg		10%
79.01	Zinc spelter	5	0	12	15		1.32 UA per 100 kg
79.02	Zinc bars	10 15	4	16 18	15		10%
79.06	Sacks of zinc tags and zinc cables	15	15	22	25		16%
80.01	Tin ingots	0	0	0	2		Free
80.02	Tin bars	6 8	6 4	10 12	10		8

Table 3

TARIFF CONFERENCE 1960-61: QUOTAS FOR THE COUNTRIES INDICATED IN RESPECT
OF IMPORTS FROM OUTSIDE EEC

Classification under the Brussels tariff nomenclature BTN	Commodity	EEC common external tariff	Importer country	Quotas from third countries granted to the indicated importer country (tons)	Rates of incidence fixed for the quotas (percentage)
48.01 A	Newsprint	7 per cent	France Germany	75 000 310 000	0 0
ex 53.07 A	Combed wool yarn	6 per cent	Germany	900	2
ex 54.03 A.I	Flax yarn	10 per cent	Germany	500	3
73.05 A	Iron filings or steel powder	8 per cent	Germany Benelux Netherlands	4 100 850 1 400	3 0 0
73.02 A.II	Ferro-manganese	8 per cent	Benelux Netherlands	320 500	0 0
73.02 C	Ferro-silicon	10 per cent	Benelux Netherlands	20 000 2 600	0 0
73.02 D	Ferro-silico-manganese	6 per cent	Germany Luxembourg Netherlands	40 000 70 420	0 0 0
73.02 E.I.	Ferro-chrome	8 per cent	Italy Benelux Netherlands	9 000 2 950 160	0 0 0
ex 73.02 G	Ferro-tungsten	7 per cent	Benelux Netherlands	60 3	0 0
ex 73.02 H	Ferro-molybdenum	7 per cent	Benelux Netherlands	370 27	0 0
ex 73.02 H	Ferro-vanadium	7 per cent	Benelux Netherlands	21 9	0 0
ex 76.01 A	Unalloyed crude aluminium	10 per cent	Germany	120 000	5
76.01 B.I	Aluminium scrap	5 per cent	Germany Benelux Netherlands	24 000 54 600	0 0 0
77.01 A	Crude magnesium	10 per cent	Germany Benelux Netherlands	28 000 375 180	0 0 0
78.01 A	Crude lead	1.32 UC per 100 kg	Germany Belgium Netherlands	54 000 10 000 31 000	0 0 0
79.01 A	Crude zinc	1.32 UC per 100 kg	Germany Netherlands	74 000 7 700	0 0

a/ Unofficial data. The indicated quotas are for 1961. It is understood that the quotas for 1962 will be approximately the same. Although under GATT regulations the quotas cannot be reduced within a period of three years, those included in this schedule apparently would fall outside these regulations, the reason being that the EEC countries presumably agreed on them of their own accord and not as a result of negotiations with third parties. It is to be noted that these import quotas are under a special tariff system. Once a country has imported an amount equivalent to the total quota fixed for that country, any additional imports are subject to the duties established in the EEC external tariff.

Table 4
LATIN AMERICA: EXPORTS, 1953-60
(Millions of dollars)

Year	North America	Western Europe			Total
		EEC	EFTA	Others	
1953	3 740	1 050	890	130	2 070
1954	3 545	1 275	835	170	2 280
1955	3 630	1 245	865	180	2 290
1956	4 020	1 495	995	175	2 665
1957	3 980	1 460	1 095	185	2 740
1958	3 805	1 320	950	160	2 430
1959	3 825	1 435	955	125	2 515
1960	3 720	1 570	1 010	115	2 695

Source: Bank of London and South America, "Latin America and the European Common Market", Quarterly Review, January 1962, p. 6, table I.

