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THE ACHIEVEMENT OF CO-ORDINATION IN LATIN AMERICAN TRADE POLICY: RELATIONS WITH THE EUROPEAN ECONOMIC COMMUNITY

Reprinted from ECONOMIC BULLETIN FOR LATIN AMERICA
Vol. VII. No. 2, October 1962

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Analyses and recommendations of the group of consultants convened by the ECLA secretariat

In compliance with several resolutions of the Commission and its Trade Committee,¹ and with a view to discussing the repercussions on the foreign trade of the Latin American countries of specific measures adopted by economic groups in other parts of the world, the secretariat convened a series of consultations on trade policy at the headquarters of the Commission, Santiago, Chile, from 23 July to 7 August 1962.

The consultants invited by the secretariat to attend the meetings in a personal capacity, were Mr. Pedro Daza, Under-Secretary for Foreign Affairs of Chile; Mr. José Garrido Torres, Director on the National Economic Council of Brazil; Mr. Adalbert Krieger Vasena, former Minister of Finance of Argentina; and Mr. Julio A. Lacarte Muró, Ambassador of Uruguay to the Federal Republic of Germany and representative of his country to GATT (General Agreement on Tariffs and Trade).

The report of the consultants, as submitted to the Executive Secretary of ECLA for consideration, is reproduced below with the following *letter of transmittal*.

LETTER OF TRANSMITTAL

Santiago, 7 August 1962

Mr. Raúl Prebisch,
Executive Secretary of the
Economic Commission for Latin America
Santiago

Sir,

We have the honour to refer to your invitation requesting us to form a group of consultants to study the outlook for trade relations between Latin America and Europe and a procedure for "consultations on the possible repercussions of the European Common Market" (resolution 121 (VII) of the Commission, 27 May 1957), as well as "the problems of trade relations with countries or groups of countries in other parts of the world" (resolution 11 (III) of the Trade Committee, 10 May 1961).

While not overlooking other regions, we have been led by force of circumstances to concentrate our attention on the development of the European Economic Community (EEC), both with its present membership and in the form it may assume as and when new countries join it.

First of all, we deem it appropriate to recall in this context that in April 1958, on the occasion of the signing of the Rome Treaty, the Governments members of EEC submitted a memorandum to the Latin American Governments with a view to establishing constructive relations with the countries of this continent in respect of the possible repercussions of the Treaty. It is worth while to call attention to one or two paragraphs of this document:

"... The Community considers that the misgivings of certain Latin American countries, aroused by the decisions taken by the six member Governments, are based on a misunderstanding. In order to dissipate such misgivings, it therefore considers it advisable to recall certain fundamental principles which inspired the six Governments during the negotiations prior to the signing of the Rome Treaty, and also to suggest that there should be an exchange of opinions with all the Latin American countries to which the Six are linked by traditional bonds."
"... The progressive raising of the standard of living (of the peoples of the Community) should be reflected in a steady expansion of trade with the rest of the world and especially with countries that supply raw materials, among which those of Latin America are pre-eminent. For several reasons, it may be expected that any trade expansion on the part of the European Economic Community will have to be directed very specially towards Latin America."

After putting forward other points, which are touched upon in the attached report, the document in question concluded with the statement that the problem of economic, financial and trade relations among the six countries of EEC and Latin America as a whole was being studied with the closest attention in the Community's institutions, and that these institutions considered it of supreme importance that the problems involved should likewise be studied by the corresponding bodies in Latin American countries, with a view to collation of the results in the near future, if possible before the end of the year 1958.

¹ See the resolutions dated 19 June 1950 on trade with Europe; 101 (VI), dated 15 September 1955, on the creation of the Trade Committee; 121 (VII), dated 27 May 1957, on repercussions of the European Common Market and establishment of a consultation procedure; and 11 (III) of the Trade Committee, dated 10 May 1961, on multilateral economic co-operation.

This declaration, made more than four years ago, was carefully studied by the Latin American Governments, but in practice each country preferred to take individual action, which differed in scope, continuity, geographical area, timing and effectiveness.

Now EEC has just approached Latin America once again. It is impossible not to welcome with interest and satisfaction the document issued a few days ago, in which the following announcement appears:

“... In view of the long-term prospects opened up by the Alliance for Progress and the initial stages of the establishment of a Latin American common market, the Community feels that it should adopt a unified attitude towards Latin America in order that this region, in its struggle to achieve integration and progress, may benefit by the help and experience of a Europe which has had to tackle similar problems.”

In the same document the Community declares its intention of making a thorough study of the Commission's report on relations with Latin America, after the summer recess in Europe.

This interest and concern coincides with the increasing importance that is being attached in Latin America to all matters bearing on relations with EEC — an attitude that has just found new and valuable expression in the visits to the member countries of EEC and to the United Kingdom made recently by Mr. José Antonio Mora Otero, Secretary-General of the Organization of American States.

Since 1958, EEC has developed to a remarkable extent, and the question now arises whether the Latin American Governments are still desirous of confining their action to the unilateral plane on which each has been individually operating, or whether the time has not come for them to join forces as soon as possible in pursuance of a common principle more in keeping with present circumstances, and laying proper emphasis on the benefits likely to accrue from the co-ordination of effort and from mutual support.

A backward glance over past events would seem to suggest that the Latin American cause might have been better served if co-ordination of its policy with EEC, and, hence, with other parts of the world, had been aimed at from the very outset. However, it is not yet too late for joint action in line with the proposals put forward by the Community in 1958 and with the more recent document referred to above, or for that matter with the experience acquired in the last four years and the demands of the present situation, which are clearly evident from an objective analysis of the facts.

This is, in essence, the topic discussed in the appended study, which in our capacity as consultants invited by ECLA on a personal basis, we have had pleasure in drafting in compliance with your request. We hope it will reflect the real situation in respect of Latin America's trade policy and contribute to an early solution of a problem whose implications extend beyond our frontiers and affect the whole of the western world.

To this end, we consider that the extremely useful report by the secretariat entitled Recent Developments and Trends in Trade with the European Economic Community, which we have had before us and which will very shortly be transmitted to our Governments, constitutes an indispensable supplement to the present study, because of the detailed information it provides and the directness of its approach to the problems concerned.

We wish to place on record our satisfaction at having been able to consult the representatives of Governments on the Standing Executive Committee of the Latin American Free-Trade Association (ALALC), which, in response to your invitation, held meetings at Santiago concurrently with our own. These exchanges of opinion have undoubtedly helped us to acquire a clearer understanding of Latin America's current economic problem, as well as to plan the attached report on sounder lines.

In expressing our special thanks for all the kind assistance given us by the ECLA secretariat in every respect that might conduce to the success of our work, and particularly by Mr. Esteban Ivovich, Director of the Trade Policy Division, we have pleasure in availing ourselves of this opportunity to renew the assurances of our highest consideration.
(signed) Pedro Daza, José Garrido Torres, Adalbert Krieger Vasena, Julio A. Lacarte Muró.

INTRODUCTION

THE PROBLEM AND POSSIBLE WAYS OF SOLVING IT

1. *Vis-à-vis* the large economic blocks that are being formed in Europe, Latin America still presents a disunited front. For obvious reasons, and on account of its immediate repercussions, the European Common Market is of outstanding importance for the Latin American countries, although this does not mean that the actual or potential influence of other groups on our future trade can be ignored.

2. The European Common Market — the European Economic Community — is a development of vital significance not only for Europe but also for the rest of the world. Generally speaking, the consequences will be highly beneficial. As far as Latin America is concerned, however, not only will they take time to become apparent, but also, in many cases, there is a risk that they may be outweighed by unfavourable counter-effects, already discernible, which will aggravate the already serious difficulties of structural readjustment confronting the Latin American countries.

3. Foreign trade plays a prominent part in the difficulties in question. Latin America is undergoing a period of definite regression. In 1937-38 its exports accounted for 10 per cent of world export trade; in 1961 they represented barely 6.5 per cent, despite the fact that the rate of growth of the Latin American populations in the aggregate is the highest in the world. There are several explanations of this phenomenon: (a) technological factors and changes in consumer preferences, which reduce the proportion of final demand represented by primary commodities; (b) measures adopted by some Latin American countries which are having or have had a depressing rather than an encouraging effect on exports; (c) the policy of protecting domestic production and the preferential treatment accorded to other suppliers by the traditional purchasers of Latin America's commodities; and (d) the enforced liquidation of agricultural surpluses on the world market at prices below the cost of production.

4. Our report relates particularly to item (c), since it is the effects of protectionism and preferential treatment that most concern us at the present time. These effects are clearly evident in the economic relationships between Europe and Latin America. In 1934-38, purchases effected by the members of the European Economic Community represented over 11 per cent of European imports from the Latin American countries; in 1960 the corresponding proportion amounted to hardly more than 6 per cent.

5. This serious relative deterioration is in danger of being aggravated by the establishment of the European Common Market, and might mean a dead loss in the case of certain commodities. Western Europe, the leading purchaser of wheat, is planning to achieve self-sufficiency at high costs,

and may perhaps become an exporter, although on the basis of subsidies; and the same might take place in respect of meat and other temperate-zone products. In the case of tropical commodities, the loss to Latin America will derive from the development of production in the African countries associated with the European Common Market.

6. An all-embracing policy dictated by a spirit of solidarity could do much to mitigate these dangers, which are not in any way inherent in the European Common Market, but are adventitious phenomena and could be remedied without affecting the essence and the objectives of the Common Market. If the problems arising are to be forcefully propounded to Europe and an effective solution devised, the Latin American countries must join forces, must co-ordinate their action. The aims of the Alliance for Progress must be extended to the field of trade policy, and this regional co-ordination must be properly organized. Such is the gist of the recommendations for Government action which we have ventured to formulate in the present report, both in relation to the need to reconcile our own trade policies and as regards the machinery for negotiation with economic blocs abroad, beginning with EEC. We would also urge that a similarly unified endeavour be made to influence the course of world developments affecting interests that are vital for Latin America. These developments clamour for speedy action; too much time has been lost for further delays to be admissible. Hitherto the Latin American countries have all acted on their own, and no collective response has yet been made to the note transmitted to us by EEC, also collectively, in 1958.

7. It is not only traditional exports that are involved. Europe, like other great world centres of industry, could make a powerful contribution to the development of Latin America if it helped us to develop our industrial exports by means of liberal customs treatment and measures of technical and economic co-operation calculated to serve as an incentive to the industries concerned.

8. The solution lies in new patterns of international trade, based on the expansion of trade in industrial commodities which, without prejudice to the traditional trade flows, will supersede the outdated system of an international division of labour between industrialized countries and countries producing primary commodities.

9. This is a structural solution, like the basic solution for Latin America's problems in general: reforms at home, in the economic and social fields, and reforms in the patterns of external trade. This is the significance of the efforts initiated recently to establish the Latin American common market.

We cannot hope to surmount the formidable difficulties attendant upon our economic growth without the common

market as a basic factor in these radical reforms. This is Latin America's major problem. And it will have to be solved in the next few years: under what political and institutional auspices, depends largely upon the scope and direction of international co-operation.

10. In this connexion, the Alliance for Progress marks the launching of a new policy. It will have a long and a difficult course to steer, and the share in the responsibility to be assumed by the members of EEC has not yet been assigned. We should like to see Europe participating on a large scale, with public funds as well as private capital, in the financing of Latin American development plans, either by joining the Alliance, or through its own machinery. We should like to see Europe giving its technical and financial support to Latin America's efforts in relation to the regional common market. Such possible financial co-operation would not obviate the need to seek a way out of the twofold trade-with-Europe dilemma, an excessive degree of protectionism (at present institutionalized in the shape of a common agricultural policy which will cover all temperate-zone products, including meat and grain), and the preferential tariff treatment applied to tropical commodities (coffee, cacao, bananas and so

forth) which could conceivably be extended to other products.

11. The combination of measures in these two fields is of decisive importance. Not only is the rate of economic and social development of the Latin American countries at stake, but also the future policy of the Latin American common market — whether it is to be pre-eminently a self-contained effort or whether by offering opportunities to goods of external origin, it will become an active instrument of international trade. Nor does all this apply merely to immediate trade problems. Latin America must also look ahead and make ready to play its future part in overcoming the difficulties that are bound to arise, in relation both to basic commodities and to other aspects of world economy.

12. The solution of our Latin American problems, in these as in other spheres, will have to be essentially Latin American. But we form an integral part of a culture whose lofty values it is our duty to cherish and preserve; and the formula ultimately adopted for dealing with the profound structural crisis in Latin America must not cut us off from Europe.

I. GENERAL COMMENTS

13. Perhaps the most serious cause for concern at present, as far as the economic progress of Latin America is concerned, relates to the possible consequences of EEC's declared trade policy. The Community comprises some of the traditional markets that are of greatest importance for Latin America; but the latter has had difficulty in maintaining its position among their suppliers, owing to the existence of various kinds of restrictions which for some time have been adversely affecting Latin America's exports of primary commodities. Mention may be made of import restrictions, the policy of agricultural subsidies, internal taxes, the increasing tendency for natural products to be ousted by synthetic substitutes, and the discriminatory imports treatment meted out by the metropolitan countries in favour of the territories with which they are associated in one way or another.

14. The Latin American countries, which are extremely dependent upon their foreign trade and have not yet achieved a reasonable degree of stability in their foreign exchange income derived from non-diversified production nor satisfactorily remodelled their economic structure, are now awakening to the possibility of imminent aggravation of the difficulties hindering the implementation of their development programmes, and realizing that in the future they may not even be able to defray the cost of their regular imports.

15. There are many signs that the adverse effects referred to might be aggravated, either as a result of measures to promote the proposed consolidation and expansion of the agricultural subsidy system in the territory of the European Common Market, or through a widening of the margin of preference conceded by the latter to the associated African economies and extension of the geographical range of application of this preferential treatment to new trade areas. The outlook might become still less

promising if the current negotiations of the United Kingdom and the British Commonwealth with EEC were to prove successful and other European countries also joined the Community.

16. The establishment of the European Common Market constitutes the most significant event of our time. It sprang from a long-standing and magnanimous desire for integration which prospered in the propitious climate created by certain political and economic factors in the post-war period; and it is of vital importance by virtue of its potential contribution to peace and progress in the world as a whole and particularly in the West. If the aim pursued was to reap the benefits of a rational division of labour, EEC might logically be expected to make the very most of the resources available within its own territories. The resultant rise in income should be reflected in a substantial increase in the Community's imports from the rest of the world, including its purchases of raw materials and foodstuffs from Latin America.

17. However, such a natural outcome of the process — that is, of the implementation of the principles of productivity and returns on investment inherent in the notion of the Common Market — seems to have been frustrated in practice by the expansion and consolidation of agricultural protectionism in Europe, to the detriment of exports of temperate-zone primary commodities. The same might be said of the establishment of the economic association with former African colonies, whose output consists mainly of tropical products.

18. No blame could attach to EEC for wanting to honour its commitments *vis-à-vis* the less-developed African countries. On the contrary, such an attitude would be entirely laudable. But it is quite a different matter to adopt a policy which may prove damaging to Latin America with-

out sufficient evidence of the intention of compensating this region adequately for the loss it will suffer, or offering co-operation in bringing about its transition to a more advanced stage of development, for which it is already ripe.

19. These are the results that may derive — perhaps in the fairly near future — from the heavy investment in the African continent and from the application of the latest techniques in the exploitation of its rich and varied natural resources, with the assistance of cheap and equally abundant labour. If the mere conjunction of these factors alone is calculated within a few years' time to lead to costs and prices that will be hard to match, in the meanwhile, during the period of transition, it will also be impossible for Latin America to compete in a vast consumer market with immense purchasing power, such as that of EEC, since this market will be virtually reserved for specific African exports, if so discriminatory an instrument as tariff preferences is applied. Again, the growing supply of primary commodities from Africa is unlikely to be confined to the European Common Market, since it is already making its presence felt today in other markets of equal importance for Latin America.

20. The Latin American region is faced with a prospect which cannot but arouse grave misgivings. To judge from the results of the bilateral negotiations concluded by some Latin American countries with the Governments members of EEC, the latter perhaps over-estimate Latin America's powers of recuperation in the face of the possible repercussions of these developments. Yet it is logical to assume that an aggravation of manifestly unsatisfactory conditions would combine with existing factors making for violent economic and social crises to jeopardize the political institutions of democracy.

21. Thus there emerges, in the broadest sphere of international relationships, an inescapable need to reconcile the policies pursued in different regions. The principles of economic co-operation and general prosperity which all Governments endorse must necessarily find expression in practical measures which do not benefit any one area at the cost of another. Clearly, these idealistic aims will be imperilled to the extent that the adjustments that are being introduced prove damaging to the legitimate interests of any particular region. What possible course is there for Latin America to follow in a world which seems to be on the threshold of a new economic order, based on the formation of large regional markets?

22. Unquestionably, Latin America too will have to pursue the path of its own ulterior integration and endeavour to counteract, by the economic fusion of its markets, the political disintegration it has undergone in the course of its history. Awareness of this need already exists, although many feel that the process of integration will be slow of fulfilment. Its success under the democratic system, it is felt, will be conditional upon whether it can be shortened by speeding up. But this would only be feasible if Latin America's own leaders and public opinion were willing to pool their efforts, and if the more developed western nations properly appreciated the situation and offered their energetic and effective co-operation.

23. It is neither necessary nor appropriate to itemize the

advantages which economic integration would bring to the Latin American region. The validity of such integration has already been sufficiently demonstrated, and it has crystallized into a policy adopted by the Latin American Governments in a series of commitments assumed during recent years. What is more, it is actually in process of implementation, through the agencies recently created, in response to a long-felt need for unity, backed up by a series of favourable circumstances which include the complementarity of Latin America's natural resources. Endogenous elements conducive to integration have always existed, although they have long been counteracted not only by political factors and a sporadic economic development directed outward under the influence of overseas interests, but also, more recently, by an industrialization process which as a rule, far from being the outcome of smoothly co-ordinated plans, has been dictated by the imperative need for import substitution. To these are now added exogenous factors, notably those deriving from the world trend towards regionalism — that are inevitably reflected in the composition and direction of international trade flows.

24. It is therefore urgently necessary that we make ready for the transition to higher stages of economic and social development, setting up clearly-defined targets and equipping Latin America properly, at the internal and the external level alike, so as to attain them as quickly as possible. Is this a plan to make Latin America self-sufficient, to achieve industrialization in such a way as to sidestep its trade with the rest of the world? Of course not. Latin America's integration and industrialization are not merely compatible with the expansion of foreign trade, but require it as a means to their successful achievement. The solution of this problem basically depends upon the attitude adopted towards Latin America by the large economic blocs formed among the industrial centres. If these boldly admit Latin American exports, in the case of both traditional commodities and the region's developing export trade in industrial products, the Latin American common market will evolve outward, and this will involve reciprocal advantages. If, on the other hand, the prevailing trends in the regional blocs of the great centres veer towards self-sufficiency and the restriction of trade with countries in a weaker position, Latin America will find itself compelled to turn the growth of its common market inward, extending the industrialization process to products which it would be more economic to purchase from the great manufacturing centres, in exchange for other industrial exports from Latin America. Moreover, if only this alternative were left, there would be some risk of a recrudescence of bilateral trade patterns on the part of the Latin American countries, and they would also be forced to seek compensatory preferential treatment in trade with the United States.

25. All this would be extremely regrettable at the very time when the Government of the United States is taking the enlightened course of directing its international trade policy towards the expansion of trade on multilateral bases. For example, it is proposing to EEC that the latter should introduce large-scale reductions in its common customs tariff in exchange for import concessions in the United States market. Naturally, this action on the part of the United States is prompted by the aim of increasing and facilitating trade among the whole body of countries

to which these concessions would be extended by the application of the most-favoured-nation clause. If the Latin American countries are in practice to benefit by this initiative on the part of the United States and EEC, the negotiations will presumably have to cover those export commodities which are of real importance for our countries: coffee, cacao, wheat, meat, bananas, copper and other metal products, and those types of semi-manufactured and finished goods which Latin America can contribute to the world's supply. In short, in a spirit of liberal economic co-operation, such as is evidenced in the new United States policy, consideration should be given to the possibility and desirability of the United States securing, through its own tariff concessions, more favourable treatment in the Community for staple Latin American export commodities, both new and traditional, while at the same time continuing to promote the readier access of Latin American production to its own market by the adoption of appropriate measures.

