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ECONOMIC COMMISSION FOR LATIN AMERICA

Tenth Session

Mar del Plata, Argentina, 6 to 18 May 1963

COMMITTEE ON INTERNATIONAL TRADE AND ECONOMIC INTEGRATION

SUMMARY RECORD OF THE FIRST MEETING

Held at Mar del Plata, Argentina,
on Thursday, 9 May 1963, at 9.55 a.m.

CONTENTS:

- ECLA's participation in the United Nations Conference on Trade and Development

Trade relations between Latin America and other regions of the world

Economic integration of Latin America

PRESENT:

Chairman:

Members:

Mr. SILVA	(Chile)
Mr. FRAGUIO	Argentina
Mr. TAVORA DOS SANTOS	Brazil
Mr. SUMMERS	Canada
Mr. DARRIGRANDI	Chile
Mr. NARVAEZ	Colombia
Mr. GARCIA INCHASTEGUI	Cuba
Mr. CESTERO	Dominican Republic
Mr. MARCHAN	Ecuador
Mr. DELAHAYE	France
Mr. PALACIOS	Guatemala
Mr. RENDON	Honduras
Mr. BROWN	Jamaica
Mr. HENRIQUEZ	Kingdom of the Netherlands
Mr. CALDERON	Mexico
Mr. GAITAN	Nicaragua
Mr. RODRIGUEZ	Panama
Mr. SANABRIA	Paraguay
Mr. DEUSTUA	Peru
Mr. TAYLOR	United Kingdom of Great Britain and Northern Ireland
Mr. JONES	United States of America
Mr. ANTUÑA	Uruguay
Mr. LEDESMA	Venezuela

ALSO PRESENT:

Mr. HANSEN	Chairman of the Preparatory Committee of the United Nations Conference on Trade and Development
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/Observers from

Observers from States Members
of the United Nations not
members of the Commission:

Mr. HOFINGER	Austria
Mr. PRUES	Belgium
Mr. SPAS	Bulgaria
Mr. PIROCH	Czechoslovakia
Mr. KEPES	Hungary
Mr. TOPPANY	Italy
Mr. TANI	Japan
Mr. ONACIK	Poland
Mr. RUICA	Romania
Mr. BASSOLS	Spain
Mr. MARTENSON	Sweden
Mr. KOSSAREV	Union of Soviet Socialist Republics
Mr. PROTIC	Yugoslavia

Observers from States not members
of the United Nations:

Mr. MEWES	Federal Republic of Germany
Mr. BERTHOUD	Switzerland

Representatives of specialized
agencies:

Mr. RUIZ MORENO	International Labour Organization
Mr. Hernán SANTA CRUZ	Food and Agriculture Organization of the United Nations
Mr. BRAND	International Monetary Fund

Representatives of inter-
governmental organizations:

Miss DELHAYE	European Economic Community
Mr. ETIENNE	General Agreement on Tariffs and Trade

/Mr. CARDENAS

Mr. GARDENAS	Inter-American Development Bank
Mr. SOLA	Latin American Free Trade Association
Mr. MAGAÑA	Organization of American States
Mr. BENNATON	Permanent Secretariat of the General Treaty on Central American Economic Integration

Secretariat:

Mr. PREBISCH	Executive Secretary of the Commission
Mr. Alfonso SANTA CRUZ	Deputy Executive Secretary of the Commission
Mr. IVOVICH	Co-ordinator, Consultative Group on Trade Policy
Mr. MENDEZ	Secretary of the Committee

/The CHAIRMAN

The CHAIRMAN suggested that the Committee should discuss the following points: (a) ECLA's participation in the United Nations Conference on Trade and Development; (b) trade relations between Latin America and other regions of the world; and (c) the economic integration of Latin America. With respect to point (a), general statements would first be heard on the part to be played by ECLA, and then suggestions concerning possible changes in, and additions to, the provisional agenda adopted at the first session of the Preparatory Committee of the Conference would be welcomed.

ECLA'S PARTICIPATION IN THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Mr. MENDEZ (Secretary of the Committee) drew attention to the provisional agenda for the Conference (E/CN.12/682). The Conference was being convened in compliance with Economic and Social Council resolution 917 (XXXIV) and General Assembly resolution 1785 (XVII). The Preparatory Committee had held its first session in February 1963 and had drawn up the provisional agenda which would be discussed again at the second session in May. The provisional agenda had been circulated to the regional economic commissions so that they could prepare their contributions to the Conference. Under resolution 917 (XXIV), States members of the regional commissions were also urged to discuss with the respective secretariats the particular issues that they considered to be of vital interest to them. The present meeting offered an ideal opportunity for presenting some of those points of view. Given the increasing gravity of Latin America's foreign trade problems and the need to rechannel trade by means of economic integration and co-ordinated policies, he hoped that an active interest would be taken in the preparatory work for the Conference by all the Governments concerned.