Table 5
LATIN AMERICA: BREAK-DOWN OF EXPORTS TO WESTERN EUROPE, 1960
(Percentages)

Exporter country	EEC	EFTA	Others	Total
Argentina	38.8	23.6	1.2	63.6
Brazil	19.6	12.7	1.4	33.7
Chile	30.5	21.4	0.4	52.3
Colombia	19.1	7.5	0.5	27.1
Ecuador	23.0	2.8	0.2	26.0
Mexico	7.4	2.5	0.7	10.6
Paraguay	16.3	10.8	1.4	28.5
Peru	30.9	9.8	0.2	40.9
Uruguay	36.7	27.5	1.7	65.9
Bolivia a/	4.6	45.6	-	50.2
Venezuela	5.8	8.0	1.0	14.8
Costa Rica	33.2	3.0	0.1	36.3
El Salvador	34.8	3.0	-	37.8
Guatemala	24.2	5.0	-	29.2
Honduras	12.6	4.7	-	17.3
Nicaragua	31.0	7.4	-	38.4
Panama	0.8	0.1	-	0.9
Cuba	7.0	5.1	1.5	13.6
Dominican Republic	11.8	14.4	1.0	27.2
Haiti	34.4	8.1	1.9	44.4

Source: Quarterly Review, op cit., table II.

a/ 1959.

Table 6

WESTERN EUROPE: PRINCIPAL IMPORTS FROM LATIN AMERICAN COUNTRIES, 1959 a/

(Millions of dollars)

Exporter country	EEC	EFTA	Others	Total	Percentage
ALAIC countries	1 206.0	860.7	26.3	2 093.0	
Argentina					
Total imports	395.5	359.3	15.1	769.9	100.0
Foodstuffs	264.5	294.6	13.2	572.3	74.3
Meat	55.4	165.0	4.9	225.3	29.2
Dairy products	8.8	12.9	-	21.7	2.8
Cereals	140.2	67.0	4.5	211.7	27.5
Fruit and vegetables	7.5	10.6	0.4	18.5	2.4
Animal feed	52.4	29.0	3.4	84.8	11.0
Raw materials	96.7	40.1	1.0	137.8	17.9
Hides and skins	3.0	8.0	0.6	46.6	6.1
Wool	52.8	27.3	0.4	80.5	10.5
Oils and fats	22.6	18.5	0.2	41.3	5.4
Brazil					
Total imports	258.6	214.6	5.7	478.9	100.0
Foodstuffs	178.3	158.2	5.2	341.7	71.3
Meat	11.8	14.7	-	26.5	5.6
Fruit and vegetables	9.8	10.3	0.3	20.4	4.3
Sugar	7.7	11.0	-	18.7	3.9
Coffee	117.0	89.5	4.6	211.1	44.1
Cacao	26.4	17.2	0.2	43.7	9.1
Raw materials	61.5	41.6	0.4	103.4	21.6
Wood	6.9	14.7	-	21.6	4.5
Wool, cotton, other fibres	28.3	9.3	0.3	37.9	7.9
Scrap iron	16.9	11.2	-	28.1	5.9
Colombia					
Total imports	86.0	54.6	-	140.6	100.0
Foodstuffs	72.0	23.3	-	95.3	67.8
Fruit and nuts	20.6	2.8	-	23.4	16.6
Coffee	51.3	16.6	-	67.9	48.3
Fuels and lubricants	10.8	30.7	-	41.5	29.5
Crude petroleum	10.8	25.5	-	36.3	25.8
Chile					
Total imports	145.6	89.6	0.3	235.6	100.0
Foodstuffs	10.3	6.1	-	16.4	7.0
Fruit and vegetables	7.6	3.5	-	11.0	4.7
Raw materials	19.9	12.2	0.3	32.4	13.7
Wool	3.1	5.4	-	8.5	3.6
Scrap iron	3.1	-	-	3.1	1.3
Non-ferrous scrap and concentrates	5.5	2.7	-	8.2	3.5
Metals					
Copper	112.6	65.0	-	177.6	75.4
Ecuador					
Total imports	41.7	9.4	0.4	51.5	100.0
Foodstuffs	40.1	8.6	0.4	49.1	95.3
Fruit and nuts	30.7	4.1	-	34.8	67.6
Coffee	4.3	0.2	0.4	4.9	9.5
Cacao	4.8	0.5	-	5.4	10.5

/Table 6 (cont'd)

Table 6 (cont'd)