26. This general picture would include the support given by Latin America to the United States proposal that the problem of preferential treatment for tropical commodities be solved by the total elimination of European customs duties on these items, a step which would place all suppliers on an equal footing. Latin America, in its turn, would have to make tariff concessions of its own as a contribution to the attainment of the ends described, although — in compliance with the recommendations formulated by the GATT meeting at ministerial level in November 1961 — total reciprocity would not be required of it, because it is still in the process of economic development. The expansion of Latin America's exports to the great world centres, as a result of the concessions accorded by these, would by implication involve reciprocity, inasmuch as there would be a simultaneous increase in Latin America's imports of goods from the industrialized countries.

27. The expansion of Latin America's export trade is an essential requisite for the effective acceleration of the

region's rate of economic development. Financial co-operation cannot be an alternative to such trade. Furthermore, if exports failed to increase, the servicing of international credits and private investment would encounter serious and perhaps insurmountable difficulties in the future. Consequently, both the expansion of export and a policy of long-term financial co-operation are necessary in order to help Latin America to combat the serious structural crisis through which it is passing and to ease disturbing social tensions.²

28. It is now acknowledged that the scale of current co-operation policy is far from adequate. By way of proof, suffice it to mention that the amount of the financial contributions received by Latin America barely exceeds the cost of the servicing of transactions effected in previous years.

29. There seems to be no doubt that, in view of the great prosperity enjoyed by the countries of Western Europe, they could play a very active part in the new policy of international economic co-operation which has begun with the Alliance for Progress.

30. The foregoing remarks should not be interpreted as referring only to an economic operation from which reciprocal economic benefits will accrue. The action in question will also have vitally important political implications, since what is now at stake is not merely the rate of Latin America's economic development, but the institutional aegis under which this development is to take place in coming years. It would be impossible to overlook the decided significance of this aspect of the question as it concerns our relations with Europe, or its implications for the preservation of the great values inherited by Latin America as an integral part of western culture.

² It should be pointed out that this state of affairs tends to reduce private contributions — on the increase in the recent past — and is causing the expatriation of a considerable proportion of national capital, thus further aggravating the unfavourable conditions already existing.

II. DECLINE IN THE RELATIVE IMPORTANCE OF LATIN AMERICA'S FOREIGN TRADE

31. Latin America's loss of relative importance in world trade has assumed striking proportions, as can be seen in detail in the tables and the relevant analysis presented below.³ It is clear from the data given that Latin America's share in total world trade, which represented about 10 per cent in the pre-war period, has been declining over the last ten years at an alarming rate, the decline being closely bound up with the aggravation of balance-of-payments problems and the intensifications of social pressures in most of the countries of the region. Thus, by 1960 Latin America's quota of world trade had already dropped to less than 7 per cent.

32. The reasons why Latin America is confronted with so disquieting a prospect are of both internal and external origin, and will be referred to throughout the course of the present report. But it should be stressed here and now that outstanding among these causes are the protectionist policy in favour of their own domestic production

³ See tables 1 and 3 in this section.

being resolutely pursued by European countries where our exports have traditionally found a market, and the increasingly discriminatory treatment to which the exports in question are subjected by these same countries.

33. Thus, the members of EEC, which before the Second World War used to purchase over 11 per cent of their total imports from Latin America, have been importing less and less during the post-war period of economic reconstruction, so that at the present time the corresponding proportion is barely 6 per cent. Again, whereas pre-war trade with the countries that are now members of EEC showed balances definitely favourable to the Latin American countries, in recent years the region's credit balances have substantially decreased. The same applies to Latin America's trade relations with the EFTA countries.

34. The extent of the deterioration undergone by Latin America's export trade between the pre-war and post-war periods, and the marked trend for the worse observable

Table 1

LATIN AMERICA: TOTAL EXPORTS

(Fob. values in millions of dollars: share in world and regional totals in percentage terms)

Year	Share of Latin America in world trade		Regional market of destination of Latin American exports								
	Total world exports	Latin American exports		United States		EEC		EFTA		Western Europe ^a	
		Value	Percent- age	Value	Percent- age	Value	Percent- age	Value	Percent- age	Value	Percent- age
1928	55 418	3 005	5.4	947	31.5	978	32.6	815	27.1	1 793	60
1935	19 573	1 954	10.0	459	23.4	472	24.2	491	25.1	963	49
1937-38	24 421	2 404	9.8	650	27.0	584	24.3	506	21.0	1 090	45
1948	57 300	6 510	11.4	2 420	37.2	940	14.4	1 090	16.7	2 030	31
1951	82 150	7 800	9.5	3 480	44.6	11 150	14.7	1 070	13.7	2 220	28
1952	79 750	7 060	8.9	3 510	49.7	920	13.0	690	9.8	1 610	23
1953	81 700	7 630	9.3	3 610	47.3	1 050	13.8	890	11.7	1 940	25
1954	85 150	7 880	9.3	3 440	43.7	1 270	16.1	835	10.5	2 105	27
1955	92 700	7 970	8.6	3 510	44.0	1 240	15.6	865	10.9	2 105	26
1956	102 700	8 650	8.4	3 860	44.6	1 490	17.2	995	11.5	2 485	29
1957	110 800	8 650	7.8	3 850	44.5	1 460	16.9	1 090	12.6	2 550	29
1958	106 900	8 200	7.7	3 660	44.6	1 320	16.1	950	11.6	2 270	28
1959	114 800	8 320	7.2	3 670	44.1	1 430	17.2	950	11.4	2 380	29
1960	127 200	8 530	6.7	3 580	42.0	1 570	18.4	1 010	11.8	2 580	30

SOURCES: 1928-38: *Inter-American Statistical Yearbook*.
1948-60: *International Trade Statistics* (1960).

^a Including only the EEC and EFTA countries.

in this process, constitute a phenomenon which cannot be a matter of indifference to the western world.

35. Today the EEC and EFTA countries form the most important trade area in the world.⁴ For a quarter of a century the proportion of total world imports purchased from Latin America has been dwindling; and this relative reduction is so significant that it is worth while to make a fairly careful study of the figures concerned.

1. THE GENERAL PICTURE

36. As can be seen from table 1, in the interval between the pre-war period and the present time, exports to the United States have significantly increased, except for fortuitous reasons, in the last few years; those to Western Europe, on the other hand, although they have also increased in absolute terms, have considerably diminished as a proportion of the region's total exports, declining from 45 per cent in 1937 and 1938, to 30 per cent in 1960.

37. So sharp a decrease in the relative importance of Latin America's trade with the countries of Western Europe, especially in view of the fact that in the last few years the prosperity of the latter area has been steadily growing, calls for comment on aspects of the problem from which some idea can be formed of the repercussions that this decrease has had and is having on the Latin American economy.

38. As regards the situation presented in table 1, it should be borne in mind that, as can be seen from table

⁴ EEC's and EFTA's purchases from third countries (excluding reciprocal trade among their members) amounted to about 19 500 million dollars in 1960. In the same year, the aggregate imports of the United States reached a value of 16 000 million dollars.

A in the statistical annex, Latin America's exports to the centrally-planned economies have increased in the last five years, rising from 1.4 per cent in 1957 to a little over 6 per cent in 1961.

39. The causes of the marked relative decline in exports to Western Europe may be broadly classified as internal and external. Among the *internal* causes, a determining factor has undoubtedly been the export policy pursued by some Latin American countries, which in actual fact has discouraged exports as a result of various practices and measures relating to monetary, exchange and fiscal matters. At the same time, there have been delays in formulating and implementing certain desirable structural reforms. Moreover, insufficient attention has been devoted to technological progress; in general, the impressive advance of modern techniques throughout the whole of the post-war period has left little mark on Latin American industries, as is shown by a comparison of yields with those of other areas. Consequently, Latin American supply has lagged behind the changes that have taken place in the structure of external demand. The same has happened in the sector that makes the biggest contribution to Latin America's aggregate exports — agriculture. The technological revolution that has come about in this sector in other parts of the world has had far-reaching effects, since, apart from the application of scientific advances, agriculture has enjoyed the benefit of large-scale investment, as well as of credit systems which have permitted much more widespread use of modern equipment and implements. In contrast, technological advances have had little repercussions on the level of efficiency of Latin American agriculture as a whole.

40. The *external* causes include those of a technological nature already alluded to in connexion with the internal causes. Countries in other parts of the world, especially

those at more advanced stages of development, adopted highly up-to-date methods of production in the period immediately following the Second World War, thus attaining increasingly satisfactory productivity coefficients, while at the same time rapidly expanding the manufacture of synthetic substitutes.

41. Secondly, there can be no doubt that another major and decisive factor in the relative reduction of Latin America's aggregate exports has been the markedly protectionist and discriminatory policy applied by large industrial centres.

42. Between 1953 and 1960⁵ world exports increased by 56 per cent. The increment in this interval was 82 per cent in the case of the countries of Western Europe, 30 per cent in that of North America and only 13 per cent in that of the Latin American countries. The seriousness of the difficulties which this involves for the Latin American economy is clearly evidenced in the statistics given.

2. COMPOSITION OF EXPORTS

43. The present structure of Latin America's exports is well known; they are composed almost entirely of food-stuffs and raw materials. Consequently, there is no point in expatiating here on topics that have been analysed again and again by various international agencies, particularly the question of the vulnerability imparted to the Latin American economy by this structure of its imports.

44. Tables B, C and D in the statistical annex show the staple items exported by Latin America to EEC and EFTA and their relation to total export figures, in terms both of value and of volume. For the sake of clarity, the goods concerned are classified in the tables as temperate-zone products, tropical products, fuels and mining products. It can be seen that Western Europe is a market of basic importance for Latin America's staple export commodities.

45. By way of illustration it may be mentioned that of the value of total exports in 1960, those shipped to Western Europe represented the following percentages: wheat and maize 55 per cent, meat 76 per cent, coffee 25 per cent, cacao 30 per cent, other kinds of grain 56 per cent, peanut and linseed oil 92 per cent, and certain kinds of fruit (oranges and apples, for example) 69 per cent. As regards other products, too, the percentage of the world total exported to Western Europe constituted a high proportion, in terms both of volume and of value.

46. On the other hand, Latin America's export trade in manufactured goods is manifestly insignificant at present, despite the fact that the economic development of the Latin American countries is substantially dependent upon the extent to which it may be feasible for them to diversify and increase their exports of this type.

47. Tables E and F in the statistical annex present a breakdown of exports by countries, and also illustrate the importance of Western Europe as a large market for Latin American exports. In the three-year period 1958-60, five Latin American countries — Argentina, Bolivia, Chile, El Salvador and Uruguay — sold more than 50 per cent of

⁵ See OAS/ECLA, *Economic and Social Survey of Latin America 1961*, Washington, 18 July 1962, chapters I and II.

their total exports to the EEC and EFTA countries, while for another five Latin American countries — Brazil, Costa Rica, Guatemala, Nicaragua and Peru — the corresponding proportion represented over one-third of their total sales abroad.

3. THE VALUE OF EXPORTS

48. It is common knowledge that the value of exports has suffered effects of the unfavourable trends in prices of basic commodities. In this connexion, a study of the evolution of trade clearly shows that during the five-year period 1957-61 Latin America as a whole was seriously affected by the deterioration of world market prices, although it was not uniform for all products nor attributable to the same causes in every individual case.

49. Table 2 shows that since 1953 Latin America as a whole has witnessed a 15-per-cent decrease in the unit value of its exports. It also reveals a regrettable setback for Latin American interests, inasmuch as the total terms-of trade index was only 86 per cent in 1961, and 81 per cent if petroleum is excluded (1953=100).

50. Consequently, in addition to the adverse trends registered by export volumes, unit values of total exports have also declined in the last few years. Latin America's terms of trade with the rest of the world have likewise deteriorated, and the result of all this has been to restrict foreign exchange income, which has seriously affected the development process and helped to intensify the social pressures deriving from the resultant unsatisfactory rate of growth.

4. TRADE WITH WESTERN EUROPE

51. Table 3 bears witness to the above-mentioned fact that the EEC countries which before the Second World War purchased over 11 per cent of their total imports from Latin America, during the post-war period of economic reconstruction imported smaller and smaller quantities of Latin American products, so that today the corresponding proportion amounts to only about 6 per cent. It should also be recalled that pre-war trade with Europe showed balances substantially in favour of the Latin American countries, whereas at present export and import values are

Table 2
LATIN AMERICA: INDICES OF UNIT VALUES OF EXPORTS
AND IMPORTS, AND TERMS-OF-TRADE INDEX
(Base: 1953 = 100)

	1957	1958	1959	1960	1961 ^a
Unit values of total exports	96	89	83	85	85
Unit values of exports, excluding petroleum.	93	84	78	80	79
Unit values of imports	103	100	99	99	98
Total terms of trade .	94	89	84	85	86
Terms of trade excluding petroleum . . .	91	84	78	81	81

SOURCES: United Nations, *Monthly Bulletin of Statistics*; OAS/ECLA, *Economic and Social Survey of Latin America 1961* (provisional text).

^a Estimates based on statistics for first half of year.

Table 3

EEC AND EFTA: IMPORTS FROM LATIN AMERICA, AND TOTAL IMPORTS

(Cif. values in millions of dollars)

Year	EEC's trade with Latin America			EFTA's trade with Latin America		
	Imports from Latin America	Latin America's percentage share in total imports	Total imports	Imports from Latin America	Latin America's percentage share in total imports	Total imports
1928	1 734	12.0	14 500	1 380	10.7	12 905
1935	569	11.5	4 964	547	10.8	5 081
1938	671	11.8	5 669	566	9.3	6 095
1950	864	7.7	11 234	1 016	8.6	11 766
1951	1 183	7.7	15 332	1 275	8.0	15 974
1955	1 329	6.9	19 324	1 038	5.8	17 906
1957	1 827	7.3	24 929	1 395	7.0	20 055
1958	1 568	6.8	22 991	1 220	6.5	18 851
1959	1 637	6.7	24 349	1 259	6.3	20 036
1960	1 812	6.1	29 666	1 269	5.5	23 101
1961	—	—	—	—	—	—

SOURCE: United Nations, International Trade Relations Section.

tending to be about even. A rapid decline in credit balances is also apparent in trade with the EFTA countries.

5. SOME CONCLUSIONS

52. The importance of the sharp deterioration in Latin America's foreign trade suggests that emphasis should be laid in these conclusions upon certain facts to which some allusion has already been made. For instance, it must be reiterated that between 1953 and 1960, world exports increased by nearly 56 per cent. In that interval, the increment was 82 per cent for the countries of Western Europe, 30 per cent for North America and only 13 per cent for those of Latin America. Even on the basis of comparison with other under-developed areas, it may be noted that Africa's exports increased by 32 per cent and those of the Middle East by 82 per cent. Unquestionably, therefore, even in the last few years, during which the prosperity of the developed countries has steadily increased, Latin America as a whole is lagging behind in respect of the relative expansion of its export trade.

53. As statistics testify, Latin America's exports in 1953-60 display two fundamental characteristics in relation to those of other regions: (a) one of the lowest indices of expansion of total exports; (b) the most marked decrease in the indices of unit values of exports. In this context, it must be pointed out that between 1957 and 1960 the 11.5-per-cent decrease in the unit values of exports almost entirely offset the 13.5-per-cent increase registered in the export quantum. This is unparalleled throughout the world, if a comparison is made with similar less developed regions. Although complete statistics for 1961 do not exist, the provisional data available indicate that the relative

stagnation of Latin American exports remains more or less unchanged.

54. The over-all picture of Latin America's foreign trade, and particularly its trade with the countries of Western Europe, unfortunately shows that since the Second World War the region's aggregate trade has been steadily diminishing in relation to the expansion of world trade. Although during the last fifteen years Latin America's exports of certain products — petroleum and iron ore, for example — have registered a highly significant increase, the decline in the region's aggregate export trade in relative terms is a heavy clog on the economic development of Latin America. The statistics show that it is Europe's trade with Latin America that is responsible for much of the weakening of the latter's position *vis-à-vis* world trade. The boom enjoyed in recent years by Western Europe, and particularly by the EEC countries, has meant relatively little for Latin America's export trade as a whole. All this goes to show that the familiar argument to the effect that prosperity in Europe directly benefits Latin America — an argument similarly adduced in connexion with the Marshall Plan — is not sufficiently borne out in practice.

55. In conclusion, it must be repeated that Western Europe has increased its imports from other areas during the last few years to the detriment of its purchases from Latin America, while at the same time it has been practising an increasing degree of internal protectionism, particularly through quantitative controls and the introduction of subsidies. This has set limits to the sales opportunities open to Latin America's traditional exports, which, today as in the past, are well known to be able to compete in respect of both price and quality.

III. QUESTIONS THAT MUST BE ANSWERED

1. THE COMMON AGRICULTURAL POLICY

56. The threats to the future of Latin America's foreign trade would seem to be increased by the certain limiting factors, including the possible restrictive effects of appli-

cation of the rules and decisions relating to EEC's common agricultural policy.⁶

⁶ See ECLA, *Recent Events and Trends in Latin America's Trade with the European Economic Community* (E/CN.12/631), section IV, paragraphs 33-50.

57. The fact is that in this policy we have a line of action resolutely directed towards even greater self-sufficiency on the part of the EEC countries and the formation of exportable surpluses of temperate-zone products, under a system of powerful incentives, including subsidies from a special fund and movable duties. The forms taken by these incentives are such as might undermine the competitive position of foreign suppliers, disrupting and distorting their export trade.

58. The repercussions of the common agricultural policy could profoundly affect the spirit of solidarity which should exist among the countries of the western world. It seems imperative for the countries concerned — among them the countries of Latin America — to press for a change of course, and to do this on the basis of joint action, for it must be remembered that the bilateral representations made by some countries since 1958 have not been successful.⁷

59. Again, it may be worth while considering the figures presented below on the situation with regard to trade in temperate-zone and tropical-zone products. It is generally asserted that the EEC countries supply 90 per cent of their own requirements in respect of temperate-zone commodities, but it must be recalled that this has not come about through the action of a free import system based on a reasonable degree of customs protection. On the contrary, during the post-war period and up to the present time a highly protectionist policy has been applied by the EEC countries, mainly through quantitative restrictions. Up to 1958 its maintenance was alleged to be necessary on balance-of-payments grounds. Thanks to this system, in combination with the subsidies granted to agriculture, production of wheat increased by 33 per cent during the period 1950-60, that of grain for forage by 40 per cent and that of meat by over 50 per cent. Unquestionably, a part of these increments was attribut-

⁷ The following items appear on the agenda of the Seventh FAO Regional Conference for Latin America, to be held at Rio de Janeiro in November 1962:

C. REGIONAL ECONOMIC INTEGRATION AND TRADE IN AGRICULTURAL PRODUCTS

10. *Recent developments towards regional economic integration and the promotion of common approach to agricultural policies*
Consideration of progress already made under both the Latin American Free-Trade Association and the Central American Economic Integration Programme will be important, particularly in order to clarify the short and long-term effects of these arrangements on intra-regional agricultural trade. Under this item the steps to be taken towards the co-ordination of agricultural production policies between countries of the region, in order to accelerate the process of regional economic integration, will also be discussed.

11. *Prospects and problems of Latin American export crops*
It is proposed that under this item the Conference should review the situation, outlook and problems of the major export crops of the Latin American region. In addition to a review... of recent inter-governmental consultations concerning these commodities, it is intended that the Conference should examine the longer-term prospects (up to 1970) for international trade in some of the major agricultural commodities... (in the light of a relevant FAO study).

12. *Developments in economic integration in the European Economic Community and their impact on Latin American agricultural trade*

On the basis of an FAO Commodity Policy Study, *Agricultural Commodities and the European Common Market*, it is intended to review developments aiming at economic integration in the European Economic Community and to consider their implications... for trade in Latin American agricultural commodities.

able to technological progress, but they would never have been achieved without the application of wholesale protectionist measures. After 1958, although by then the EEC countries were in a position to restore the convertibility of their currencies and were greatly increasing their reserves, they nevertheless maintained their agricultural protectionism unchanged.⁸

60. It would be a mistake to disregard a well-known aspect of the structure of world trade, which seems to have been forgotten for the moment. For a long time specific Latin American countries had a pronounced credit balance in their trade with Western Europe; this, given convertibility, enabled the countries in question to purchase goods from other parts of the world, particularly the United States, with which they never had favourable trade balances, because its agricultural exports were similar in structure to their own.