Mr. PALACIOS (Guatemala) said that the provisional agenda was comprehensive although some items might have to be added. World trade was of particular concern to the Latin American countries, which had hoped after the Havana conference that foreign trade problems would be carefully analyzed. However, little had been done on the subject and attitudes had not changed. Hence the great importance attached to the forthcoming Conference.

/The item

The item dealing with the expansion of international trade and its significance for economic development was most useful since Latin America was still beset by price and foreign exchange problems which had not yet been discussed from the standpoint of their significance for economic development.

With respect to international commodity problems, much time had been spent on discussions of international compensatory financing but no tangible results were yet in sight. It was to be hoped that the Latin American countries would be compensated for the deterioration in their terms of trade and the reduction in their foreign exchange reserves.

The item on trade in manufactures and semi-manufactures dealt with a subject on which there was little experience in Latin America.. However, traditional attitudes were slowly changing and the region would thus be provided with a greater opportunity to engage in the production of manufactures instead of the usual primary commodities to which its production had so far been confined.

The improvement of the invisible trade of developing countries was important to Latin America since it wished to increase its purchases of capital goods but was hampered by the fact that it had to spend up to 20 per cent of its export earnings on invisible trade transactions.

With regard to the implications of regional economic groupings, Latin America needed more negotiators who could state its case in discussions with other groupings.

Financing for the expansion of international trade was a complicated item, since financing machinery had been somewhat neglected in Latin America and there had been a failure to understand the role which financing could play.

Lastly, the item on institutional arrangements deserved full discussion at the Conference.

Mr. DEUSTUA (Peru) suggested that it might be best for the Committee to devote most of its time to discussing the provisional agenda rather than to studying more general aspects.

Mr. CALDERON (Mexico) thought that the discussion should be concentrated primarily on the specific ways in which ECLA could act as an advisory agency to the Latin American Governments in their preparations for the

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Conference. He doubted whether the agenda could be satisfactorily revised without greater knowledge of existing trade problems in the different Latin American countries, their causes, and the effect on the region's external trade of groupings in other parts of the world. He hoped that ECLA could see its way to undertaking such studies, and stressed that they should be on a country basis in view of the differences in each country's particular set of problems and circumstances. Once the problems had been identified, he hoped that further studies would be made on ways and means of solving them.

Mr. MENDEZ (Secretary of the Committee) assured the representative of Mexico that his ideas were very much in line with the work which the secretariat had in mind, and which the Secretary General of the Conference had suggested. In laying the groundwork for the Conference, each commission would consider the problems of its particular region. He reviewed the provisional agenda for the Conference and indicated the specific items for which the participation of ECLA had been requested. The expansion of international trade and its significance for economic development (item I) was the subject of several documents presented by the Commission at the current session. Moreover, the secretariat of the Conference had suggested that ECLA should prepare studies on trade problems between countries at similar or different stages of development and with different economic and social systems (item I, 4). ECLA had been requested to undertake a study on the measures and actions for the promotion of trade in primary commodities among developing countries (item II, 3). Similarly, a study had been requested on the diversification and expansion of exports of manufactured and semi-manufactured goods by developing countries (item III, 1). Under item IV (invisible trade), ECLA would be preparing studies on both points, and on item V (the implications of regional economic groupings), it would be carrying out particularly searching analyses at the express request of the Conference secretariat, which was anxious for it to pay particular attention to the two points involved.

He hoped that, at its current session, the Commission would have some suggestions to make on additional points of interest for inclusion in the agenda.

Mr. GARCIA INCHAUSTEGUI (Cuba) pointed out, with reference to item I, 4 (c), that countries with different economic and social systems were to be found within Latin America itself.

/Mr. PALACIOS

Mr. PALACIOS (Guatemala) suggested that ECLA should also undertake a study of the principles governing international trade relations and trade policies conducive to development (item I, 5).

Mr. RODRIGUEZ (Panama) endorsed the point made by the representative of Mexico that ECLA should analyse trade problems on a country-by-country basis.

The CHAIRMAN said that, if there was no objection, the secretariat would act on the suggestion made by the representatives of Mexico and Panama.

It was so agreed.