Exporter country	EEC	EFTA	Others	Total	Percentage
Mexico					
Total imports	<u>137.5</u>	<u>47.3</u>	<u>3.1</u>	<u>187.9</u>	<u>100.0</u>
Foodstuffs	15.8	13.1	2.7	31.6	16.8
Coffee	9.7	0.8	-	10.5	5.6
Animal feed	2.3	7.7	0.2	10.2	5.4
Raw materials	85.3	23.5	0.3	109.1	58.1
Cotton	77.3	14.9	0.3	92.5	49.2
Metals	30.4	5.6	-	36.0	19.2
Silver	17.1	0.2	-	17.3	9.2
Copper	6.4	-	-	6.4	3.4
Lead	6.3	1.4	-	7.7	4.1
Zinc	0.6	3.3	-	3.9	2.1
Peru					
Total imports	<u>99.3</u>	<u>59.3</u>	<u>0.9</u>	<u>159.5</u>	<u>100.0</u>
Foodstuffs	31.9	15.0	0.1	46.9	29.4
Sugar	0.9	4.5	-	5.4	3.4
Animal feed including fish flour	26.2	7.2	0.1	33.5	21.0
Raw materials	51.8	32.1	0.8	84.7	53.1
Wool	2.7	4.1	-	6.8	4.3
Cotton	26.8	18.8	0.8	46.4	29.1
Scrap iron	10.3	-	-	10.3	6.5
Non-ferrous scrap and concentrates	9.9	2.2	-	12.1	7.6
Fuels and lubricants	1.3	4.3	-	5.6	3.5
Metals	11.8	5.9	-	17.7	11.1
Silver	1.6	2.0	-	3.6	2.3
Copper	5.6	0.7	-	6.3	4.0
Lead	3.6	1.4	-	5.0	3.1
Zinc	1.0	1.5	-	2.5	1.6
Uruguay					
Total imports	<u>41.8</u>	<u>26.6</u>	<u>0.8</u>	<u>69.3</u>	<u>100.0</u>
Foodstuffs	7.2	7.7	0.2	15.2	21.9
Meat	5.7	7.0	0.2	12.9	18.6
Raw materials	32.8	17.4	0.6	50.8	73.3
Hides and skins	6.7	1.6	-	8.3	12.0
Wool	25.7	11.9	0.7	38.3	55.3
Other Latin American countries					
	<u>411.3</u>	<u>407.2</u>	<u>12.3</u>	<u>830.8</u>	
Bolivia					
Total imports	<u>4.9</u>	<u>38.3</u>	-	<u>43.2</u>	<u>100.0</u>
Raw materials	4.8	38.2	-	43.0	99.5
Non-ferrous scrap and concentrates (particularly tinfoil)	4.5	38.2	-	42.7	98.8
Venezuela					
Total imports	<u>218.3</u>	<u>272.3</u>	<u>0.5</u>	<u>491.1</u>	<u>100.0</u>
Foodstuffs	6.3	2.4	-	8.7	1.7
Coffee	3.3	0.8	-	4.1	0.8
Cacao	3.0	0.3	-	3.3	0.7
Raw materials	25.4	23.3	-	48.7	9.9
Scrap iron	24.9	23.0	-	47.9	9.8
Fuels and lubricants	181.8	245.4	0.5	427.7	87.0
Crude petroleum	160.8	136.0	-	296.8	60.4
Petroleum derivatives	21.0	108.8	0.5	130.3	26.5

Table 6 (conclusion)