61. To return to the matter of import restrictions, while up to 1957-58 there was some justification for their application by the EEC countries as a device to save means of payment, from that date onwards there are certainly no valid grounds for their maintenance, since the countries concerned have not only stabilized their external payments position, but are enjoying a period of remarkable prosperity.

62. There is another respect in which Europe's protectionist system has had serious repercussions on exporter countries such as those of Latin America. These latter, faced with the difficulty of maintaining a foothold in markets dominated by protectionism, like those of the EEC countries, have been compelled to lower the prices at which their products are quoted, thus handicapping their own economies and detracting from the resources available for the development process. Excessive protectionism is perhaps the main determinant of the price decline, since the untrammelled expression of consumer preferences would certainly have had a favourable influence on international price levels for the products concerned.

63. If the present trend of this protectionist and controlled agricultural policy in the EEC countries continues, it will seriously threaten the economic situation of supplier countries. The countries still applying this policy must look beyond the EEC area to world trade in the aggregate and, within this, to Latin America. If producer countries which are naturally fitted to satisfy, both now and in future years, a substantial and steadily growing demand continue to be faced, as at present, with formidable external obstacles to their export trade, what effect will all this have on foreign trade and on Latin American politics?

64. The GATT session held in November 1961 devoted a great deal of attention to the problem of the marketing of basic commodities. The representatives of countries whose interests are prejudiced by the protectionist policies applied in the large markets of the world made no

⁸ Since 1959, when the United States began to encounter balance-of-payments difficulties, the EEC countries have so substantially enlarged their gold and dollar reserves that at the present time three of them alone — the Federal Republic of Germany, France and Italy — hold aggregate *net* reserves of gold and dollars equal to those of the United States.

attempt to disguise their uneasiness, and frankly expressed their unshakable determination to strive for an equitable solution. On this occasion, the then Minister of Finance of France, with the support of the other members of EEC, formulated proposals culminating in a recommendation to the Contracting Parties of GATT. In his exposition, he put forward the idea of an international organization of markets for agricultural commodities, on the basis of a system of agreements relating to specific items, under the terms of which export volume quotas would be established for each country at given price levels.

65. In the context of a programme on which only sketchy information is available, this suggestion, at first glance, raises some very dubious questions for Latin America. To begin with, it is inevitably a motive of concern that the repeated representations made in international circles by traditional exporters such as those of Latin America, whose interests are being seriously affected by the trends towards self-sufficiency observable in the large markets, have met with no response in the shape of abridgement of the restrictions and discriminatory measures currently in force or of an announcement of the postponement of others whose application is contemplated. All they have managed to extort instead is a declaration that a system of agreements will be studied which will necessarily take several years to prepare and implement. Meanwhile, the restrictions, discriminatory treatment or other measures deriving from EEC's common agricultural policy will increasingly reduce the marginal share left to Latin American exporters in supplying Europe's requirements, which they have for so long helped to satisfy.

66. From another standpoint, it would be deplorable if the present lack of co-ordination of the Latin American countries' trade policies were to lead to unduly precipitate acceptance of the idea of the organization of markets. As soon as all aspects of the programme have been made known and analysed, consideration should be given to ways and means of finding a common denominator and subsequently, as part of a co-ordinated trade policy, defining the position of Latin America as a whole and taking action accordingly.

(a) *Temperate-zone products*

67. The foregoing remarks should perhaps be supplemented by demonstrating in some detail the statistical justification for the increasing anxiety felt in Latin America as to the future of the region's export trade in temperate-zone agricultural products.

68. Between 60 and 65 per cent (in terms of value) of the exports of those Latin American countries which sell primarily temperate-zone agricultural commodities — Argentina and Uruguay — goes to Western Europe. Other countries — Brazil, Chile, Paraguay and Peru — also export some of these products to the same market, although the value involved is lower. The following figures show the percentages of total Latin American exports of selected temperate-zone products which are absorbed by EEC and EFTA.

	1959		1960	
	EEC	EFTA	EEC	EFTA
Chilled and frozen beef	26.5	58.1	20.7	66.9
Chilled and frozen mutton	1.1	76.2	1.5	81.4
Wheat	19.3	14.1	18.9	15.2
Maize	72.2	15.6	65.7	9.9
Linseed oil	74.2	19.1	78.1	12.6
Hides	33.3	5.4	28.5	7.0
Wool	29.5	18.1	34.6	21.4

SOURCE: ECLA, on the basis of official statistics.

69. As can be seen, the share of EEC and EFTA in total exports of the products listed is substantial, although for some commodities — mutton, maize, linseed oil and hides, among others — one of the markets is a good deal larger than the other. Consequently, a study of the situation with respect to the various products must take different considerations into account, according to the area concerned.

70. Attention must now be drawn to certain aspects of the marketing of meat, a product significantly affecting the balance of payments of some Latin American countries; incidentally, a study like that outlined below would also have to be made in connexion with other traditional agricultural exports.

71. Meat is Argentina's principal export commodity, and it is equally important for Uruguay. It is also a significant item in the foreign trade of other Latin American countries. Latin America's percentage share in the world meat trade shows a marked decline, despite the increase in world exports of meat. Signs of the downward trend were apparent as long ago as the first few years of the previous decade, as well as in the period immediately preceding the Second World War.⁹

72. The contraction of Latin America's export trade is particularly striking in relation to some of the traditional markets. Although in some years this state of affairs would seem to reflect, up to a point, a reduction of the leading Latin American producers' exportable surpluses, it is chiefly attributable to the fact that the traditional meat importers — above all the continent of Europe and the United Kingdom,¹⁰ upon which Latin America's sales have been basically dependent — have fostered the development of their domestic production by resorting to severely protectionist measures, to the detriment of Latin America's export opportunities, although the United Kingdom does not apply import restrictions of an administrative type.

73. Again, the members of EEC have contended that the expansion of production in the territory of the Community, both in the present and in the past, equals or exceeds the increase in demand, despite the low level of consumption in some of the countries concerned, the high income-elasticity of demand and the estimated rise in income.¹¹

⁹ See statistical annex, tables H and I.

¹⁰ Banco Francés e Italiano para la América del Sur, "Le marché commun européen et l'Amérique du Sud", *Bulletin*, January-February 1962.

¹¹ See the FAO Commodity Policy Study entitled *Agricultural Commodities and the European Common Market*, Rome, 1962.

74. According to studies carried out by EEC,¹² the elasticity of consumption — especially of beef — continues to be relatively great, taking into account the fact that the coefficients of income-elasticity of demand for meat are over 1.4 per cent in countries where the level of consumption is low, and about 0.4 and 0.6 per cent in those where it is high.¹³ An FAO study¹⁴ bears out this opinion, inasmuch as it estimates that demand will expand faster than production in two of the leading European importer countries — the Federal Republic of Germany and Italy. These favourable conditions — which were likewise in evidence in the past — have not been reflected in a growing demand for imports of beef on the part of the countries of Western Europe. On the contrary, the tendency has rather been to accelerate the application of import restrictions and thus encourage domestic production, which in some of the countries concerned — France, for example — shows costs much higher than those of the traditional Latin American meat suppliers.

75. In these European countries where the level of consumption is highest — i.e., France and the Netherlands — this policy inevitably causes the growth of production to outstrip that of internal demand; this creates possibilities for an expansion of their beef export trade to supply not only EEC countries, but also others outside the Community. Nor do the effects of EEC's import restriction policy stop here. Consumer prices have also been affected, and are following a steadily rising trend. Not merely does this set limits to beef consumption, despite the very moderate levels registered; it also leads to the replacement of beef by other kinds of meat for which relative prices are favourable.

76. In addition the discouraging prospects likely to result for these Latin American exports to EEC from the application of the common agricultural policy, there would now appear to be other considerations, unfortunately far from optimistic, deriving from the possible accession of the United Kingdom to the Community.

77. Table I in the statistical annex affords clear evidence of the importance of the British market for Latin America's meat sales. Both from this table and from table 1 above,¹⁵ it can be seen that the value of the United Kingdom's meat imports is several times greater than that of EEC's total purchases of meat from Latin America. Nevertheless, the United Kingdom market, like that of the EEC, is definitely deteriorating. Whereas in 1934-38 Latin America's exports of meat to the United Kingdom accounted for 27 per cent of the total United Kingdom imports, by 1960 the share had contracted to less than 16

¹² Document VI/4270.1/60. According to this study, prepared by the Special Committee for Agriculture of EEC, average *per capita* consumption of beef in the EEC territory stands at 18.8 kilogrammes yearly, the highest level (28.5 kilogrammes) being that of France and the lowest (12 kilogrammes) that of Italy. In the Federal Republic of Germany the relevant figure is 16.1 kilogrammes.

¹³ A special supplement to the *FAO Commodity Review 1962*, entitled *Agricultural Commodities — Projections for 1970* (Rome 1962), gives the following coefficients of income-elasticity of demand for meat in the EEC area: EEC as a whole, 0.7; Belgium, 0.6; Federal Republic of Germany, 0.6; France, 0.4; Italy, 1.4; Netherlands, 0.7.

¹⁴ *Ibid.*

¹⁵ See section II, sub-section 1.

per cent. A similar reduction has also taken place in more recent years.¹⁶

78. As regards the future of Latin America's exports to the United Kingdom, the following points should be taken into consideration:

(a) The possible adoption by the United Kingdom of EEC's common external tariff and the agricultural policy, which would also imply the elimination of duties and other restrictions on imports from the rest of the members of EEC. Consequently, the United Kingdom market would accord preferential treatment to the other EEC countries which are or may become meat exporters;

(b) Any system that may be agreed upon to protect the interests of suppliers of the United Kingdom within the Commonwealth (Australia, New Zealand, Rhodesia and Nyasaland, Canada and others), which enjoy preferential treatment in the British market;

(c) The possible contraction in meat consumption in the United Kingdom, if there is a rise in retail prices for meat.¹⁷

79. All these circumstances might still further handicap Latin America's export trade in respect of this important item. Its future prospects have been described in a number of circles as promising, in consequence of Western Europe's rapid economic growth during the period of reconstruction and integration; but, in actual fact, it is following a downward trend as a result of a vigorous protectionist policy that appears strikingly inconsistent with the boom in the economies of the members of the European Common Market.

(b) *Tropical products*

80. As regards tropical products, the main problem for Latin America nowadays lies in the renewed and increasing encouragement which EEC is desirous of giving, by means of preferential customs treatment, to production in the sixteen African countries whose association agreement is at present in course of re-negotiation. Furthermore, EEC is according them the benefits of substantial loans and investment. This aspect of its co-operation with them is of course most laudable as a practical expression of the wish to contribute to their progress. But preferential customs treatment is another matter. This would result in the expansion and prolongation of a system of exceptions which the very countries that are now members of EEC helped to reduce and eliminate at the time of the negotiation of the GATT Charter, to which they acceded.

81. It should be noted that what is involved is the preferential tariff treatment that one or more countries, today members of EEC, had been granting to one or more of their African territories, now independent countries. This preferential treatment would be extended to the whole of the EEC customs area. The most important case in point is that of France, a country closely linked to

¹⁶ See again statistical annex, table I.

¹⁷ In the FAO report on agricultural commodities and the European Common Market, it is pointed out that if the United Kingdom were to join the Community on the basis of the principles adopted by the latter with respect to agriculture, the prices paid to United Kingdom producers for meat and other agricultural commodities might not be lower than the present guaranteed levels. On the other hand, consumer prices might well rise, which would curb the growth of consumption and imports.

Table 4
SELECTED COUNTRIES: IMPORTS OF COFFEE
(Thousands of tons)

	<i>United Kingdom</i>						<i>France</i>					
	1934-38 ^a	1949 ^a	1955 ^b	1958 ^c	1959 ^c	1960 ^c	1934-38 ^a	1949 ^a	1955 ^b	1958 ^c	1959 ^c	1960 ^c
<i>Total imports</i>	22.5	44.7	34.6	44.2	52.8	54.9	184.6	87.5	179.1	189.4	197.0	198.0
EEC countries and associated territories	8.8	27.9	26.0	1.5	3.8	2.0	34.4	60.8	120.8	140.0	137.5	138.8
Commonwealth countries				32.8	36.5	34.6				—	0.2	0.8
Latin America	11.4	16.7	7.0	8.1	11.4	18.3	127.4	25.5	55.2	38.1	44.3	48.1
Other countries	2.3	0.1	1.6	1.8	1.1	—	22.8	1.2	3.1	11.3	15.0	10.3

	<i>Federal Republic of Germany</i>						<i>Sweden</i>					
	1934-38 ^a	1949 ^a	1955 ^b	1958 ^a	1959 ^c	1960 ^c	1936-38 ^d	1950-52 ^d	1955 ^b	1958 ^c	1959 ^c	1960 ^c
<i>Total imports</i>	165.8	26.3	120.2	159.7	186.6	199.4	48.9	41.2	53.1	63.8	67.9	73.3
EEC countries and associated territories	2.4	1.1	13.6	2.5	2.3	3.5	1.0	1.5	1.3	0.1	0.1	—
Commonwealth countries				23.5	24.7	22.6				1.4	1.4	2.1
Latin America	159.3	23.2	102.1	132.1	157.5	170.5	45.7	39.2	50.3	60.2	64.5	69.6
Other countries	4.5	2.0	4.5	1.6	2.1	2.8	2.2	0.5	1.5	2.1	1.9	1.6

	<i>United States</i>					
	1936-38 ^a	1949 ^a	1955 ^b	1958 ^c	1959 ^c	1960 ^c
<i>Total imports</i>	821.7	1 326.3	1 179.1	1 209.7	1 390.2	1 324.0
EEC countries and associated territories	16.3	25.7	134.3	60.7	72.8	86.2
Commonwealth countries				51.2	50.8	62.0
Latin America	681.3	1 299.0	1 040.7	1 022.6	1 202.3	1 089.3
Other countries	124.1	1.6	4.1	75.2	64.3	86.5

SOURCES: See footnotes.

^a ECLA, *Study of trade between Latin America and Europe*. Including African countries, without discrimination as to markets of origin.

^b ECLA, on the basis of official statistics. Including dependent territories or associates of the countries members of OECD.

^c GATT, Special group on trade in tropical products, 1962.

^d Food and Agriculture Organization, Commodities Division, Sugar and Beverages Section, *The World Coffee Economy* (FAO/59/12/9699), Rome, November 1959.

^e Pan-American Coffee Bureau, *Annual Coffee Statistics*. Including French Africa, British East Africa, Belgian Congo, Portuguese Africa, Ethiopia, etc.

associated African territories which have just achieved their independence; the preferential treatment they enjoyed in the market of metropolitan France — 50 million consumers — will now be accorded them in the total EEC market, where the consumers amount in all to 165 million.

82. This would greatly increase the impact of the preferential system in favour of Africa, which in the past was comparatively damaging to the position of Latin American tropical products in the French market, for the treatment concerned would henceforth apply throughout the whole vast sphere of influence of EEC. It would cover such products as bananas, pineapples, coconuts, coffee, tea, pepper, vanilla, cloves, cacao and tropical woods. From the standpoint of the commitments assumed under GATT, it may well be asked whether this extension of preferential treatments is compatible with the terms of the Agreement. If the principle that their extension is admissible were to be accepted, there would be nothing to prevent the application of a similar régime to other territories and other products.

83. In this context, coffee affords an illuminating example. The duties previously enforced on this commodity were as follows: 0 in the Benelux countries, 10.4 per cent in Italy, 20 per cent in France, and 26 per cent in the Federal Republic of Germany. The arithmetic mean would give 14.1 per cent. The tariff was established at 16 per cent, that is, at a higher level than the general average. The same is true of cacao, import duties on which were nil in Benelux, Italy and France, and 10 per cent in the Federal Republic of Germany. The arithmetic mean would work out at 2.5 per cent. The common tariff was established at 9 per cent.¹⁸

84. Table 4 gives a faithful picture of what takes place in markets granting preferential tariff treatment to coffee

¹⁸ As is generally known, the problem of how to establish the common external tariff was the subject of lengthy discussion in international circles, and to this end EEC adopted as a general rule the method of the arithmetic mean rather than of the weighted average. Under the latter system a very high tariff, imposed by a country importing only small volumes of a specific product, is weighted with the low tariff applied to the same commodity by another country which imports it in large quantities.

imports from specific sources. The countries benefiting thereby have practically a monopoly of the markets concerned. This is the case, for example, in the United Kingdom, where almost two-thirds of the coffee consumed in 1958-60 came from the Commonwealth countries. In the case of France, its territories sent to the metropolitan country about three-quarters of the latter's total purchases. The situation is diametrically opposed to this in the Federal Republic of Germany, Sweden and the United States, where Latin America has been able to compete on an equal footing. Consequently, the levels attained in the United Kingdom and France by African coffee exports are patently the outcome of preferential treatment, which encourages production and has for some time been boosting exports from this source.

85. Everything that has been said here of the discriminatory effects of preferential treatment is equally applicable to British and French imports of cacao. In the markets concerned, the share of associated countries and territories remains unvarying and almost exclusive. For example, out of 99 000 tons imported by the United Kingdom in 1960, almost 96 000 tons came from the British Commonwealth, chiefly from Ghana and Nigeria. As regards France, consumption in the same year amounted to almost 57 000 tons, of which 48 000 came from associated countries and territories above all the Ivory Coast and Cameroon.

86. GATT has carried out research on the curve of demand for coffee in the national markets of the six present members of EEC. For the world's leading coffee exporter—Brazil—alone, it was estimated that the application of the common external tariff on this product, *ceteris paribus*, might result in a loss of income of approximately 70 to 80 million dollars per annum. With the addition of cacao and nuts, the loss for Brazil might reach some 100 to 130 million dollars yearly, even on the assumption of low demand-elasticity coefficients.¹⁹ This is certainly not a reassuring outlook for the other Latin American suppliers.

87. Internal taxation in EEC countries also limits consumption of Latin American tropical products such as

¹⁹ See the March-April 1962 issue of the review published by the Conselho Nacional de Economia do Brasil, p. 160.

coffee. In the Federal Republic of Germany, for example, in addition to the common tariff (16 per cent) an equivalent internal tax is applied, in practice raising the surcharge to 32 per cent. In Italy the internal tax is much higher, amounting to approximately 60-70 per cent, which is superadded to the 16 per cent common tariff. (The funds thus obtained are invested in the Mezzogiorno development scheme in the south of the Peninsula.) In the Netherlands, Belgium and Luxembourg there is no domestic tax on coffee but the 16-per-cent customs duty is established through the operation of the common external tariff, whereas such goods previously entered the countries in question duty-free.

88. The duties imposed on coffee in Europe are unquestionably tending to have a restrictive effect on demand. This explains why consumption is lower than in countries like the United States and Sweden, for example, where no such duties are in force. In these latter countries, annual *per capita* consumption stands at 7 and 10 kilogrammes respectively, whereas in the members of EEC the average figure for 1958-60 was 3.2 kg. The reduction of consumption by fiscal measures naturally affects Latin American coffee more than the rival African product, on which no customs duties are payable. This means that the price-elasticity of demand would be greater if the duties in question were lightened.

89. If, as there are good grounds for supposing, the incidence of the new tariffs and the effect of internal taxation in EEC countries are curbing the growth of consumption of Latin American tropical products, despite the rise in income levels, emphasis must be laid on the more serious problem raised by preferential treatment to substitute products from Africa (see table 5 with respect to coffee and cacao). Latin American suppliers may not immediately feel the full restrictive influence of discriminatory treatment on demand for their products, but they certainly will in due course, as productivity in Africa increases and investments mature (a case in point is that of coffee, since the trees generally take about five years to become productive). Thus, while African production will be receiving financial stimulus, the corresponding Latin American products will be handicapped in the EEC market by discriminatory customs duties and internal taxation, so that from the competitive standpoint an inadmissible

Table 5
EEC: IMPORTS OF COFFEE AND CACAO FROM LATIN AMERICA AND AFRICA
(Thousands of tons)

Year	Coffee				Cacao			
	Latin America	Africa	Other areas	Total imports	Latin America	Africa	Other areas	Total imports
1934-1938 . . .	365.8	57.5	50.2	473.5	28.1 ^a	93.6 ^a	17.3 ^a	139.0 ^a
1949-1950 . . .	166.1	111.7	9.2	287.0	26.2	143.0 ^b	25.6	194.8
1954-1955 . . .	228.0	170.0	32.6	431.0	34.9	168.0 ^b	11.9	214.8
1958	256.0	217.0	54.6	527.0	35.0	202.4	—	237.4
1959	313.7	210.4	54.5	578.6	35.1	231.0	6.6	272.7
1960	342.2	218.9	57.4	618.5	36.3	202.4	57.6	296.3

SOURCE: League of Nations, *Foreign Agriculture Circular*.

^a Average annual imports in 1936-38.

^b Exports from African countries to EEC.

lop-sidedness will be created, both in the territory of EEC itself and in the rest of the world.²⁰

90. Again, article 234 of the Rome Treaty states that the rights and obligations resulting from conventions concluded prior to the entry into force of this Treaty between one or more Member States, on the one hand, and one or more third countries, on the other hand, shall not be affected by the provisions of the Treaty. This suggests that the negotiations recently conducted at the Fifth Tariff Conference of GATT might not be final, and that there might be a basis for further negotiation to restore the balance of the concessions previously agreed upon. According to the preamble to the Rome Treaty, one of its objectives is to contribute to the progressive abolition of restrictions on international trade (whether relating to tariffs or not). Latin American countries belonging to GATT have adduced this clause in expressing their desire to re-negotiate the previous concessions with the six members of the European Common Market, but have been unable to induce the Six to do so without requesting additional concessions on the Latin American side. The case of Brazil may be cited as an example. Although it is affected in respect of four products (coffee, cacao, cocoa butter and Brazil nuts) which account for 75 per cent of its exports to EEC, it has not been able to persuade the Community to reopen negotiations with a view to offsetting the concessions previously granted by Brazil as a member of GATT by means of reductions in the common tariff.

91. On the basis of the GATT regulations, several producers of tropical commodities have contended that the imposition or extension of preferential customs treatment would be altogether undesirable, although this would not mean that those already accepted might not be maintained as exceptions, the geographical areas concerned being clearly demarcated in every case. As a result of this attitude, a group was set up under GATT, but its discussions have not as yet led to any conclusions despite the energy with which in the course of its proceedings various countries have called attention to the damaging aspects of this facet of EEC's trade policy.

92. In the circumstances, a satisfactory solution of the problem would beyond a doubt be that advocated by the United States, namely, that tropical primary commodities should be allowed to enter both the United States and the EEC territory duty-free. Such a procedure would prevent distortions in investment and in trade flows and would be consistent with the policy of relative reciprocity recently

²⁰ The Latin American countries which consider that their interests are prejudiced by the common external tariff of the Six have repeatedly pointed out the manifest incompatibility between the GATT Charter and the application of the Rome Treaty. Under the terms of paragraph 4 of article XXIV of the General Agreement, the contracting parties of GATT recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories. In cases where the duties applicable under the common customs tariff have been established for any country's staple products at levels exceeding the averages deductible from the individual tariffs previously in force, the above-mentioned article XXIV clearly ceases to apply, in practice, for the country in question.

recommended within GATT by the meeting at ministerial level held in November 1961. A policy of this kind would take into account the exporter interests not only of the highly industrialized countries, but also of those in process of development which require markets where they can obtain purchasing power to buy capital goods and cover the servicing of loans and investment which only the industrial countries can supply.

2. MINING PRODUCTS AND THEIR DERIVATIVES

93. In the mining sector the requisite detailed studies of the repercussions of the common external tariff on its future exports to EEC have not yet been carried out. Nevertheless, during the last decade there has been a notable increase in this sector's exports to Europe of such items as copper, iron and petroleum. There is little certainty that this favourable trend will be maintained.

94. It should be recalled that Africa possesses important reserves of ores which compete in the export trade with the corresponding Latin American products, and output of these African ores could be increased substantially, if Europe's investment capacity were channelled towards that region. Furthermore, as the prevailing spirit in EEC has so far been the leaning towards self-sufficiency which it applies in other production and foreign trade sectors, it seems not unlikely that the possibility of drawing its own supplies of mineral raw materials from Africa may raise barriers to the free access of similar Latin American lines of production to the European market.

95. There is another very important aspect of this question. It is not yet clear whether the association of a certain number of African countries with EEC will imply that African manufactured goods based on the region's own mined raw materials will enjoy preferential customs treatment in the territory of the Community. As it would not be surprising if EEC extended to these African countries the liberalization system in force among its European members themselves, this would represent a discouraging factor for certain European investments in mining enterprises in Latin America. It would also militate against Latin America's aspirations towards progress in the direction of local processing of mined raw materials. All this would add yet another factor to those which are whittling away Latin America's relative importance in world trade as a whole.

96. Among the factors that might in the future exert considerable influence on the capacity for external payments of various Latin American countries and therefore on the level of their reciprocal trade with EEC, must be included customs treatment for manufactured goods based on mined raw materials.

97. At present, when the financing of mining enterprises, in most of the countries where they exist, is based on foreign capital, exports consist mainly of crude ore, and of concentrates and refined metals, the share represented by manufactured goods being extremely small. Undoubtedly, if it were possible to obtain the requisite tariff reductions or exemptions to market such goods in the large world centres, vast development possibilities might be opened up for the industries concerned, thus creating

new resources for the expansion of trade between Latin America and Europe.

98. Moreover, if the mining companies, which are usually foreign, were to assume their fair share in the financing of these industries jointly with domestic capital, especially when problems arise which it is beyond the power of the latter to solve, the results would also be very important from other points of view. For example, such collaboration would do much to dissipate the misgivings frequently in evidence as to the security of foreign capital invested in the mining industry and to procure favourable customs treatment for the manufactures concerned in the great centres alluded to above.

99. In connexion with the mining of iron ore, for export as such to Europe, mention has repeatedly been made of the possibility of reaching an agreement under which the European members of EEC would purchase it after it had undergone some degree of processing. This would foster a more rapid expansion of the iron and steel industry in Latin America, where demand, at present fluctuating around 7 million tons yearly might well represent some 33 million tons by 1975.²¹ Some suitable agreement, perhaps with the participation of the Central American Economic Co-operation Committee, might greatly facilitate the financing of an expansion of Latin America's incipient steel-making industry on lines compatible with the prospects for the development of regional demand in this branch of production. Undoubtedly, in other mining sectors too, a basis might be discovered for fruitful collaboration between the EEC countries and Latin America.

100. In the interest of Latin America's exports of petroleum and petroleum products it will be useful to take careful note of the course pursued by EEC in connexion with the application of internal taxation on the processing of these items, since there seems to be some support for a system which in practice might represent differential treatment according to the source of the crude oil.

3. THE UNITED KINGDOM AND EEC

101. If the United Kingdom were to join EEC, this would mean the incorporation of the world's biggest importer of foodstuffs into the framework of the common agricultural policy. The United Kingdom produces about half its food requirements, and hitherto has protected the income levels of its rural population, without import restrictions and by the use of the customs tariff plus a powerful domestic system of subsidies. It is scarcely necessary to expatiate on the implications for the Latin American countries of the United Kingdom's accession to EEC and its acceptance of the rules of the common agricultural policy already adopted by the Community. Furthermore, since in such an event the United Kingdom would presumably begin to apply the common external tariff in relation to its own imports, the British market, given the level of that tariff, will put greater obstacles than at present in the way of Latin America's sales of temperate-zone products.

102. The incorporation of the United Kingdom might

²¹ See *The Latin American Common Market* (E/CN.12/531), United Nations publication, Sales No.: 59.II.C.4, p. 71.

also have very serious consequences for Latin America's export trade in tropical products if the preferential treatment accorded to Africa, and apparently on the point of being renewed, were extended in the future, as may well happen to similar exports from Commonwealth countries.²²

103. In short, apart from the fact that the operation of the common external tariff has increased customs duties on staple Latin American export lines, there is also a grave risk that discriminatory treatment to their detriment may be intensified through the raising of the existing customs duty in countries joining EEC — the United Kingdom and others — as well as through increases in the number of supplier countries ultimately enjoying the benefits of the preferential treatment at present accorded to Africa, from which Latin America is excluded.

104. Similar dangers may exist in the sector of mining products and their derivatives especially if — a point which has not yet been cleared up — the associated African countries are granted preferential treatment for metals and metal manufactures in the EEC territory perhaps in accordance with the flow of European investment that such lines of production would attract.

105. As negotiations between the United Kingdom and EEC are in full swing in Brussels and the former is seeking ways and means of safeguarding the position of the Commonwealth countries, it seems extremely urgent for the Latin American countries to take co-ordinated action and put their case forward as quickly as possible. As a result of the United Kingdom's application to join EEC, other countries members of EFTA have also decided to seek membership. Consequently it seems possible that almost all the Western European countries may ultimately join EEC. As can be seen in table M in the statistical annex, exports from the Latin American countries to Western Europe represented a very substantial proportion of their total external sales, so that it is obviously desirable for the Latin American Governments to take concerted action with a view to coping with the situation and establishing satisfactory bases for reciprocal co-operation with EEC.

4. BALANCED APPRAISAL OF PROBLEMS

106. Before summing up the conclusions to be drawn from the foregoing statements, one fundamental aspect of the problem must be emphasized. In the report by the ECLA secretariat on *Recent Developments and Trends in Latin American Trade with the European Economic Community*²³ mention is made of a document prepared not long ago by EEC for the consideration of its Council, with reference to the outline of a possible programme for community action on Latin America.

²³ An enlightening example is afforded by the way in which customs duties on coffee have risen in EEC countries. In the Benelux countries they were non-existent. Under the common external tariff they are established at 16 per cent. Sweden, Norway and Denmark, which constitute a sizable market for Latin American coffee, allow it to enter duty-free. If these three countries join EEC, as they may, Latin American coffee might suffer the same adverse effects as in the Benelux countries, since once again it would have to pay a duty from which it is at present free. And the application of that duty would mean losing ground to coffee from areas to which the duty in question is not applicable.

²² E/CN.12/631.

107. What is known of this document gives reason to hope that the EEC authorities are preparing to take a more comprehensive approach to the problem, although they still seem to maintain, as their main reply to the misgivings provoked by certain Community trends and measures, the following stand: the European Common Market, which will aim at being open and competitive, will as a general rule have no disturbing effect on trade with third countries; on the contrary, after a certain interval, this trade will benefit greatly by the strengthening of European purchasing power through the increase in income deriving from economic integration.

108. In the light of this attitude and of the fate of the efforts to secure re-negotiation of relations between EEC and Latin America as a whole in order to reach a basis for the development of common constructive action, a few reflections may usefully be made, since it is essential that the understandings with EEC that are to be desirable both as a means of seeking equitable solutions for certain specific problems — some of them very urgent — and in order to bring about a far-reaching and mutually beneficial co-operation policy, be based on a sufficient degree of identity of view as to the characteristics of the present situation and the main prospects for the future.

109. It must be stressed that in Latin America there are signs of real alarm in responsible circles on account of the protectionist repercussions of EEC's policy of intervention, as well as of the Community's entertainment of discriminatory trade treatment by means of preferences and the harm which this may be expected to cause the foreign trade and economy of the Latin American countries.

110. In contrast with the position described — the outcome of factors which would seem to be continually corroborated by the facts of the situation — contrary views apparently prevail in responsible EEC circles. This can be seen clearly through contacts at various levels with officials of EEC itself and through the declarations of representatives of the member Governments. Generally speaking, in both cases the conviction is expressed that the common external tariff does not represent, all in all, a deterioration in the treatment accorded to Latin America's export trade, as compared with that received under national customs tariffs in the countries now forming the European Common Market.

111. Nor does it seem to be recognized that the discriminatory treatment deriving from the preferences accorded to Africa in respect of tropical-zone products and the restrictive effects of the common agricultural policy on exports of temperate-zone commodities constitute a real danger for the Latin American economy, although it would appear that in the above-mentioned EEC document some concern is expressed, and in a tone which might well point to an encouraging change of attitude, if it meets with the proper response in the high circles to which the document is addressed.

112. While this conviction is stated with different degrees of emphasis and nuance, it is admitted in EEC circles that, given Latin America's rapid rate of demographic growth, the vulnerability of its economy because of the composition of its exports, and Europe's interest in

expanding its over-all trade, the latter should give Latin America systematic financial and technical assistance. Through the assistance of EEC, the European Common Market countries would make a co-ordinated contribution to the solution of the problems of capital formation and technology existing in the Latin American region.

113. In a sense, this idea fails to attribute due importance to trade — in which the major problems have their roots — and instead lays the emphasis on financial and technical assistance which, valuable as it undoubtedly is, cannot compensate for the harm done by discriminatory and preferential customs treatment and by the system introduced in connexion with the common agricultural policy. This would appear to be the idea underlying the document presented by the Commission of EEC to the Council, as already mentioned.

114. If this attitude were carried so far as to blind its advocates to the obvious unfavourable repercussions on Latin America's foreign trade of EEC's attitude in the spheres indicated, efforts to reach the necessary agreements would no longer have the atmosphere of objectivity without which the task involved might be lengthy and hazardous.

115. It may be well to record here a reflection on the suggestions which the EEC document would appear to contain as regards the need to intensify the flow of investment and technical assistance from Europe to Latin America. How will the region be able to cover the servicing of a substantial body of loans and investments, if at the same time the external obstacles to the expansion of its export trade are not reduced? In the last analysis, a change in Europe's present attitude to the trade problems created by EEC for the Latin American economy might have a decisive influence on the effective strengthening of the latter's capacity for external payments, and enable it to meet the commitments resulting from financial contributions.

116. Furthermore, the EEC document would seem to contain the germ of a series of ideas which if properly studied and developed, might make a real contribution to relations between Latin American and Western Europe — always provided, as stated above, that a realistic approach were adopted to certain specific foreign trade problems which EEC has hitherto tended to underestimate, though they must be given due weight if a satisfactory agreement is to be reached.

5. CONCLUSIONS

117. To sum up, with due allowance for the fact that the situation of mining products and their derivatives has not yet been properly studied, Latin America's position in the ECC market is seriously affected in respect both of temperate-zone and of tropical-zone products. Still to be considered is the situation that may arise in third countries' markets as a result of the system of subsidies projected under the common agricultural policy. It has already been shown that one of the major objectives of this policy is the maintenance of high prices which exceed world market quotations. EEC has therefore projected an import regulation system in order to prevent this high-price policy from being frustrated by competition on the part

of more efficient producers. Besides resorting to these procedures in its own market, EEC has the intention of intervening in outside markets in which it would not normally be able to compete, precisely because of the high-price policy established. To this end provisions are made which would imply export subsidies. Latin America's problem is thus still further aggravated, since the restrictive procedures applied by EEC in its own market will be reinforced by export subsidies, thus facing Latin America with powerful subsidized competition.

118. It may well be asked what market will be open to Latin America's exports of temperate-zone products when, in addition to the obstacles in the great markets of Western Europe and also in the United States, they have to confront in third countries the competition originating in the policy of subsidies applied in favour of exporters in those two regions.

119. This is obviously not a matter that can be left to unilateral action on the part of individual Governments or regional groups. Its world-wide consequences would be too great, and failure to realize the damage that would be done to the cause of stability and economic progress by the frustration of export trade in the commodities affected would imply a deplorable lack of foresight.

120. In relation to tropical products, it must not be forgotten that under the General Agreement on Tariffs and Trade the countries which are now members of EEC

established preferential treatment in favour, *inter alia*, of Morocco, Tunis, Congo (Leopoldville), Ruanda-Urundi, Surinam and Indonesia. It is not known whether they will be granted an extension of these preferences or not.

121. Furthermore, as stated above, the United Kingdom's possible accession to EEC is in process of negotiation. Will preferential treatment be granted to the British Commonwealth or to some parts of it?

122. From the point of view both of the practical consequences themselves and of their incompatibility with the commitments assumed, the outlook cannot but be a source of deep concern to the Latin American countries. The recent announcement by EEC of a reduction in the common external tariff duties on coffee and cacao²⁴ by no means implies that the problem has been solved. It has been alleviated, as far as those two items are concerned, but not sufficiently to remove Latin America's grave and justifiable concern as to the prospects for a trade flow of such great importance.

123. The consequent uncertainty makes direct contact between Latin America and EEC advisable at the earliest possible date, so that the requisite explanations can be made on both sides and the appropriate negotiations conducted as may be deemed most suitable in each individual case.

²⁴ A 25 per cent reduction and a 15 per cent suspension of the respective duties.

IV. RECOMMENDATIONS FOR GOVERNMENTAL ACTION

I. GENERAL REMARKS

124. The radical evolution that is taking place in international economic relations, with vital political aspects that are of far greater importance than the economic factors involved — often simply means used to attain higher ends — makes it essential for Latin America to have a clear idea of events, of their possible consequences for the region and of the joint measures it should undertake and pursue if it is to emerge unscathed from the train of events responsible for this revolution.

125. In the introduction to the present document, reference is made to the economic integration of Latin America. Attention should again be drawn here to the connexion between the marketing problems of the Latin American countries and the benefits to be derived from a more effective region-wide utilization of resources and efforts.

126. Just as Latin America should adopt a co-ordinated approach in its dealings with other regions, in order to attain — however tardily — the level that circumstances imperatively demand of it, it should likewise mobilize its forces internally, to reach and go beyond stages that should already be a thing of the past.

127. Mention should be made in this connexion of the work which the Latin American Free-Trade Association (ALALC) and the Central American Economic Cooperation Committee (CAECC) are beginning to accomplish. The unification of their activities and extension to

the whole continent should be the immediate target for the Latin American Governments.²⁵

128. Similarly, inspiration should be sought in the work of OECD for the abolition of non-tariff trade restrictions. It will be remembered that when the Western European nations resolved that every effort should be made to eliminate quantitative restrictions and other trade barriers, they did so by stages, starting and completing their work within the sphere of their mutual trade relations; and Latin America is still concerned precisely with certain serious obstacles that remain. Despite the efforts made, many non-tariff barriers still persist in Latin America that are hampering the expansion of trade and hence the economic development of the region. There is thus much useful work to be done in this direction, and it should be embarked upon without delay.

129. ALALC will shortly be meeting in Mexico to conduct important tariff negotiations. Anything that makes for the success of endeavours to remove tariff restrictions and, above all, that helps to strengthen the Montevideo Treaty by making its application more complete, thus expediting the integration of the Latin American economies, will represent a useful step towards the goal that the countries of the region have set themselves. Moreover, with the accession of Costa Rica, the Central American common market is well on the way to being finally estab-

²⁵ It is inconceivable that the most-favoured-nation treatment is not yet being established among all the Latin American countries. It would be fundamentally a simple task, and would strengthen other highly desirable trends towards unification in Latin America.

lished. It is to be hoped that the activities of ALALC and CAECC will eventually bring all the Latin American countries together to form a single entity, thus enabling them to reap the benefits of a unified approach and higher levels of living.

130. Two basic possibilities are open to Latin America, each affecting the other: (a) the mobilization and use of its own resources and means of action within the region to a far greater extent than has hitherto been contemplated; (b) the achievement of the best possible organization with a view to negotiating effectively with the other regional economic groups, beginning with EEC, which by virtue of its present and future importance, occupies a special position. Despite the increasing tempo of the negotiations instituted by EEC and the imminent likelihood of its assuming commitments that will subsequently prove hard to modify in the light of belated Latin American arguments, it is advisable that the particular economic problems of the region dealt with in the present report should be placed before EEC as a top priority. Satisfactory negotiations will help to revive Latin America's confidence in the future of its exports to EEC.

131. But our Governments should not continue to rely exclusively on individual dealings; they should rather complement and strengthen bilateral action by swift and efficacious collective negotiation demonstrating solidarity, persistence and vigour which will reflect the real gravity of the situation more accurately.