Exporter country	EEC	EFTA	Others	Total	Percentage
<u>Costa Rica</u>					
Total imports	<u>26.2</u>	<u>6.3</u>	-	<u>32.5</u>	<u>100.0</u>
Foodstuffs	25.8	5.4	-	31.2	96.0
Coffee	25.1	3.1	-	28.2	86.8
<u>El Salvador</u>					
Total imports	<u>39.1</u>	<u>5.9</u>	-	<u>45.0</u>	<u>100.0</u>
Foodstuffs	35.9	3.6	-	39.5	87.7
Coffee	35.5	1.3	-	36.8	81.8
Raw materials	3.0	2.1	-	5.1	11.3
Cotton	2.9	2.1	-	5.0	11.1
<u>Guatemala</u>					
Total imports	<u>27.1</u>	<u>11.0</u>	-	<u>38.1</u>	<u>100.0</u>
Foodstuffs	24.5	8.4	-	32.9	86.3
Fruit and nuts	2.5	2.1	-	4.6	12.1
Coffee	21.3	4.4	-	25.7	67.5
Raw materials	2.5	2.4	-	4.9	12.9
Cotton	2.1	2.3	-	4.4	11.5
<u>Honduras</u>					
Total imports	<u>10.5</u>	<u>3.9</u>	<u>0.6</u>	<u>15.0</u>	<u>100.0</u>
Foodstuffs	9.3	2.9	0.6	12.8	85.3
Fruit and nuts	5.5	2.2	-	7.7	51.3
Coffee	3.8	-	0.6	4.4	29.4
Raw materials	1.0	1.0	-	2.0	13.3
Wood	0.8	1.0	-	1.8	12.0
<u>Nicaragua</u>					
Total imports	<u>26.9</u>	<u>5.1</u>	<u>0.1</u>	<u>32.1</u>	<u>100.0</u>
Foodstuffs	6.7	0.4	-	7.0	21.8
Coffee	6.6	0.3	-	6.9	21.5
Raw materials	20.3	4.6	0.1	25.0	78.0
Cotton	18.3	4.1	0.1	22.5	70.1
<u>Cuba</u>					
Total imports	<u>32.6</u>	<u>34.5</u>	<u>5.2</u>	<u>72.3</u>	<u>100.0</u>
Foodstuffs	25.2	29.6	5.0	59.8	82.7
Sugar	23.5	27.9	5.0	56.4	78.0
<u>Haiti</u>					
Total imports	<u>11.2</u>	<u>2.6</u>	<u>0.1</u>	<u>13.9</u>	<u>100.0</u>
Foodstuffs	9.9	2.3	0.1	12.4	89.2
Coffee	9.9	1.5	0.1	11.5	82.7
<u>Dominican Republic</u>					
Total imports	<u>14.5</u>	<u>27.3</u>	<u>5.8</u>	<u>47.6</u>	<u>100.0</u>
Foodstuffs	11.6	26.7	5.8	44.1	92.7
Sugar	3.9	23.2	5.7	32.8	68.9

Source: Quarterly Review, *op. cit.*, pp. 10-11, table IV, p. 14, table V and pp. 16-17, table VI.

a/ Excluding Panama, Paraguay and Spain.

Annex II

GUIDE-LINES AND SUGGESTIONS FOR USEFUL COLLABORATION IN THE
ECONOMIC FIELD BETWEEN EEC AND CERTAIN
LATIN AMERICAN COUNTRIES

GUIDE-LINES AND SUGGESTIONS FOR USEFUL COLLABORATION IN THE
ECONOMIC FIELD BETWEEN EEC AND CERTAIN
LATIN AMERICAN COUNTRIES*

1. Introduction

We shall endeavour here to indicate a pattern of action and to make some suggestions for closer collaboration between EEC and the Latin American countries covered in this study. It should be noted that these proposals could not have been made without certain prior assumptions as to the attitude of those countries. It has already been realised that the Latin American countries - which taken as a whole, and given their degree of industrialization seem to have progressed beyond the first stage of economic development - resemble the countries "really" in process of development in that they cannot progress any further without external aid and are in need of measures to help and intensify their economic relations. Nevertheless it is imperative that like all countries in course of development they should proceed on their own initiative, by adopting measures of economic policy to remedy the basic defects in their economic growth. The way is arduous and difficult, but it is essential for them to make this effort. In the Latin American countries it is the agricultural sector that is most in need of such measures since it constitutes the vital nerve-centre of these countries.

(a) Land reform

Together with extensive land reform to improve the structure of land tenure and the size of holdings, the question of adequate returns should also be considered. If part at least of the benefits obtained from the improvement of agricultural productivity is passed on to the

* Hamburgisches Welt-Wirtschafts-Archiv, Perspectivas sobre el porvenir de las relaciones comerciales de la CEE con ciertos países de América Latina. Unofficial Spanish translation of a study undertaken on behalf of the Commission of the European Economic Community, Hamburg, June 1961, chap. 6. The study deals with Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

the rural population, this will promote the changeover from a subsistence economy to a market economy. This cannot take place without a progressive outlook and the intensification and rationalization of crop farming, which constitute the most powerful incentives for economic growth.

(b) Growth of the national product

The national product should increase at a swifter pace than the population, or, to put it another way, if external help is to be effective it should be reflected in a rise in per capita income. Given present population growth, the national product should expand by 5 per cent, or better still, 6 per cent annually. It can only do so if the proportion of net investment, now standing at 8-9 per cent expands to 11 or 12 per cent. If this increment came from an increase in net capital imports, it would mean - given the average contribution of foreign capital in the financing of investment (13 per cent) - that they would have to increase two or even threefold.

(c) Internal capital formation and foreign capital contributions

In order to attract towards the Latin American countries the foreign capital required to stimulate their economic development and domestic capital formation, gold hoarding, the maintenance of accounts abroad and land speculation would have to be stopped, and profits prevented from being distributed rather than ploughed back. For the same purpose, it would also be necessary to adopt a stringent credit and monetary policy and abandon the method of financing by the issue of currency. Efforts must be made to balance the State budget and to avoid discriminatory exceptions such as multiple exchange rates and quota systems.

(d) Creation of an infrastructure

Economic development also entails a constant effort to create a sound infrastructure. Bottlenecks should be prevented from forming in any of the sectors of the economy, and the purpose and extension of highway networks or power stations should be determined and guaranteed by the State alone.

/(e) Solution to

(e) Solution to the siting problem

Undue concentration in industrial centres should be prevented through the creation of suitable conditions, to the benefit of other locations.

(f) Development of education and vocational training

Economic policy should also be concerned with the kind and degree of education and vocational training offered. A modern economy and a high level of living can only be attained if the educational level of the population permits. Credits must be set aside for this purpose, and education must be incorporated on a rational basis into the over-all plans.

(g) Elimination of corruption

The other economic policy measures that should be adopted and that fall entirely within the province of these countries, include compliance with economic principles, proper observance of the legal system and the fulfilment of commitments undertaken. A sound public administration should see that these things are done and be ready, if necessary, to resort to coercive measures.

2. Measures to be taken by EEC

It would be helpful for the economic development of the Latin American countries if EEC were to put the question to itself whether its policy with respect to them and the measures that result from that policy do really encourage such development.

As economic automatism bound up with the price system does not work well in the Latin American countries, nation-wide economic planning should be advocated and promoted.

In view of the need to expand Latin America's exports, the trade policy concessions made by EEC should be as comprehensive as possible. It would be desirable to include under this heading "educational" customs duties for the industries deserving of development in the seven Latin American countries concerned, always provided that the amount and duration of the duties are kept within the limits necessary for the formation of those industries.

/The Latin

The Latin American countries are dependent on their export earnings. EEC should therefore endeavour to expand its markets or at least to avoid discriminatory measures. It should give the Latin American countries the most favourable treatment that can be accorded to third countries.

The assistance required in the form of foreign capital should include public credits from the EEC countries or from the Community itself, since it is precisely these credits which enable projects to be undertaken that, while not a "business proposition" from the private sector's point of view, would be no less instrumental in bringing about the conditions described in the previous paragraph.

In order to prevent the formation of bottlenecks in the industrialization infrastructure, immediate steps should be taken to encourage EEC enterprises to invest in the Latin American countries.

The prospect of obtaining large industrial profits is reviving Latin America's spirit of enterprise. As the infrastructure has not yet developed sufficiently, and there is a dearth of management skills, it would be best to adopt a positive outlook with regard to exceptional profits during the first stages of industrialization.

For the reasons given below, EEC should give first preference to its participation in the firms already established in the Latin American countries:

(a) It is difficult for Europeans and Americans to adapt themselves to Latin American conditions without the help of local associates. This explains the frequent refusal to establish enterprises. Nationals of the country find it easier to grasp the national labour legislation and are better able to take the necessary formalities with the authorities. The foreign associate should concentrate on the technical side and the organization of the enterprise.

(b) The fact that foreign concerns are looked upon as alien enclaves may lead to unpleasant consequences in the event of political disturbances in the country. It is therefore better to create national firms with European shareholders.

/(c) Foreign investors

(c) Foreign investors holding shares in local currency in Latin American firms will not suffer any loss through devaluation provided that the undertaking is well managed and that their banking relations are good enough for them to obtain the long-term credits that will protect them against bad debts.