132. Given the great importance of exports for economic development, the fall in prices, Latin America's relative loss of standing in world trade and the consequent balance-of-payments deficits of the individual countries, there is no need to dwell on other considerations to illustrate the highly critical nature of the present situation and the importance of all the factors conspiring to make it worse.

133. The need for Latin America to press on with the co-ordination of its activities in the field of foreign trade does not mean any weakening of its ties with other regions. Special mention should be made in this respect of the numerous instruments for economic co-operation in force between the Latin American countries and the United States. Any joint action by our countries will be greatly assisted if firm backing is received from the United States, not only in virtue of existing treaties but equally because of the ties of every kind by which the nations of the continent are bound. As stipulated in the Alliance for Progress, they should obviously be able to depend upon United States support during the present stage of development which is so vital for Latin America.

2. PATTERNS OF NEGOTIATION WITH EEC

134. In its memorandum of April 1958 transmitted to all the Latin American Governments,²⁶ EEC set forth certain

²⁶ See Annex V. The countries of the southern zone decided to make a joint reply to the memorandum, and a preliminary draft was actually prepared by the ECLA secretariat, but for various reasons the initiative never bore fruit. During the trade policy meeting at Santiago in April 1959 stress was again laid on the need for a common approach. On that occasion it was decided to take advantage of the opportunity offered by the conference which the Committee of 21 was to hold at the end of the same

points of view which have remained equally valid ever since. The memorandum stated that:

"The Community would like to establish, in its relations with the Latin American countries, a pattern of closer co-operation founded on respect for the rights of both parties (principally the right to maintain a policy of economic integration in conformity with international agreements in force) and on reciprocal benefits. *For this purpose, it could conclude 'consultative agreements' which might serve as the framework for an examination of economic, trade and financial problems, including those relating to raw materials, which arise or are apt to arise from relations between its member States and Latin American countries by virtue of the Rome Treaty and in a spirit of reciprocity.*

"It would be equally timely if an attempt were to be made to lay down the basic principles for joint action on the part of the European Economic Community and the Latin American countries as regards trade and prices for primary commodities (such as coffee and cacao).

"Lastly, the fact that the Six have prepared a programme for financing expenditure on the economic and social infrastructure in overseas countries and territories associated with the Community is in no sense an impediment to the promotion of a policy that would favour the export of capital to Latin America.

"In deciding to carry out the economic integration policy defined in the Rome Treaty, which would benefit both the member States and other countries, the European Economic Community welcomes the fact that the Latin American Governments are pursuing the same objectives. It is willing to support any attempt to carry out similar projects and to co-operate in this respect with the Governments concerned. It considers that the problems involved might lead to a fruitful exchange of views, if the Latin American countries agree."

135. These points of view seem to have been generally endorsed in the statement made by the EEC Commission to the Council of Ministers a few weeks ago. So far the Latin American Governments have not adopted an institutional criterion in the sense of making a co-ordinated and joint approach to the Community in the comprehensive and consistent way required by circumstances and suggested in the paragraphs quoted from the EEC memorandum.

136. In order to obtain a clear idea of the pattern that this unified action might follow at both the government level and that of the respective international secretariat and organizations, and in view of the desirability of making the fullest possible use of the invaluable collaboration that certain agencies are already giving to the Latin American Governments, or may give in future, in the arduous task of defining trade policy problems, examining possible solutions, establishing bases for joint action and

month at Buenos Aires, within the framework of OAS, and to discuss at a separate meeting there the problems raised by the EEC memorandum. On the basis of the preliminary draft in question, individual replies to the memorandum were eventually sent by the Governments of Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Panama, Paraguay, Peru, Uruguay and Venezuela. Other suggestions were also put forward with a view to establishing, after the requisite studies had been carried out, the system of consultations recommended in resolution 121 (VII) by the Governments members of ECLA.

ensuring its continuity and development, due consideration should be given to existing mandates.

137. As the same Governments, under the terms of different resolutions, have entrusted the execution of similar tasks to a variety of agencies, it would be highly desirable to bring the resolutions into line. Otherwise, overlapping of spheres of operation or the praiseworthy zeal of the agencies in complying with their mandatory obligations, may limit the effective scope of their assistance to Latin America's efforts to establish, co-ordinate and develop its trade policy vis-à-vis the rest of the world. Moreover, the operation of the OAS/IDB/ECLA Committee on Co-operation provides a salutary lesson on the benefits to be derived from the pooling of resources within a joint plan of work.

138. Annex IV of this document contains extracts from the terms of reference of the Inter-American Development Bank (IDB), the Organization of American States (OAS), the Latin American Free-Trade Association (ALALC), the Economic Commission for Latin America (ECLA) and the General Treaty on Central American Economic Integration. These texts merit lengthy consideration, but they may be summed up as follows:

(a) IDB

- (i) "... to co-operate with the member countries to orient their development policies toward a better utilization of their resources, in a manner consistent with the objectives of making their economies more complementary and of fostering the orderly growth of their foreign trade ..."
- (ii) Resolution AG-5/62 of 25 April 1962 on the financing of exports.

(b) ECLA

- (i) "... strengthening the economic relations of the Latin American countries both among themselves and with other countries of the world ..." (Terms of reference of the Commission).
- (ii) "... for the purpose of intensifying inter-Latin-American trade — without prejudice to the expansion of trade with other regions and mindful of the fundamental necessity of increasing over-all world trade — through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations."
"To this end, the Trade Committee shall concern itself with the preparation of specific proposals, in harmony with the present and future bilateral and multilateral commitments of member governments, and the modifications they may make to them, and taking into consideration national or regional economic conditions." (Resolution 101 (VI)).
- (iii) Resolution 121 (VII) of 27 May 1957 on the repercussions of the European Common Market. "... to make the following recommendations to the member countries of the Commission, especially those of Latin America: (a) that they consider the desirability of *carrying out consultations* on the possible repercussions of the Euro-

pean common market; and (b) that they send representatives, in an appropriate capacity, to international conferences at which questions bearing on the European common market and its possible effects on Latin America's economy and trade are considered."

(c) ALALC

One of the duties of the Standing Executive Committee is (Art. 39):

"To represent the Association in dealings with third countries and international organs and entities for the purpose of considering matters of common interest."

(d) OAS

- (i) Resolution XXXIII of the OAS Economic Conference in August-September 1957, whereby the Inter-American Economic and Social Council (IA-ECOSOC) was recommended to create a Committee on Basic Products:
"... study the possible impact that the European common market may have on these products, as well as the possible impact of any other economic groups that may be organized outside the hemisphere ..."
- (ii) Special Commission for studying the formulation of new measures of economic co-operation, April-May 1959. Resolution XVII: Co-operation with respect to the problems of excessive fluctuations in markets for basic products.
- (iii) Special meeting of IA-ECOSOC at the expert level, November-December 1961. Resolution III: on the establishment of the Special Committee on Basic Products; Resolution IV — study of the effects of the European Common Market on the Latin American economies, quoting Title III of the Punta del Este Charter; Resolution V, embodying a statement on the policy of the European Economic Community regarding basic export products of Latin America; Resolution VI — Measures for achieving the elimination of restrictive practices applied by the European Economic Community against importation of Latin American basic products; and Resolution VII — Measures for the defense of Latin American exports of meat and wool to the European market.

139. Negotiations with the European Economic Community at government level have so far been conducted bilaterally, through the accredited diplomatic representatives to the Community, or within the international organizations, particularly the General Agreement on Tariffs and Trade (GATT).

140. At the international organization secretariat level, there has been some attempt to reach common ground between their views and those of EEC. One instance of this is the press release issued on 16 July 1962 concerning the visit of the Secretary-General of OAS to Brussels.

It stated that Dr. Mora expressed satisfaction at the revival of interest in Europe in the Alliance for Progress. He also noted the tariff reductions envisaged by the Com-

munity for some staple items exported by Latin America. A frank exchange of views took place on the policy of the European Economic Community with respect to agriculture and to the association of African States. Agreement was reached on the need for periodical exchanges of information in future, on the basis of permanent relations between the Secretary-General of OAS and the EEC Commission. The form and substance of such relations were discussed in detail.

141. Pursuant to the resolutions of 15 September 1955, 27 May 1957 and 10 May 1961, the ECLA secretariat has been in contact for some time with the secretariats of EEC, EFTA, OECD and GATT.

142. In addition, as is widely known, the secretariats of ECLA and OAS are making valuable studies on different aspects of the subject, and the latter recently transmitted to the EEC Commission memoranda on meat, wool and coffee, in the light of the Governments' decisions. These studies should of course form part of any integrated action in future.

143. Nevertheless, the work undertaken so far by the Latin American Governments has not been in keeping either with the basic principles laid down by EEC four years ago or with what the circumstances required.

144. Sixteen African Governments, and the United Kingdom, which in turn embraces the interest of the British Commonwealth, are conducting intensive negotiations in Brussels. Various other European Governments, including those of Austria and Denmark, are in the initial stage of negotiations which may be intensified at any moment. Latin America, which was invited four years ago by EEC to hold bilateral discussions, can no longer postpone the initiation of co-ordinated action in this field. In these circumstances certain points should now be raised which are essential in any proposal to open negotiations with EEC.

3. POINTS FOR INCLUSION IN ANY PRELIMINARY NEGOTIATIONS ON THE "CONSULTATIVE AGREEMENTS" PROPOSED BY EEC

(a) *Tariff preferences*

145. Latin America would urge its justifiable misgivings over the possible extension to the entire EEC customs area of certain preferences hitherto applied solely in one or other of the territories belonging to EEC; it would link this step with the international commitments in force between the EEC countries and Latin America — e.g. in GATT — and would devise an agreement to solve the problem.

146. In view of the possible accession of the United Kingdom to EEC, an analysis would be made of the repercussions on Latin America of the treatment that might be established within an enlarged EEC for the temperate and tropical zone producers in the British Commonwealth and for the African States now associated with EEC.

147. Endorsement would be given to the plan, now under consideration by the GATT Working Party on Tropical

Products, for removing the duty on tropical products entering the EEC market, irrespective of their origin.

148. Information is needed on other repercussions of this process, for example, regarding the customs duties levied on imports into the associated African States.

(b) *Internal taxes*

149. Attention would be drawn to the difficulties created by internal taxes — e.g. on coffee — for the marketing of specific commodities of particular importance for Latin America, and to their adverse effect on the expansion of consumption. Arrangements would be made for the gradual reduction of these charges in order to enlarge the markets.

(c) *Agricultural protectionism*

150. While continuing to take cognizance of the grounds adduced to justify the present system of artificial incentives for agriculture in Western Europe, Latin America would make a forceful exposition of the reasons why the effects of this policy should be mitigated so that a mutually advantageous balance could be struck between the interests of producers in the different regions. The discussions would cover:

- (i) Adjustment of Latin America's interests in the light of any agreements adopted if the United Kingdom joins EEC, with due regard to the fact that several countries in the British Commonwealth are, like Latin America, important suppliers of the EEC market. An examination would be made of the repercussions resulting from the entry into the British market — under the protection of the common external tariff and agricultural policy — of countries that have so far been obliged to compete on an equal footing with Latin American producers (i.e. the present and future members of EEC that export agricultural commodities).
- (ii) The conclusion of agreements to give Latin America a satisfactory share of the EEC market in proportion to the volume of its contributions in the past. An effort would be made to reconcile Latin America's interests as a producer at competitive prices and the system of high internal prices that EEC seems to be about to adopt;
- (iii) The disequilibrium of markets in third countries, which could be evened out by the sale of agricultural commodities subsidized by EEC;
- (iv) Matters relating to the common agricultural policy that do not come under the previous heads. In accordance with the explanations and particulars supplied by EEC, it may be necessary to stress the desirability of the periodical fixing of prices envisaged by the common agricultural policy being discussed beforehand with the countries concerned. The type of agreement signed on 7 March 1962 by EEC and the United States²⁷ provides a useful indication of matters that could be negotiated with EEC in relation to the common agricultural policy.

²⁷ See annex III.

(d) *Primary commodity trade and prices*

151. The idea of adopting procedures to establish the basis for the negotiation of practical measures with a view to the creation of acceptable conditions of access to world markets for agricultural commodities has already been mooted in GATT.²⁸

152. There is a dearth of information on the projects apparently being considered by EEC in this respect. Latin America should obviously be informed of any steps taken to conclude commodity agreements — whether based on recognized patterns or inspired by new principles — in sufficient time for it to give the matter due consideration and take a definite stand during the period of negotiations. It is hoped that EEC might see its way to provide detailed reports which could be used as the basis for a sound analysis.

153. If it were planned to raise the selling price of traditional exports, it would be necessary to know in what way the relevant markets could be assured of receiving sufficient quantities. If the plan provided for the abolition of subsidies for the sale of agricultural commodities by industrialized countries — such as those in EEC and the United States — it would be useful to know the nature of the mechanism proposed for remedying market disturbances provoked thereby.

(e) *The opening of markets for semi-finished and finished goods from Latin America*

154. Although raw materials and foodstuffs are Latin America's principal source of external income at present, the region's economic development should be increasingly reflected in the expansion and diversification of its exports of semi-manufactured and manufactured goods.

155. This prerequisite for Latin America's progress should be posited without delay, so that ways and means can be devised of fulfilling it satisfactorily. The next tariff conference of the General Agreement on Tariffs and Trade²⁹ could very well serve as a useful starting-point for devising practical methods which, given Latin America's present stage of economic development, would help to carry production of semi-finished and finished goods towards the stage of diversification.

156. The possibility of starting a flow of specific semi-manufactured and manufactured export goods towards Africa should not be overlooked. For this purpose it is

²⁸ See annex I.

²⁹ See annex II, in which some aspects of the conference are discussed.

important to see whether the African countries that are EEC associates will be in a position, once the final provisions of the association agreement are crystallized, to negotiate tariff concessions with the Latin American countries similar to those granted to the same products from EEC countries.

(f) *Financial and technical co-operation*

157. The need should be urged for Europe to augment considerably the scale of the resources that it is willing to provide to Latin America for promoting its economic development through the appropriate mechanisms under the new policy of co-operation embodied in the Alliance for Progress.

158. It is to be hoped that public capital will be made available on a long-term basis for economic and social infrastructure investment, and for stimulating and strengthening Latin American private enterprise, especially within the common market now being established, in which the private sector will play the chief part.

159. Meanwhile private capital should be encouraged and its assistance duly recognized, although this should be increased and its terms made more flexible for Latin America, as for instance, in respect of amortization periods, which are often very short and place a heavy burden on balance-of-payments possibilities.³⁰

160. Likewise, it would be expedient to make arrangements including the consolidation of these short-term commitments, so as to ease the pressure on balance of payments.

161. It should also be urged that it would be desirable to put this economic co-operation on a multilateral basis, so that the funds made available to Latin America could be utilized either in the European countries from which they came, in the United States, or within Latin American economic grouping.

162. There seem to be hopeful prospects of a substantial increase in technical co-operation; this would be directed mainly towards:

- (i) Technological research and extension services;
- (ii) Technical training at all levels;
- (iii) The inculcation of modern industrial techniques in the Latin American entrepreneur, with special reference to the common market.

³⁰ In EEC circles, it is calculated that the flow of European private capital to Latin America in the last few years must have amounted, on an average, to about 300 million dollars annually.

V. PROPOSALS FOR MACHINERY TO CO-ORDINATE LATIN AMERICAN TRADE POLICY

163. Since the foregoing demonstrates that our Governments, in the spirit of resolution 121 (VII) concerning the desirability of carrying out consultations which they adopted in 1957 within the framework of the Commission, must co-ordinate the valuable action already undertaken by the agencies, rationalizing and promoting the measures adopted and ensuring that due account is taken of the varied and complex points that would necessarily

be dealt with in any thorough-going negotiations with EEC (these might be initiated simultaneously by inter-governmental organizations like GATT, as in the past); since also there must be a high degree of coincidence of views, reflected in Latin American diplomatic missions abroad, particularly those accredited to EEC; since, again, in their respective spheres of action, the secretariats of the inter-governmental organizations could play an im-

portant role by carrying out advisory functions in keeping with the aims pursued by the Governments; and since with several organizations able to contribute to the Latin American common cause, it seems both reasonable and desirable to give each of them an opportunity to assist as best it can, the following suggestions may be put forward as to a satisfactory way of reconciling these aims with the higher interests pursued. It must be borne in mind that a start is desirable not later than the last quarter of 1962, upon sober negotiations with EEC designed to crystallize, guide and back up the action which is the province of the individual representatives of Governments. Any formula agreed upon can, of course, always be improved upon through institutional procedures in the light of future events.

164. The trends in world trade policy, particularly with respect to the formation of regional economic groups such as EEC that have a profound effect on Latin America's foreign trade, and the various points raised in the present report — all demonstrating the need for a rapid and far-reaching unification of trade policy in Latin America — counsel the establishment of a Latin American agency to co-ordinate the trade policy of the countries in the region vis-à-vis the rest of the world, and, in addition, to deal on behalf of those countries as a whole, as and when appropriate, with countries or groups of countries in other regions and with international specialized agencies.

165. Since, however, the creation of an agency of this kind would entail an international agreement that would take time to conclude, and the urgent nature of the existing problems calls for immediate collective action, it seems advisable that, as a preliminary step, a high-level committee for the co-ordination of trade policy should be set up.³¹

166. This proposal might be considered either at a special meeting of the ECLA Trade Committee, convened in the near future, or at the IA-ECOSOC meeting in October, whichever the Governments deem most expedient. If the proposal is acceptable, it is suggested, in view of the benefits obtained from co-operation between OAS, ECLA and IDB in other fields of economic activity in Latin America, and the results of creating a panel of nine experts thoroughly conversant with Latin America's development plans, in compliance with the Punta del Este Charter (Title III, chapter V), that the members of this co-ordination committee should be appointed by agreement between the Secretary-General of OAS, the President of IDB and the Executive Secretary of ECLA, in the way described below.

167. The OAS/ECLA/IDB Tripartite Committee would

³¹ This idea is more or less a counterpart to the views expressed at a high level in EEC as to the desirability of setting up machinery for consultation with Latin America.

submit to the Latin American Governments five to seven names of Latin American experts of international reputation in matters of trade policy. These Commissioners would constitute the co-ordination committee, which would have its headquarters in a Latin American country chosen with matters such as ease of communication and information facilities in mind. The Governments would endorse these nominations or put forward any objections.

168. The choice of Commissioners would as far as possible be governed by the criterion of geographical distribution adopted for other appointments by international organizations.

169. At least three of the Commissioners would devote themselves on a full-time basis to the work of the Committee.

170. The Commissioners would hold office for three years and would be eligible for re-election.

171. The co-ordination committee would make arrangements for obtaining technical assistance from international organizations concerned with Latin American trade policy, such as OAS, ECLA, IDB, ALALC and the organs of the General Treaty on Central American Economic Integration, as well as for the requisite ancillary staff and facilities. It would prepare the background for the negotiations designed both to find adequate solutions for problems of foreign trade and trade policy vis-à-vis countries or groups of countries in other regions and to establish mutually advantageous collaboration with such countries or groups in economic affairs and trade; and it would also assist in the preparation and conducts of such negotiations. All this would be done in accordance with procedures established through consultation with the Latin American Governments at suitable levels and as the circumstances suggested. For this purpose, the co-ordination committee would be empowered to propose that meetings of appropriate bodies be convened, through the recognized channels and procedures.

172. The co-ordination committee would maintain whatever contact was needed with the appropriate organs of the international organizations mentioned in the previous paragraph, and with other international agencies it felt could offer useful collaboration.

173. In connexion with the foregoing proposal, to be considered either in the ECLA Trade Committee or in the IA-ECOSOC, the Governments would draft a communication addressed to the EEC Commission, notifying it concerning the creation of a "Committee for the Co-ordination of Trade Policy", replying to the EEC memorandum of April 1958 and subsequent statements, and indicating the subjects that the co-ordination committee would be equipped to discuss with the relevant EEC body during the preparatory stage preceding the negotiations themselves.

STATISTICAL ANNEX

Table A
LATIN AMERICA: BREAKDOWN OF VALUE OF EXPORTS, BY AREAS
(Percentages)

<i>Area or country</i>	<i>1957</i>	<i>1958</i>	<i>1959</i>	<i>1960</i>	<i>1961^a</i>
North America	46.0	46.4	46.1	43.6	38.8
Western Europe	31.7	29.6	30.2	31.6	31.9
EEC	16.9	16.1	17.2	18.4	18.5
EFTA	12.6	11.6	11.5	11.8	11.9
Japan	2.6	2.6	3.0	2.8	4.0
Australia, New Zealand and South Africa	0.2	0.3	0.3	0.3	0.3
Total: industrialized countries	80.6	78.9	79.5	78.3	75.0
Countries with centrally-planned economies	1.4	1.9	1.8	3.1	6.1
Soviet Union and Eastern Europe	1.4	1.8	1.8	2.9	5.5
Mainland China	—	0.1	—	0.2	0.6
Latin America	8.8	9.3	8.7	8.2	6.5
Middle East, Africa, Asia and unclassified ^b	9.3	9.9	10.0	10.4	12.4
Total	100.0	100.0	100.0	100.0	100.0

SOURCES: United Nations, *Monthly Bulletin of Statistics*, June 1960; June 1961 and December 1961. OAS/ECLA, *Economic and social survey of Latin America, 1961* (provisional text).

^a Estimates based on data for the first six months.

^b The amounts for the Middle East, Africa and Asia (excluding Japan and mainland China) are relatively small: 120 million in 1958; 118 million in 1959; 139 million in 1960 and 152 million in 1961. The balance chiefly represents exports of Venezuelan petroleum to the Netherlands Antilles and British West Indies.

LATIN AMERICA: PRINCIPAL COMMODITIES EXPORTED TO EEC AND EFTA AND TO THE WORLD

(Fob values in millions of dollars)

	1934-1938			1950			1960		
	EEC ^a	EFTA ^a	Total	EEC ^b	EFTA ^b	Total	EEC ^b	EFTA ^b	Total ^c
A. Tropical products	144.0	60.0	501.6	208.5	230.3	2 592.2	329.2	156.3	1 680.5
Coffee	91.0	4.0	245.8	121.0	101.2	1 414.4	174.4	113.4	1 147.1 ^d
Cacao	3.0	...	22.6	16.8	16.1	125.0	22.6	1.4	79.5
Sugar	13.0	25.0	117.8	2.9	—	638.1	6.6	6.1	98.5
Raw tobacco			16.0	12.8	4.2	53.6	10.0	3.0	24.2
Cotton	37.0 ^e	31.0 ^e	85.7	44.0	103.2	290.1	73.2	25.9	254.6
Fish meal ^f				—	—	0.4	26.3	4.2	40.0
Bananas ^f				5.6	1.6	28.3	12.5 ^d	1.0 ^d	18.6 ^d
Quebracho			13.7	5.4	4.0	42.3	3.7	1.3	18.0
B. Temperate-zone products	135.0	108.0	445.3	201.4	189.7	809.6	248.0	205.8	754.4
Wheat	31.0	24.0	93.7	42.4	9.6	208.5	27.0	21.7	142.7
Chilled and frozen meat ^g			78.4	16.1	68.0	108.9	33.0	117.5	172.7
Maize	53.0	61.0	121.3	20.5	24.4	47.5	96.5	14.5	146.9
Greasy and semi-greasy wool	51.0	23.0	83.9	73.0	27.4	345.7	64.6	46.4	199.8
Hides			68.0	49.4	60.3	99.0	26.9	5.7	92.3
C. Fuels and mining products	15.0	24.0	554.1	83.2	89.3	1 725.6	355.5	360.7	3 194.9
Petroleum and its derivatives			349.5	48.3	52.7	1 282.4	106.1	230.4	2 230.5
Iron ore			—	0.6	0.1	13.9	45.5	22.1	286.9
Nitrates			33.0	8.1	5.7	70.9	7.8	3.6	38.8
Copper	15.0	24.0	90.8	17.2	1.1	182.6	168.0	110.4	466.9
Lead			29.2	1.2	0.4	85.3	19.2	7.3	61.2
Zinc			19.5	7.8	1.9	35.9	8.9	4.2	40.6
Tin			32.1	—	27.4	54.6	...	...	...

SOURCES: League of Nations, Geneva, 1939; ECLA, *Economic Bulletin for Latin America*, Statistical Supplement, Vol. V, November 1960; *Economic survey of Europe since the war*, United Nations publication, Sales No.: 1953. II. E.4; *Study of inter-Latin American trade*, United Nations publication, Sales No.: 1956. II. G.3.

^a Cif import values in the European countries.

^b Exports from South America and Mexico only.

^c Total exports from South America and Mexico only.

^d Not including exports from Ecuador in that year.

^e Excluding Mexico

^f Total and destinations refer to South America and Mexico only.

^g Including beef and mutton.

Table C
LATIN AMERICA: PRINCIPAL COMMODITIES EXPORTED TO EEC AND TO THE WORLD
(Thousands of tons)

	1934-1938		1948		1950		1951		1958		1959		1960	
	EEC ^a	Total	EEC ^a	Total	EEC ^b	Total	EEC ^b	Total	EEC ^b	Total	EEC ^b	Total	EEC ^b	Total ^c
A. Tropical products														
Coffee	200	1 384 ^d	104	1 442	130	1 436	168	1 526	181	1 551	252	1 859	233	1 505 ^e
Cacao	10	189	3	106	26	205	27	162	39	171	30	153	40	140
Sugar	274	3 378	1 121	6 490	29	5 921	42	6 280	17	7 313	45	6 627	86	1 023
Raw tobacco	20 ^f	50	8 ^f	62	22	67	18	65	22	67	20	66	21	49
Cotton	106 ^g	377	56 ^g	383	49	406	98	427	105	567	123	717	136	547
Fish meal ^h . . . . .	...	...	...	...	...	4	...	8	66	115	205	289	341	920
Bananas ^h . . . . .	...	...	...	1 615	60	559	36	662	402	1 194	435	1 339	174 ^e	444 ^e
Quebracho . . . . .	...	...	22 ⁱ	1 131 ⁱ	30	246	36	255	23	134	23	128	23	149
B. Temperate-zone products														
Wheat	886	2 553	813	2 190	708	2 769	631	2 498	508	2 378	514	2 458	478	2 486
Chilled and frozen meat ^j	28	...	4	...	37	335	67	280	104	517	110	462	74	393
Maize	2 104	6 768	981	2 681	339	794	250	298	1 211	1 679	1 948	2 686	1 970	3 048
Greasy and semi-greasy wool	98	202	51	193	58	247	24	106	25	177	65	196	64	185
Hides . . . . .	...	238	...	...	83	350	61	213	81	257	99	276	75	228
C. Fuels and mining products														
Petroleum and its derivatives . . . . .	...	...	2 528 ^k	71 096 ^k	3 161	80 600	3 098	92 700	8 124	132 600	6 511	140 800	6 887	143 396
Iron ore . . . . .	...	...	57	2 693	80	3 600	34	4 865	2 475	24 766	3 131	29 033	5 367	34 998
Copper	74	388	46	25 ^h	49	583	59	603	127	632	155	688	225	582
Lead . . . . .	...	...	2 ^h	55 ^h	7	406	44	357	40	433	99	362	103	327
Zinc . . . . .	...	...	35 ^h	86 ^h	100	412	148	497	45	402	77	470	129	684
Nitrates . . . . .	...	...	239	1 704	194	1 664	190	1 598	219	1 183	169	1 132	147	779
Tin . . . . .	...	...	...	96	...	59	...	59	4	47	6	67	...	...

SOURCES: League of Nations, Geneva, 1939; ECLA, *Economic Bulletin for Latin America*, Statistical Supplement, Vol. V, November 1960. ECLA, *Anexo estadístico III*, 1962.

- ^a Figures for imports by the European countries.
- ^b Exports from South America and Mexico only.
- ^c Total exports from South America and Mexico only.
- ^d Excluding Cuba in 1938, Ecuador in 1937-38 and Venezuela in 1938.
- ^e Not including exports from Ecuador in that year.
- ^f Excluding Cuba.
- ^g Excluding Mexico.
- ^h The total and the amount for EEC refer to South America and Mexico only.
- ⁱ Excluding Paraguay.
- ^j Including beef and mutton.
- ^k Excluding Mexico and Ecuador.

LATIN AMERICA: PRINCIPAL COMMODITIES EXPORTED TO EFTA AND TO THE WORLD

(Thousands of tons)

	1934-38		1948		1950		1951		1958		1959		1960	
	EFTA ^a	Total	EFTA ^a	Total	EFTA ^b	Total	EFTA ^b	Total	EFTA ^b	Total	EFTA ^b	Total	EFTA ^b	Total ^c
A. Tropical products														
Coffee	10	1 384 ^d	12	1 442	93	1 436	100	1 526	113	1 551	133	1 859	147	1 505
Cacao	3	189	3	106	30	205	9	162	4	171	2	153	3	140
Sugar	991	3 378	1 117	6 490		5 921	48	6 280	56	7 313	73	6 627	87	1 023
Raw Tobacco	2 ^e	50	1 ^e	62	6	67	6	65	4	67	4	66	5	49
Cotton	102 ^f	377	74 ^f	383	111	406	107	427	41	567	45	717	42	547
Fish meal ^g . . . . .	...	...	...	...		4	...	8	11	115	33	289	56	920
Bananas ^h . . . . .	...	...	...	1 615	25	559	38	662	67	1 194	38	1 339	17 ^h	444 ^h
Quebracho . . . . .	...	...	14 ⁱ	131 ⁱ	21	246	35	255	6	134	6	128	8	149
B. Temperate-zone products														
Wheat	814	2 553	107	2 190	160	2 769	147	2 498	481	2 378	371	2 458	390	2 486
Chilled and frozen meat ^j	569	...	332	...	239	335	105	280	300	517	261	462	266	393
Maize	2 603	2 768	1 159	2 681	414	794	43	298	248	1 679	431	2 686	307	3 048
Greasy and semi-greasy wool	53	202		193	16	247	8	106	40	177	38	196	45	185
Hides . . . . .	...	238	...	...	107	350	54	213	8	257	14	276	12	228
C. Fuels and mining products														
Petroleum and its derivatives			1 723 ^k	71 096	2 111	80 600	2 650	92 700	9 543	132 600	11 090	140 800	13 741	143 396
Iron ore				2 693	18	3 600	93	4 865	1 870	24 766	1 975	29 033	2 392	34 998
Copper	112	338	34	251 ^l	3	583	19	603	101	632	118	688	137	582
Lead . . . . .	...	...	2 ^l	55 ^l	2	406	55	357	29	433	36	362	35	327
Zinc . . . . .	...	...		86 ^l	9	412	15	497	16	402	34	470	28	684
Nitrate . . . . .	...	...	156	1 704	134	1 664	150	1 598	85	1 183	72	1 132	45	779
Tin . . . . .	...	...	33	90	29	59	37	59	42	47	45	67	...	...

 SOURCES: League of Nations, Geneva, 1939; ECLA, *Economic Bulletin for Latin America*, Statistical Supplement, Vol. V, November 1960. ECLA, *Anexo estadístico III*, 1962.

^a Figures for imports by the European countries.

^b Export from South America and Mexico only.

^c Total exports from South America and Mexico only.

^d Excluding Cuba in 1938, Ecuador in 1937-38 and Venezuela in 1938.

^e Excluding Cuba.

^f The total and the amount for EFTA refer to South America and Mexico only.

^g The total and the amount for EEC refer to South America and Mexico only.

^h Not including exports from Ecuador in that year.

ⁱ Excluding Paraguay.

^j Including beef and mutton.

^k Excluding Mexico and Ecuador.

Table E
LATIN AMERICA: EXPORTS TO EEC
(Fob values in millions of dollars)

<i>Area or country</i>	1928	1935	1937-38	1948	1949	1950	1951	1958	1959	1960
Argentina	842	167	266	394	269	279	326	330	376	419
Bolivia	5	3	12	0.3	0.4	0.2	0.4	2	4	3
Brazil	271	93	106	157	149	172	296	218	253	249
Colombia	17	16	18	6	16	25	34	66	71	89
Chile	89	23	44	53	54	40	64	110	151	149
Ecuador	11	2	4	5	4	12	10	21	23	24
Paraguay	2	1	2	0.4	1	1	4	5	5	4
Peru	29	19	21	14	19	29	50	70	82	133
Uruguay	66	30	22	50	47	53	46	39	28	48
Venezuela	15	6	25	41	45	50	57	162	137	137
Total for South America .	1 347	360	520	721	604	660	887	1 023	1 130	1 255
Mexico	81	33	40	31	23	17	66	37	44	58
Central American Republics ^a	93	19	16	16	19	47	25	197	193	209
Cuba	20	6	8	133	80	67	84	35	45	—
Total for Central America	194	58	64	180	122	131	175	269	282	267
Total for Latin America .	1 541	418	584	901	726	791	1 062	1 292	1 412	1 522

SOURCES: 1928-1935: League of Nations, *The network of World Trade*.
1937-1938: *A study between Latin America and Europe*. United Nations 1953.
1948-1960: *Economic Bulletin for Latin America. Statistical Supplement*, Vol. V y VI, Santiago, Chile.
^a Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Panama.

Table F
LATIN AMERICA: BREAKDOWN OF VALUE OF EXPORTS TO EEC AND EFTA 1958-60
(Percentages)

<i>Country</i>	<i>EEC</i>			<i>EFTA</i>			<i>Total EEC and EFTA</i>		
	1958	1959	1960	1958	1959	1960	1958	1959	1960
<i>South America</i>									
Argentina	33.3	37.3	38.8	27.1	25.9	23.6	60.4	63.2	62.7
Brazil	17.5	19.7	19.6	12.2	12.4	12.7	29.7	32.3	32.4
Bolivia	3.2	4.6	5.0	51.6	46.0	55.7	54.9	50.7	60.7
Colombia	14.4	15.2	19.1	5.0	8.6	7.6	19.4	23.9	26.7
Chile	28.3	30.4	30.5	16.8	17.6	21.3	45.1	48.0	51.8
Ecuador	22.6	23.3	23.1	3.6	2.0	2.7	26.2	25.4	25.8
Paraguay	15.3	17.3	16.0	13.0	9.6	10.7	18.3	26.9	26.7
Peru	23.8	26.2	30.8	12.2	12.7	9.7	36.0	38.9	40.6
Uruguay	28.1	28.2	36.7	21.9	14.7	28.3	50.0	42.9	65.0
Venezuela	7.0	5.8	5.4	7.5	7.9	9.3	14.5	13.8	14.7
<i>Central America</i>									
Costa Rica	33.3	34.7	33.0	1.9	3.6	2.7	35.2	38.4	35.8
El Salvador	38.2	34.8	38.3	2.5	3.1	3.1	40.7	48.0	51.8
Guatemala	22.0	24.2	28.2	5.0	5.0	4.4	27.0	29.2	32.6
Honduras	9.4	14.1	12.6	3.6	3.6	4.5	13.1	17.7	17.1
Nicaragua	35.3	31.0	25.3	8.2	7.3	4.5	43.5	38.3	29.8
Panama	2.1	—	2.1	1.0	—	—	3.1	—	2.1
<i>Mexico</i>	6.6	7.3	9.2	3.2	3.3	3.0	9.8	10.6	12.2
<i>Caribbean Countries</i>									
Cuba	4.7	7.0	—	7.2	5.0	—	12.0	12.1	—
Haiti	38.5 ^a	37.5 ^a	—	10.8 ^a	8.0 ^a	—	49.3	42.5	—
Dominican Republic	8.7	11.1	11.8	26.0	17.6	14.3	34.7	28.7	26.1

SOURCE: ECLA, on the basis of national statistics.
^a Based on derived figures.

Table G

SOUTH AMERICA AND MEXICO: EXPORTS OF SELECTED COMMODITIES TO WESTERN EUROPE AND TO THE WORLD, 1960

(Thousands of dollars)

Commodity	EEC	EFTA	Western Europe	Total	Percentage
Cereals (wheat and maize)	123 555	36 184	159 739	289 578	55
Meat and preserved meat	39 117	137 561	176 678	232 292	76
Wool	77 923	48 222	126 145	225 350	56
Peanut and linseed oil	50 266	5 698	55 964	60 478	92
Fruit (oranges and apples)	10 846	7 381	18 227	26 419	69

SOURCE: National statistics elaborated by ECLA.

Table H

EXPORTS OF BEEF AND VEAL BY THE MAJOR PRODUCER COUNTRIES

(Thousands of tons)

Country	Average 1934/38	1953	1954	1955	1956	1957	1958	1959	1960
<i>South America</i>									
Argentina	409	97	105	192	363	355	375	345	287
Brazil	43			1	9	27	33	23	5
Uruguay	54	41	45	35	27	32	19	22	55
<i>Oceania</i>									
Australia	107	38	114	149	125	161	166	230	150
New Zealand	48	57	60	96	120	117	118	90	105
<i>Europe</i>									
Denmark	13	35	56	42	46	83	72	60	71
France	1	4	47	53	15	11	4	30	62
<i>United States</i>									
	2	1	6	5	31	32	4	4	6
World total	730	360	545	650	843	951	956	975	950

SOURCES: FAO, *Monthly Bulletin of Agriculture, Economics and Statistics*, January, May 1957, June 1959, May, June 1961, quoted by the *Boletín Mensual del Banco Francés e Italiano para la América del Sur*, January-February 1962.

Table I
SELECTED EUROPEAN COUNTRIES MEAT IMPORTS FROM LATIN AMERICA
AND OTHER REGIONS^a

(Cif values in millions of dollars)

<i>Importer country</i>	<i>1934/38</i>	<i>Percent- age</i>	<i>1958</i>	<i>Percent- age</i>	<i>1959</i>	<i>Percent- age</i>	<i>1960</i>	<i>Percent- age</i>
<i>United Kingdom</i>								
Total	411		989		971		972	
Latin America ^b	111	27.0	192	19.4	191	19.7	153	15.7
Other countries	300	73.0	797	80.6	780	80.3	819	84.3
<i>Germany</i>								
Total	41		230		323		185	
Latin America ^b	5	12.2	17	7.4	28	8.7	15	8.1
Other countries	36	87.8	213	93.6	295	91.3	170	91.9
<i>Italy^c</i>								
Total			155		159		207	
Latin America ^b			31	20.0	32	20.1	22	10.6
Other countries			124	80.0	127	79.9	185	89.4
<i>France^c</i>								
Total			57		46		88	
Latin America ^b			9	15.8	4	8.7	3	3.4
Other countries			48	84.2	42	91.3	85	96.6

SOURCES: *Economic survey of Europe since the war, op. cit.*, United Nations, *Commodity trade statistics*, Statistical Papers, Series D.

^a Including beef, mutton and pork from meat on the hoof to preserved meat.

^b Including Argentina, Brazil, Chile, Paraguay and Uruguay.

^c France and Italy did not import meat before 1939.

Table J
LATIN AMERICA: CEREAL EXPORTS
(Millions of dollars)

<i>Exporter country and year</i>	<i>Exported to</i>					<i>Total</i>
	<i>Latin America</i>	<i>EEC</i>	<i>EFTA</i>	<i>Rest of world</i>		
<i>Wheat</i>						
<i>Argentina</i>						
1950/51	41.0	46.2	11.3	77.7	176.2	
1958	72.8	26.8	22.8	3.7	126.1	
1959	86.3	24.9	19.0	5.0	135.3	
1960	88.7	27.0	21.7	5.3	142.7	
<i>Uruguay</i>						
1950/51	0.5	—	0.1	1.0	1.6	
1958	7.3	3.0	4.2	0.3	14.8	
1959	0.9	1.8	0.5	—	3.2	
1960	—	—	—	—	—	
<i>Maize</i>						
<i>Argentina</i>						
1950/51	1.2	22.0	14.1	0.6	37.9	
1958	0.3	58.9	11.2	11.2	81.5	
1959	0.4	89.8	19.4	14.4	124.1	
1960	0.9	90.7	13.3	19.3	124.2	
<i>Mexico</i>						
1950/51	—	—	—	—	—	
1958	—	—	—	—	—	
1959	—	—	—	—	—	
1960	1.2	5.8	11.2	13.8	22.0	

SOURCE: National statistics, elaborated by ECLA.