(d) European foremen should not be kept too long in Latin American firms, nor should they be eventually promoted to managerial posts. They should simply start off the local staff so that they can ultimately rise to the posts of manager, team-leader or foreman. European foremen as a rule do not know how to treat the local staff in accordance with the customs of the country.

(e) European engineers are respected for their knowledge. Moreover, as technical heads, they have less direct contact with the workers than with their own subordinates, with whom they would get on even better with the aid of a local second-in-command.

(f) Foreign participation facilitates the transmission of technical know-how and the signing of contracts covering patents.

The future industrial development of the Latin American countries depends not only on the creation of skills but also on the establishment of markets with the help of:

- (a) Some division of labour between EEC industries and those of the seven Latin American countries;
- (b) The transfer of specific lines of production to the seven countries;
- (c) The readiness of EEC to buy other goods from Latin America besides raw materials and foodstuffs.

In order to stimulate the industrial development of the Latin American countries, EEC could presumably take the special measures indicated below, as well as contributing capital and investment resources:

- (a) Dispatch of young executives eager to go abroad to small and medium-scale industries;
- (b) Support for the establishment of large factories in the seven countries, thereby contributing to the specialized training of a substantial number of local employees and helping to establish manufacturing at all stages.

/All measures

All measures would be promoted designed to arouse, foster and strengthen mutual interest and understanding. For this purpose, EEC should first and foremost:

- (a) Establish "public relations" with each country, the "Community" aspect of EEC being stressed;
- (b) Develop education in the said countries, setting up "European" schools and other educational and training establishments;
- (c) Promote and support collaboration in the cultural, technical and scientific fields.

3. Action to be taken by Latin America

The Latin American countries should make an effort to diversify their production and exports of foodstuffs and raw materials, both to prevent sharp annual fluctuations in their export earnings and increase their foreign currency income.

They should also try to ease the burden which the importation of essential foodstuffs places on their balance of payments by stepping up their own production. This is a particularly pressing need in view of population growth.

It would be desirable for the Latin American countries to renounce bilateralism in their trade relations in order to prevent their imports from becoming more expensive and to ensure the best possible use of their foreign exchange. With regard to barter operations with the countries of the Eastern bloc, they should not forget that as a result of re-export to the EEC countries this type of transaction is detrimental to Latin America's own markets.

Once their industries have been established the Latin American countries should strive to create the corresponding markets. To this end they should:

- (a) Broaden their markets by persisting in their efforts to form a free-trade area until full integration, which should embody industrial co-ordination as well, has been achieved;

/(b) Establish or

- (b) Establish or strengthen in every way possible the exportation of their industrial products, equal care being taken to supply the countries in process of development in both Africa and Asia;
- (c) Seek outlets for their products by means of comprehensive studies of foreign markets.

4. Joint action

For several decades, and more particularly since the world agricultural slump of 1929-33, Europe's agricultural policy has been suffering from the defect of solving problems on a day-to-day basis, that is to say, confining itself to the immediate problem of the moment. Despite the existence of excellent projections for agricultural production and consumption during the next twenty years, this policy has not attached sufficient importance to clear-cut plans for the long-term and hence to practical ideas on domestic production and imports. With some differences, the same may be said of Latin America. The balancing of imports and exports, which would benefit both sides, might well bring about an intensification of trade relations between EEC and Latin America.

As regards trade policy, it would be expedient for extensive collaboration to be developed between EEC and the Free-Trade Area or the Governments of the countries concerned, with a view to the joint discussion and co-ordination of all measures bearing upon their mutual interests.

Furthermore, it would be advisable to promote collaboration between EEC and the Latin American countries in all sectors of education and vocational training. In practice, the initiative cannot and should not be taken by EEC alone. The Latin American countries too must encourage all kinds of collective action, as well as the exchange of Latin Americans and Europeans in every branch of vocational and advanced training. The complexity of the factors making up the process of development entail

/practical collaboration

practical collaboration in both the theoretical and the pragmatic aspects of economic research. It would be desirable for EEC and the seven countries to sign an agreement for the protection of investment, primarily guaranteeing the convertibility of money transfers (as stipulated in the new agreement between the United States and Argentina); to conclude bilateral agreements preventing double taxation, as a means of stimulating foreign investment; and to establish a joint investment committee that could play an advisory role in relation to the co-ordination of investment policy.