Table K
SELECTED EUROPEAN COUNTRIES WHEAT IMPORTS FROM ARGENTINA
AND URUGUAY^a

(Millions of dollars)

Importer country	1934-1938	Percent- age	1958	Percent- age	1959	Percent- age	1960	Percent- age
<i>United Kingdom</i>								
Total	181		319		304		293	
Argentina	24	13.3	26	8.2	28	9.2	20	6.8
Uruguay . . . . .	...		4	1.3	—		—	
<i>Germany</i>								
Total	31		154		166		134	
Argentina	7	22.6	18	11.7	18	10.8	17	12.7
Uruguay . . . . .	...		1	—	—		—	
<i>Italy</i>								
Total	28		16		5		41	
Argentina	8	28.6	3	18.8	—		4	9.8
Uruguay . . . . .	...		—				
<i>France</i>								
Total . . . . .	...		33		45		28	
Argentina . . . . .	...		1	3.0	1	2.2	2	7.0
Uruguay . . . . .	...		—		—		—
<i>Benelux</i>								
Total	41		31		29		26	
Argentina	11	26.8	4	12.9	3	10.3	2	7.7
Uruguay . . . . .	...		—		—		—
<i>Netherlands</i>								
Total	19		48		54		43	
Argentina	5	26.3	2	4.2	1	2.0	3	7.0
Uruguay . . . . .	...		1	2.0	—		—	

SOURCES: *Economic survey of Europe since the war, op. cit.*; United Nations, *Commodity Trade Statistics*, Statistical Papers, Series D.

^a Unmilled wheat.

Table L
PROJECTION OF WHEAT SUPPLY IN EEC, 1965
(Thousands of tons)

Wheat	OECD average 1955/56 1957/58	Study			
		Basis ^a	1965 hypotheses		
			I	II	III
Area (thousands of hectares)	10 356	10 941 ^b	10 603	10 603	10 603
Yield (quintals per hectare)	21.8	21.7	25.7	25.7	25.7
Production	22 580	23 746	27 290	27 290	27 290
Inventory variation	+458				
Net import requirements (+)			+269	+164	—3
Net export requirements (—)	+3 175				
Availabilities	25 299		27 559	27 454	27 287
<i>Destination of supplies</i>					
Animal feed	2 402		4 216	4 216	4 216
Seed	2 249		1 911	1 911	1 911
Industrial uses	47		46	46	46
Waste	365		381	381	381
Food for human consumption (gross)	20 236		21 005	20 900	20 733
Extraction rate (per cent)	75.6		77	77	77
Food for human consumption (net)	15 301	15 762	16 182	16 105	15 980
Degree of self-sufficiency (per cent)	89.3		99.0	99.4	100.0
Annual per capita flour consumption (kg)	92.3	95.5	91.6	91.2	90.5

SOURCE: Study undertaken by the Board of Agricultural Experts appointed by the European Economic Community.

^a 1955/56-1957/58, except France in 1956.

^b The figures given as the basis of the study are higher than the averages calculated on the basis of the OECD figures, since the poor harvest of 1956 was not taken into account by the experts.

Table M
LATIN AMERICA: WOOL EXPORTS^a
(Millions of dollars)

<i>Exporter country and year</i>	<i>Destination</i>				<i>Total</i>
	<i>Latin America</i>	<i>EEC</i>	<i>EFTA</i>	<i>Rest of world^b</i>	
<i>Argentina</i>					
1950/51	6.2	49.9	15.3	110.0	181.6
1958	0.6	42.8	15.7	39.9	99.0
1959	0.5	41.5	19.5	57.6	119.2
1960	2.1	49.1	25.5	67.7	144.4
<i>Uruguay</i>					
1950/51	1.1	22.5	7.0	109.3	140.0
1958	0.4	25.0	19.9	36.1	81.6
1959	0.4	12.2	7.1	35.9	55.6
1960	0.7	26.6	15.2	25.8	68.3
<i>Rest of Latin America^c</i>					
1950/51	0.5	2.3	8.6	18.0	29.4
1958	0.2	1.1	9.6	5.4	16.2
1959	0.2	4.4	9.1	8.3	21.9
1960	0.3	2.2	7.6	2.6	12.7
<i>Total: Latin America</i>					
1950/51	7.8	74.7	31.0	237.4	350.9
1958	1.3	68.9	45.2	81.4	196.8
1959	1.1	58.1	35.6	101.8	196.6
1960	3.1	77.9	48.2	96.1	225.4

SOURCE: ECLA, on the basis of national statistics.

^a Comprising greasy wool and wool in bulk (which represents about two thirds of total wool exports), washed or semi-washed wool and combed wool.

^b Mainly the United States.

^c Brazil, Chile and Peru.

Table N
SELECTED EUROPEAN COUNTRIES: IMPORTS OF WOOL AND FINE ANIMAL HAIR
BY PRINCIPAL SOURCES^a
(Cif values in millions of dollars)

<i>Importer country</i>	<i>1934-1938</i>	<i>Percent- age</i>	<i>1958</i>	<i>Percent- age</i>	<i>1959</i>	<i>Percent- age</i>	<i>1960</i>	<i>Percent- age</i>
<i>United Kingdom</i>								
Total	204.0		407.2		471.7		419.7	
Latin America ^b	23.0	11.3	38.7	9.6	42.7	9.1	50.6	12.1
<i>Germany</i>								
Total	83.0		155.9		177.8		160.6	
Latin America ^b	26.0	31.3	14.1	9.0	21.2	12.0	19.6	12.4
<i>Italy</i>								
Total	24.0		161.7		172.9		212.4	
Latin America ^b	8.0	33.3	7.3	4.3	16.9	12.1	19.0	8.9
<i>France</i>								
Total	68.0		196.2		203.5		228.7	
Latin America ^b	12.0	17.6	16.4	8.2	18.7	9.3	19.6	8.7

SOURCES: *Economic survey of Europe since the war, op. cit.*; United Nations, *Commodity Trade Statistics*, Statistical Papers, Series D.

^a Greasy, washed, semi-washed, bleached and dyed wool (including fine animal hair from 1956 to 1960).

^b Argentina, Chile, Peru and Uruguay.

Annex I

ACTIVITIES UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

In the present report a number of references have been made to GATT, to which nine Latin American countries belong in the capacity of Contracting Parties or associates. Various negotiations of basic interest to the Latin American countries as a whole are being conducted through the medium of this agency, which is now recognized to be the principal world forum for discussion of questions of trade. Arrangements have been made by GATT for non-member countries to participate in its work when the subjects under discussion relate to primary commodities. In fact, the report of the Working Party on Primary Commodities, dated 21 November 1958, which concerns the future activities of the Contracting Parties pursuant to the resolution of 17 November 1956 on trade in primary commodities, states that "Article XXII provides for consultations between contracting parties on any matter affecting the operation of the Agreement. At this session the Contracting Parties have adopted procedures whereby these can be broadened into multilateral consultations and it should be noted that there is nothing in the Article which would prevent the participating governments from inviting non-contracting parties to take part ...".

COMMODITY GROUPS

At the meeting of Ministers of GATT (November 1961), the question of trade in agricultural products was discussed, and the Ministers expressed their great concern about the degree and extent of agricultural protectionism, the widespread recourse to non-tariff devices and the serious effects which these devices had on international trade in agricultural products.

The Ministers recommended to the countries members of GATT that they should adopt procedures designed to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities. They requested specifically, and GATT subsequently agreed, that:

(a) Progress of the work in this regard be supervised and co-ordinated through the GATT Council of Representatives;

(b) The Council be authorized, *inter alia*, to establish such preparatory groups as may be necessary;

(c) A beginning be made, early in February 1962, with a preliminary examination of possibilities for solution of the problem of cereals, and that for this purpose a group be established;

(d) As soon as possible thereafter, namely at its February session, the Council should initiate discussion of the problems in other commodities with differing characteristics, for example, meat.

The Contracting Parties of GATT subsequently set up a Working Party on Meat and a Working Party on Tropical Products, to join the Working Party on Grains. These Working Parties are still at the preliminary stage of their work, since EEC and the United Kingdom wish to wait for the results of the negotiations that are being conducted in Brussels on the accession of the United Kingdom and the agreement on the association of the African States.

The formula adopted by the meeting of Ministers of GATT, which has been set forth before, was based on a general proposal made by the Minister of Finance of France at that time and endorsed by the countries members of EEC.

Annex II

GATT TARIFF CONFERENCE

It is expected that a new and highly important tariff conference may be held once the Government of the United States is juridically in a position to take an effective part in it. A study should be made of the ways and means of achieving negotiations between Latin America as a whole and EEC — and, if necessary other regions — in relation to three categories of products: (a) temperate-zone products; (b) tropical products; and (c) semi-finished and manufactured goods. (In the case of mining products and their derivatives it would be necessary to study the way in which they are affected by the common external tariff and to take appropriate action.)

The situation in regard to the first two categories is clear as far as the negotiation of customs duties is concerned. Latin America would grant adequate tariff reductions and consolidations in exchange for reciprocal benefits with respect to the items that constitute the general basis of its export trade. Naturally negotiations of this kind would be valid only in so far as they were not nullified by non-tariff restrictions and tariff preferences. Latin America has already had more than sufficient experience of the negative effect of such tariff concession measures and has no desire whatsoever to take part in tariff negotiations likely to be equally sterile in their outcome.

With respect to semi-finished and finished goods, the prospects are singularly promising. The economic development of Latin America will largely be founded on more sales of these goods. Technology is carrying Western Europe, in common with the United States, towards increasingly improved forms of production,

and it is indispensable for the countries in process of development to diversify their exports at least as rapidly as the more developed countries are widening their own radius of action in the international sphere.

In this connexion, mention should be made of the recommendation formulated by the ministerial meeting held by GATT in November 1961, and attended by the representatives of various Latin American countries.

On that occasion, it was decided that the reduction of tariff barriers on a most-favoured-nation basis should be continued. It was recognized that the traditional GATT techniques for tariff negotiations on a commodity-by-commodity and country-by-country basis were no longer adequate to meet demands imposed by the changing conditions of world trade. It was therefore decided to consider the adoption of new techniques, particularly the method of linear tariff reduction. The Ministers recognized that, in working out new procedures, such as linear tariff reductions or programmes of phased reductions over a period of years, full account would have to be taken of the differing characteristics of the trade, tariff levels and economic structure of contracting parties and the problems which arose for countries exporting only a few commodities. The representatives of countries which were not primarily exporters of industrial goods expressed the willingness of their Governments to consider participation in tariff negotiations provided that they were able to obtain real trade benefits, particularly through the negotiation of other barriers to trade.

The Ministers were generally agreed that a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from countries in process of development.

These conclusions should be considered in relation to the decisions taken by the Ministers concerning the obstacles to trade facing the less developed countries. In this connexion, a declaration was adopted which contained various recommendations on quantitative restrictions, tariffs, revenue duties, State trading, preferences, subsidies and disposal of commodity surpluses.

All these considerations should be expressed in practical terms in any negotiations that Latin America may institute with EEC.

One of the factors that impedes diversification and consequently, any increase in exports on the part of the developing countries is the frequent disproportion between the tariffs applied to products processed from countries to raw materials and those applied to products processed from the same source. This should be borne in mind for all tariff negotiations with industrialized countries. An example is given in the following table of the way in which customs duties are graded in the EEC common tariff according to the extent to which the different products have been processed.

Product	Unprocessed	Semi-processed	Finished
Meat extract	2 per cent (tins of 20 kg or more)	9 per cent (tins of 1-20 kg)	24 per cent (tins of 1 kg or more)
Wool	Exempt	3 per cent (combed)	13 per cent (cashmere)
Cacao	9 per cent	5 per cent (yarn)	27 per cent (powder, unsweetened)
Cotton	Exempt	3 per cent (carded, combed)	15-19 per cent (fabrics)
Sheep and goat skins	Exempt	6-10 per cent	10-20 per cent

As the industrialized and developing countries have already accepted the principle that the latter should export more semi-finished and finished goods, it would be desirable for the tariff protection margin to be narrowed so that this aim could be fulfilled.

Annex III

DECLARATION BY EEC AND THE UNITED STATES

On 7 March 1962, EEC and the United States of America signed a joint declaration in which they expressed the opinion that in 1962 their mutual trade relations would be modified, particularly in the agricultural field, as a result of certain developments such as the decisions of EEC with regard to its common agricultural policy, the entry into force of the association Treaty between EEC and Greece, the conclusion of negotiations on the renewal of the association Treaty between the associated overseas countries and EEC, the continuation of the negotiations for the United Kingdom's accession to EEC, the beginning of the activities of the EEC Working Party on Grains and the negotiatory powers which will be rested in the President of the United States, once the new Trade Agreements Act has been adopted.

At the same time, an agreement was signed with respect to maize, sorghum, ordinary wheat, rice and poultry, whereby EEC undertook to enter into negotiations on the situation of United States exports of these commodities once a common agricultural policy had been adopted with respect to them, and, in the meantime, not to make its national import systems more restrictive.

An agreement was also signed on quality wheat, which stated that negotiations would commence as soon as the EEC Council of Ministers had decided to introduce the common policy for wheat and at the latest by 30 June 1963, and added that:

"The Community undertakes to enter into negotiations on the subject of the consequences on imports from Third Countries of the common agricultural policy to be applied. It does not exclude negotiation on the maximum level of the levy or levies. This negotiation shall take into account the importance of international trade in wheat and shall be such as to provide for the evolution of this trade with the Community under fair and reasonable conditions."

It further stated that:

"Consultations shall take place if imports from non-EEC Contracting Parties show any appreciable decline in any period below the average of the corresponding period of the last three years. If the decline is related to the implementation of the common policy for wheat the Community and the Member States will take appropriate measures to remedy the decline."

This precedent opens up interesting possibilities with respect to future negotiations between Latin America and EEC, since it seems justifiable to assume that if EEC has recognized the existence of problems arising out of its trade in specific products with the United States it will also recognize them — and act accordingly — in relation to its trade with Latin America.

Annex IV

POWERS CONFERRED UPON INTERNATIONAL ORGANIZATIONS

OFFICIAL TEXTS RELATING TO THE POWERS AND TERMS OF REFERENCE OF THE INTER-GOVERNMENTAL ORGANIZATIONS CONCERNED WITH QUESTIONS OF TRADE IN LATIN AMERICA

1. INTER-AMERICAN DEVELOPMENT BANK (IDB)

Establishing agreement: Article 1, Section 2, Functions

To implement its purpose, the Bank shall have the following functions:

- (iv) To co-operate with the member countries to orient their

development policies toward a better utilization of their resources, in a manner consistent with the objectives of making their economies more complementary and of fostering the orderly growth of their foreign trade.

Article XIV. General provisions. Section 2

The Bank may enter into arrangements with other organizations ... for other purposes consistent with this Agreement.

STUDY ON THE FINANCING OF EXPORTS

(Adopted at the fourth plenary meeting of 25 April 1962)

The Board of Governors

Decides:

1. To recognize the urgent need to have adequate systems of financing for Latin American exports that would contribute to the economic and social development of the countries members of the Bank.

2. That the Board of Executive Directors of the Bank shall examine and submit to the Board of Governors, before 31 December 1962, a report on the different systems or mechanisms that could be used to obtain financial resources for such exports and, where appropriate, present specific proposals for the amendment of the regulations in force or of the Establishing Agreement of the Bank, in accordance with the conclusions reached and with due regard to the proposal presented by the Governor for Brazil (document AG-III/8 of 22 April 1962) and the suggestions and comments of the member countries.

3. That the Board of Executive Directors shall also study ways and means of setting up a regional system of guarantees for export credits, if deemed expedient.

2. ECONOMIC COMMISSION FOR LATIN AMERICA (ECLA)

Terms of reference of the Commission

1. The Commission ... shall ...

(a) Initiate and participate in measures for facilitating concerted action for ... strengthening the economic relations of the Latin American countries both among themselves and with other countries of the world.

9. The Commission shall co-operate with and take the necessary measures to co-ordinate its activities with the appropriate organs of the Inter-American System; to this end the Commission is empowered ... to make working arrangements with the appropriate organs of the Inter-American System regarding the joint or independent study or execution of economic problems within its competence ...

10. The Commission may, after discussion with any specialized agency concerned, and with the approval of the Council, establish such subsidiary bodies as it deems appropriate, for facilitating the carrying out of its responsibilities.

Resolution 101 (VI)

TRADE COMMITTEE

Resolves:

1. To set up ... a Trade Committee ... for the purpose of intensifying inter-Latin-American trade — without prejudice to the expansion of trade with other regions and mindful of the fundamental necessity of increasing over-all world trade — through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations.

2. To this end, the Trade Committee shall concern itself with the preparation of specific proposals, in harmony with the present and future bilateral and multilateral commitments of member Governments, and the modifications they may make to them, and taking into consideration national or regional economic conditions.

In carrying out its functions the Committee shall bear in mind the topics ... such as ... specific questions of trade in given products ...

* Unofficial translation.

REPERCUSSIONS OF THE EUROPEAN COMMON MARKET

*(Adopted on 27 May 1957)**Considering:*

(a)...

(b) That, under the terms of resolution 102 (VI), this Commission recommended to the secretariat that, in co-operation with the Department of Economic and Social Affairs of the United Nations, it should continue the analysis of the markets for those basic commodities which are of decisive importance for the economies of the Latin American countries;

(c) That both the stability and the prosperity of the economies of the Latin American countries, as well as the possibilities of their development at a satisfactory rate, largely depend on the volume and value of their exports of primary commodities, which in turn are conditioned by the situation of the available markets;

(d) That the creation of the European Economic Community and the possible formation of a free-trade zone in Europe may have repercussions on the sales prospects and prices of Latin American primary commodities on the world markets, to an extent not yet possible to assess;

(e)...

Decides:

1. ...

2. ...

3. To recommend to the secretariat that it carry out studies on world market prospects for Latin American primary commodities, taking into consideration in particular the consequences that may arise from the European common market, from the possible establishment of a free-trade zone in Europe, and from other similar projects;

4. To recommend that these studies be conducted along broad lines, so that they cover both the indirect effects on Latin American trade of the possible repercussions of European integration on third areas, and also the probable trend of trade in Latin American primary commodities over a reasonable future period;

5. ...

6. To make the following recommendations to the member countries of the Commission, especially those of Latin America: (a) that they consider the desirability of carrying out consultations on the possible repercussions of the European common market; and (b) that they send representatives, in an appropriate capacity, to international conferences at which questions bearing on the European common market and its possible effects on Latin America's economy and trade are considered.

An ECLA resolution of 19 June 1950 empowered the secretariat to convene informal meetings of experts in international trade, if and when appropriate.

By a resolution of 25 April 1953, ECLA requested the secretariat to continue to study the evolution of trade between Latin America and the principal industrial centres, and authorized it to consult, if it deemed advisable, with expert working groups to advise it on the different aspects of such studies.

By a resolution of 27 May 1957, ECLA recommended that the secretariat continue to 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 of trade relations between Latin America and

Europe. At the same time it recommended to the member States of the Commission, especially those of Latin America, that they carry out consultations on the possible repercussions of the European common market.

By a resolution of 10 May 1961, the ECLA Trade Committee recommended 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 examine the problems of trade relations with countries or groups of countries in other parts of the world. When this resolution was adopted, it was pointed out that it was linked up with the ECLA resolution of 15 September 1955, in that, for such purposes, the "Trade Committee shall concern itself with the preparation of specific proposals, in harmony with the present and future bilateral and multilateral commitments of member governments, and the modifications they may make to them, and taking into consideration national or regional economic conditions".

3. GENERAL TREATY ON CENTRAL AMERICAN ECONOMIC INTEGRATION

Chapter IX. Organs

Article XX

The Central American Economic Council, composed of the Ministers of Economic Affairs of the several Contracting Parties, is established for the purpose of integrating the Central American economies and co-ordinating the economic policy of the Contracting States.

The Central American Economic Council shall be the organ responsible for facilitating implementation of the resolutions on economies integration adopted by the Central American Economic Co-operation Committee...

Article XXI

For the purpose of applying and administering the Treaty and of undertaking all the negotiations and work designed to give practical effect to the Central American economic union, an Executive Council ... is established.

Article XXIII

A Permanent Secretariat is instituted, and shall act as such both for the Central American Economic Council and the Executive Council ...

Article XXIV

The Secretariat shall ensure that the Central American treaties, bilateral or multilateral treaties on free trade and economic integration in force between any of the Contracting Parties, and all other agreements relating to Central American economic integration already signed or that may be signed hereafter ... are properly executed ...

The Secretariat shall ensure implementation of the resolutions adopted by the Central American Economic Council and the Executive Council ...

4. CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

In which Guatemala, El Salvador, Honduras and Nicaragua participate.

Article 2

"The purpose of the Bank shall be to promote the economic integration and balanced economic development of the member countries. In pursuance of this objective, its activities shall be primarily designed to meet the needs of the following investment sectors:

(a) Infrastructural projects to complete existing regional systems or counterbalance disparities in basic sectors which hinder

... balanced economic development ... The Bank shall not finance infrastructural projects of purely local ... scope;

(b) Projects for long-term investment in industries of a regional character or of importance for the Central American market ... The Bank's activities shall not include investment in essentially local industries;

(c) Co-ordinated agricultural projects ... to improve their efficiency and their competitive capacity within the common market with a view to facilitating free trade among the Central American countries;

(d) Projects for the financing of services vital to the operation of the common market;

(e) Other productive projects calculated to create economic complementarity among the member countries and to expand intra-Central American trade."

Article 7

"(f) To act as intermediary in the concerting of loans and credits for the Governments, public institutions and established enterprises of the member States, to which end it shall institute such arrangements for co-operation with other Central American, international and foreign institutions as it may deem expedient in that connexion, and shall be empowered to take part in the preparation of the specific projects concerned."

Article 11

"The Board of Governors shall be at liberty to delegate all its powers to the Board of Directors, except those relating to the following procedures:

(g) Authorization of the conclusions of general agreements relating to co-operation with other agencies."

5. LATIN AMERICAN FREE-TRADE ASSOCIATION (ALALC)

The preamble to the Treaty of Montevideo contains the following considerations expressing the views of the signatory States:

"Convinced that the strengthening of national economies will contribute to the expansion of trade within Latin America and with the rest of the world";

"Certain that any action to achieve such ends must take into account the commitments arising out of the international instruments which govern such trade."

Article 17 indicates that the treatment accorded to raw materials and to other goods included in the complementarity agreements, inasmuch as they derive from third countries, may be reconciled, which presupposes negotiation with the said countries.

Article 62 of the Treaty indicates that its provisions will be reconciled with those of existing agreements with third countries, which likewise presupposes mutual negotiation.

Article 39 of the Treaty states that one of the duties of the Standing Executive Committee of the Association is:

"(c) To represent the Association in dealings with third countries and international organs and entities for the purpose of considering matters of common interest. It shall also represent the Association in contracts and other instruments of public and private law."

6. ORGANIZATION OF AMERICAN STATES

(a) *OAS Economic Conference* (Buenos Aires, 15 August-4 September 1957)

Resolution XXXIII:

BASIC PRODUCTS

The Economic Conference of the Organization of American States,

Whereas:

.....

It is also desirable and urgent to consider the effects that the formation of economic groups in other continents may have on the export markets of basic products of the Latin American countries; and

.....

Resolves:

1. To recommend to the Inter-American Economic and Social Council that it create a Committee on Basic Products, to be of a permanent nature, which would have the following purposes:

- (a) To study the factors entering into production, price trends, and the demand for basic products;
- (b) To study the possible impact that the European common market may have on these products, as well as the possible impact of any other economic groups that may be organized outside the hemisphere;
- (c) To submit the findings periodically to the interested countries for consideration; and
- (d) To recommend, whenever circumstances warrant, meetings of government experts on problems of the production and marketing of such products.

2. That the committee will be composed of representatives of the member states that desire to be represented thereon.

3. To recommend that the committee, immediately upon its establishment by the Inter-American Economic and Social Council, begin a study on the problems of minerals and metals markets, although this should not mean the postponement of any study, upon request, of other basic products whose urgent consideration is required.

4. That the Committee on Basic Products, for the better execution of its functions, maintain contact with all the specialized agencies of the United Nations working in the field of international commodity problems.

5. That, in view of the great importance that the creation and operation of this committee represents for the countries of Latin America, the Organization of American States should provide it with the personnel and technical advisers necessary for the accomplishment of its purposes.

(b) *Special commission for studying the formulation of new measures of economic co-operation (CECE)* (Buenos Aires, 27 April-8 May 1959)

Resolution XVII^c

CO-OPERATION WITH RESPECT TO THE PROBLEM OF EXCESSIVE FLUCTUATIONS IN MARKETS FOR BASIC PRODUCTS

The Council of the Organization of American States,

Decides:

1. To recommend to the American States that they continue to co-operate in the urgent search for efficacious and practical means

* Unofficial translation.

of solving the problem of harmful fluctuations in the markets for basic products exported by the Latin American countries, and that the said States proceed:

- (a) To combine their efforts with a view to seeking for solutions, even in specific cases, on a world scale;
- (b) To take appropriate steps to combat the use of unfair practices by other areas that may adversely affect Latin American trade and/or to prevent harmful speculation;
- (c) To give due attention to the possibility of expanding the markets for basic products and increasing potential demand for such commodities, including surveys of the markets for by-products and new forms of finished goods; and
- (d) To co-operate, through the medium of technical assistance and other appropriate financial or development institutions, with a view to aiding the American States that are largely dependent on one or more basic products, in their efforts to achieve the progressive and satisfactory diversification of their economies, if necessary including the processing of basic products or raw materials.

2. To recommend to the Governments of the member States that they concentrate their efforts in the aforesaid direction with respect to the basic products that have recently shown a tendency to harmful fluctuations in price and/or volume, and that, to this end, they should intensify the activities already initiated on a regional and international plane and take advantage of the consultations duly provided for by the Inter-American System in order to seek practical solutions to the problems in an atmosphere of healthy competition.

(c) *Special Meeting of the IA-ECOSOC at the Expert Level* (Washington, 29 November - 9 December 1961)

Resolution III

ESTABLISHMENT OF A SPECIAL COMMITTEE ON BASIC PRODUCTS

The Special meeting of the Inter-American Economic and Social Council, at the Expert Level,

.....

Resolves:

1. To establish a Special Committee on Basic Products within the framework of the Inter-American Economic and Social Council.

2. That the Committee shall study the problems of the basic export products of the member countries, with a view to achieving the stabilization and enlargement of the markets for these products, and to formulating such recommendations as it deems advisable in order to attain these objectives through close co-operation of the member states.

3. That the Committee may meet when it is convened by the Council to deal with matters within its competence, when one or more governments of the member states request its convocation, in order to consider matters relating to basic products that affect their economies or when a decision to convoke the meeting is made by the Committee itself or by its Chairman.

4. That the Committee shall exist so long as, in the judgment of the Council, the circumstances that determined its establishment persist.

5. That the Committee shall have the power to present reports and recommendations directly to the governments of the member states, as well as to the Inter-American Economic and Social Council.

That it must, furthermore, submit reports on its discussions and work to the Regular Annual Meetings of the Inter-American Economic and Social Council.

Resolution IV

STUDY OF THE EFFECTS OF THE EUROPEAN COMMON MARKET ON THE LATIN AMERICAN ECONOMIES

The Special meeting of the Inter-American Economic and Social Council at the expert level,

Whereas:

.....

Title III of the Charter of Punta del Este establishes that "the Latin American countries should co-ordinate their actions to meet the unfavourable treatment accorded to their foreign trade in world markets, particularly that resulting from certain restrictive and discriminatory policies of extracontinental countries and economic groups",

.....

Resolves:

1. To request the General Secretariat to have the document entitled Effects of the European Economic Community on the Latin American economies (OEA/Ser/E/XI.1, Document 19, December 3, 1959) reviewed and brought up to date as soon as possible.

2. To recommend that, when this revision has been initiated, a careful examination be made of restrictive measures of a non-tariff nature, such as import quotas, subsidies for domestic production, and domestic taxes on consumption, that are applied by countries that are already members of the European Economic Community or whose membership is anticipated shortly, and the proposals for a common agricultural policy to be adopted by those countries.

3. To recommend that when this revision has been completed, a study be made of the measures that might be taken by the member states of the Organization of American States, individually or collectively, to protect their economies against the harmful effects of present or future discrimination on the part of the European Economic Community against the primary products of the member countries.

4. To request that the aftermentioned revision be presented to the Special Committee on Basic Products of the Organization of American States that is to be created and the governments of the member states at least 45 days prior to the next annual meeting of the Inter-American Economic and Social Council at the Ministerial level.

Resolution V

STATEMENT ON THE POLICY OF THE EUROPEAN ECONOMIC COMMUNITY REGARDING BASIC EXPORT PRODUCTS OF LATIN AMERICA

Whereas:

At the Ministerial-level meeting of the General Agreement on Tariffs and Trade held in Geneva, Switzerland from November 27 to 30, 1961, several of the contracting parties put forward proposals that envisaged the progressive elimination, by all countries and regional groupings, of discriminatory restrictions against the importation of certain primary products;

The progressive implementation of the common external tariff

of the European Economic Community on those commodities will result in increasingly discriminatory treatment against the importation of products from the countries of this Hemisphere;

The European Economic Community was unable to accept in the above-noted General Agreement on Tariffs and Trade meeting the recommendation that special consideration be given to specific proposals for action leading to the reduction of these discriminatory measures;

The member countries of the Organization of American States believe that the continued existence of such restrictions limits an increasing consumption of primary products, forming the basis of the economies, not only of the majority of the member countries of this Organization, but also of a great number of other countries; and

Although appropriate measures may need to be taken to serve as an aid to some less developed countries now benefiting from preferential treatment, preferential treatment for primary products from certain areas creates inequities and inconsistencies that impede free and non-discriminatory world trade in such products and hinder progress towards the achievement of equitable international arrangements dealing with these products.

The Special Meeting of the Inter-American Economic and Social Council at the Expert Level,

Agrees:

1. To express its deep concern that the member countries of the European Economic Community did not find it possible to agree to negotiations leading to the progressive elimination of restrictions they place on the importation and consumption of some primary products.

2. To point out that the apparent intention to retain such restrictions puts in jeopardy the mutually beneficial commercial and economic relations between Western Europe and Latin America, and makes the economic and social development of this latter area more difficult.

3. To recommend to the member countries of the Organization of American States that, within the spirit of the Alliance for Progress, they continue their individual and collective negotiations through General Agreement on Tariffs and Trade, through commodity study groups and through any other entity, for the elimination of such restrictions.

4. To request the Secretary General of the Organization of American States to transmit this resolution to the international agencies and regional organizations concerned with this problem.

Resolution VI

MEASURES FOR ACHIEVING THE ELIMINATION OF RESTRICTIVE PRACTICES APPLIED BY THE EUROPEAN ECONOMIC COMMUNITY AGAINST IMPORTATION OF LATIN AMERICAN BASIC PRODUCTS

Whereas:

The special situation confronting certain basic export products of Latin America, resulting from new orientations in the economic policy, and most especially in the trade policy of the countries that are or may become members of the European Economic Community; countries that traditionally have been markets for those products;

These orientations may mean a significant change in the direction of international trade, which could adversely affect exports of basic products from the Latin American countries;

Resolutions C.4 and C.6 appended to the Charter of Punta del Este recommend that, through the pertinent channels, the countries belonging to the European Common Market be informed of the deep concern existing in the American countries regarding

the inclusion of primary products in the aforesaid common market;

For this reason it is essential to create instruments that will allow for continuous and systematic negotiations with the European Economic Community;

Besides coffee, meat, and wool, other Latin American basic export products are now or may be in the future affected by the impact of the said restriction on importation of basic products; and

Point 1 of the operative part of resolution C.4 establishes that it is necessary to adopt measures tending to eliminate undue restrictions that hamper the flow of primary products into the consumer markets of the member countries, as happens in the case of cotton, meat, wool and other basic products,

The Special Meeting of the Inter-American Economic and Social Council at the Expert Level,

Resolves:

1. To entrust to the Special Committee on Basic Products the proposal, on the basis of information provided by interested countries and of studies made by the General Secretariat, of measures that it considers advisable for the purpose of achieving the elimination of the restrictive or discriminatory practices imposed by the countries of the European Economic Community and the members of the Organization on importation of basic products from Latin America.

2. To entrust to the Special Committee, also, consideration of the establishment of Task Forces for the products for which it deems this appropriate, on its own initiative or at the request of one or more interested governments.

3. To recommend to the interested countries that are members of the Organization that they hold meetings prior to those convened by the General Agreement on Tariffs and Trade, in order to study problems of common interest in regard to basic products and draw up a common policy to present to the General Agreement.

To this end, the Secretary General shall make the appropriate arrangements for the holding of such meetings and shall provide such technical assistance as may be necessary.

Resolution VII

MEASURES FOR THE DEFENSE OF LATIN AMERICAN EXPORTS OF MEAT AND WOOL TO THE EUROPEAN COMMON MARKET

The Special meeting of the Inter-American Economic and Social Council at the Export Level,

Resolves:

1. To request the Secretary General to take such measures as in his judgment may be necessary in order to present as effectively as possible to the European Economic Community and to the appropriate international organizations, a statement presenting the position of the Latin American countries with respect to meat and wool imports in their various states of processing, by the countries of the European Common Market. Likewise, to transmit that statement and the technical studies that support it to the governments of the member countries of the Organization, for such purposes as they consider pertinent in relation with commercial problems in that market.

2. To request the Secretary General to inform the governments of the member countries of the Organization sufficiently in advance of any negotiations he proposes to undertake for the presentation of the statement to the European agencies, and to co-ordinate such negotiations with other similar ones that the governments of the member countries may desire to undertake.

3. To entrust to the Special Committee on Basic Products consideration of the establishment of task forces on meat and wool in their various states of processing in order to carry out such studies and activities as may in due course be assigned to them, directed towards eliminating the restrictions and discriminatory practices that the countries of the European Common Market apply to those products.

Annex V

MEMORANDUM TRANSMITTED BY THE GOVERNMENTS MEMBERS OF THE EUROPEAN ECONOMIC COMMUNITY TO THE LATIN AMERICAN GOVERNMENTS

1. The conclusion of the Rome Treaty constitutes one of the elements in a joint effort by virtue of which six western European nations wish to achieve economic and political integration. These six countries believe that they have reached a stage in their history at which such integration corresponds to the common and fundamental needs arising out of contemporary trends.

2. In signing the Rome Treaty, these six countries hope to achieve a greater measure of economic expansion as a result of the formation of large markets in which goods and the different factors of production can circulate freely. Without economic integration, Europe will be unable to develop the big industrial plants that are essential in our time to ensure for prosperity and social progress. In pursuing these objectives, the six countries of the Community are convinced that they are promoting international trade.

3. The creation of an economic unit of 165 million inhabitants with a current gross income of 180 000 million dollars in purchasing power and ever-increasing import requirements makes the Community the economic unit with the largest foreign trade in the world. Its activities will have a favourable influence on the free world's prospects of economic development, since the progress

of the Community itself depends upon expanding relations with other countries.

For this reason, the Community considers that the misgivings of certain Latin American countries, aroused by the decisions taken by the six member Governments, are based on a misunderstanding. In order to dissipate such misgivings, it therefore considers it advisable to recall certain fundamental principles which inspired the six Governments during the negotiations prior to the signing of the Rome Treaty, and also to suggest that there should be an exchange of opinions with all the Latin American countries to which the Six are linked by traditional bonds.

4. In taking a definite step towards the creation of a united Europe by the establishment of joint institutions and the progressive merger of national economies, the Governments of the member States have announced their firm intention of promoting favourable conditions for the birth of European unity and of remedying, through the formation of a broad common market, the difficulties caused by economic policies that are often divergent. This is undoubtedly the only method which will not only enable Europe to solve its own problems but will also contribute to the economic solidarity of the free world.

The members of the Community were, moreover, obliged to associate in their economic expansion the overseas countries and territories with which they have special links and to let them share in the benefits that may be expected from the attainment of their common objectives. By means of such association, the said States hope to enable the overseas territories to achieve the development to which aspire in every sector. The association of the overseas territories with the Community is therefore one of the basic aspects of the work which the Six are anxious to carry out: in other words, the system of integration of the Six and the system of association of the overseas countries and territories constitute one single entity.

5. The Community is fully conscious of the importance to its member States and other western nations of the work which it is going to undertake. Being firmly persuaded that the Rome Treaty is perfectly compatible with the international agreements signed by the six member States, the Community's institutions consider that there is no obstacle whatsoever to the complete implementation of the provisions of the Treaty. In this spirit, the Commission of the European Economic Community has been given the task of ensuring that the provisions of the Rome Treaty are being carried out, as well as any other provisions adopted by the said institutions by virtue of the Treaty.

6. The Community wishes to affirm forthwith that its policy towards other countries will be based on the principles of international co-operation. The Six consider that the creation of a customs union and the economic integration that it would initiate will be beneficial for all and that the experience gained thereby may even be useful for launching similar ventures in other parts of the world. The sealing-off of economies in watertight compartments is an undoubted impediment to international trade and general economic expansion. Therefore any attempt to form economic areas that are more closely integrated and more dynamic economies is laudable, since these two factors are synonymous with economic progress and higher standards of living. Economic integration engenders general prosperity. In other words, it is a source of progress for the free world as a whole, since every nation is interested in raising the purchasing power of the countries with which it maintains trade relations.

7. The Community has repeatedly declared its intention of promoting international trade. Moreover, this intention derives from imperative needs.

The progressive raising of the standard of living should be reflected in a steady expansion of trade with the rest of the world and especially with countries that supply raw materials, among which those of Latin America are pre-eminent. For several reasons, it may be expected that any trade expansion on the part of the European Economic Community will have to be directed very specially towards Latin America. The Community's prosperity depends in fact on the development of its trade with other countries. Western Europe, and the six members of the Community in particular, rely on other countries to supply them with raw materials, agricultural commodities and the products they need for the industries using motive power that are the keystone of modern economies in process of expansion. They will therefore need world markets, particularly those which can supply them with essential goods. It is clear for the same reasons that the Community will have to step up its exports; the rationalization and modernization of production in the six integrated economies

will be decisive factors in the development of the Community's trade and will redound to the benefit of the other countries.

8. Furthermore, in article 18 of the Treaty creating the Community, the member States have placed on record their intention of contributing to the development of international trade and the reduction of any impediment to it; for this purpose they will conclude agreements which, by means of reciprocity and mutual benefits, will help to bring customs duties down below the common level which would be authorized under a joint customs union.

Article 111 of the Treaty embodies the same spirit of international co-operation.

9. The Community would like to establish, in its relations with the Latin American countries, a pattern of closer co-operation founded on respect for the rights of both parties (principally the right to maintain a policy of economic integration in conformity with international agreements in force) and on reciprocal benefits. For this purpose, it could conclude "consultative agreements" which might serve as the framework for an examination of economic, trade and financial problems, including those relating to raw materials, which arise or are apt to arise from relations between its member States and Latin American countries by virtue of the Rome Treaty and in a spirit of reciprocity.

It would be equally timely if an attempt were to be made to lay down the basic principles for joint action on the part of the European Economic Community and the Latin American countries as regards trade and prices for primary commodities (such as coffee and cacao).

Lastly, the fact that the Six have prepared a programme for financing expenditure on the economic and social infrastructure in overseas countries and territories associated with the Community is in no sense an impediment to the promotion of a policy that would favour the export of capital to Latin America.

10. In deciding to carry out the economic integration policy defined in the Rome Treaty, which would benefit both the member States and other countries, the European Economic Community welcomes the fact that the Latin American Governments are pursuing the same objectives. It is willing to support any attempt to carry out similar projects and to co-operate in this respect with the Governments concerned. It considers that the problems involved might lead to a fruitful exchange of views, if the Latin American countries agree.

11. The object of this memorandum is to indicate to the Government of that the problem of economic, financial and trade relations among the six countries of the European Economic Community and Latin America as a whole are being studied with the closest attention in the Community's institutions.

These institutions consider it of supreme importance that the problems involved should be studied by the corresponding bodies in Latin American countries in order that results may be compared in the near future, if possible before the end of the current year.

11 April 1958