Mr. TAVORA DOS SANTOS (Brazil) proposed that ECLA should make a study of the measures and actions for the removal of tariff and other obstacles and of discriminatory practices impeding the development of Latin America's export trade with the industrialized countries (item II, 2), with a view to making concrete proposals for the lowering of trade barriers for new exports from the underdeveloped countries.

It was so agreed.

TRADE RELATIONS BETWEEN LATIN AMERICA AND OTHER REGIONS OF THE WORLD

Mr. IVOVICH (Secretariat) called attention to the two secretariat documents (E/CN.12/631 and E/CN.12/632) in which an attempt had been made to define and analyse the situation with respect to the problems faced by Latin American exports to other regional groupings, particularly the European Economic Community. Among the points emphasized in the ECLA documents was the growing concern expressed in some Latin American countries, particularly those with balance-of-payment problems, regarding the restrictions and discriminatory practices applied in some EEC countries to their exports. They hoped that action would be initiated in GATT for the purpose of removing some of the restrictions not specifically provided for under the General Agreement. The negotiations on tariff reductions had so far failed to fulfil Latin America's minimum expectations concerning the establishment of international tariffs. EEC's agricultural preferences were also a cause of anxiety among the Latin American countries, which hoped that their primary commodities would find a market in Europe. In the matter of reciprocity, considerable interest was being evinced in the possibility of linear tariff reductions,

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and the Latin American countries felt that they should receive special treatment as a means of encouraging the diversification of exports. They were equally concerned about the repercussions in Latin America of the renewal of the African association with the EEC, which amounted to further discrimination against Latin American exports and was partly responsible for the drop in Latin America's share of world trade from 12 to 6 per cent.

Latin America's trade deficit must be overcome and the region would have to solve its own problems in competing for world demand. It must agree on common action in negotiating with the other regional groupings.

Mr. ETIENNE (General Agreement on Tariffs and Trade) said that recent activities connected with GATT's work had given a powerful impetus to the movement to liberalize trade, particularly for the developing countries. However, it was generally recognized that the needs of economic development called for radical and urgent solutions. A further meeting had therefore been called of the forty-four Contracting Parties and the twenty-six countries that applied GATT on a de facto basis. It was hoped that constructive decisions would be taken at the highest level which would enable GATT to make its maximum contribution to the expansion of international trade.

GATT was a treaty of considerable importance to the less developed countries. The day-to-day work of the Contracting Parties was of direct benefit to them. The annual sessions of the Contracting Parties provided a forum where all aspects of trade problems, including policy and technicalities, were examined and debated. For many less developed countries, that forum provided the only opportunity for them to meet officials directly concerned with formulating policy decisions in other countries or with the technical officials responsible for applying such decisions.

In recent years the problems connected with movements towards regional integration had found a prominent place in the work of the Contracting Parties. GATT permitted the establishment of customs unions and free-trade areas, provided they met certain criteria which were designed to ensure that the proposed system would in fact lead to the establishment of a customs union or free-trade area and not simply result in preferential arrangements among the participants or in the creation of additional trade barriers between them and the outside world. In recent years, several

/major regional

major regional arrangements had been submitted to the Contracting Parties, the most notable being those relating to the formation of EEC, EFTA and ALALC. Through a detailed process of examination and discussion, which was still going on, the Contracting Parties had isolated the major issues and were now endeavouring to find solutions which would benefit world trade as a whole. The activity in connexion with regional groupings was of considerable importance not only in ensuring conformity with the General Agreement but also as part of the wider work of the Contracting Parties in relation to their programme for the expansion of trade, because it seemed probable that many of the trade problems arising from the formation of regional groupings would be solved by an over-all attack on barriers to trade.

The use of quantitative import restrictions was prohibited under GATT, although developing countries were allowed to use measures, including import restrictions, otherwise disallowed, to protect or promote the establishment of new industries. Import restrictions imposed on balance-of-payments grounds would have to be removed when the balance-of-payment difficulties justifying them disappeared.

Efforts had been made in recent years to reduce substantially recourse to export subsidies and agreement had been reached prohibiting the use of export subsidies in respect of industrial goods. A declaration to that effect had entered into force between the major industrial countries, while certain other countries had accepted a standstill arrangement under which they agreed not to grant new export subsidies for industrial goods.

The Contracting Parties had for some time been concerned with the problems of falling prices in commodity trade and worsening terms of trade for the exporters of primary commodities and had recognized that the attainment of the objectives of the General Agreement might be jeopardized if all countries, both those which depended substantially on the export of manufactured goods and those which depended on the export of primary commodities, did not share significantly in increases in the volume of world trade. It had also been recognized that all countries had a common interest in ensuring that adequate supplies of primary commodities were available at prices which were reasonably stable and fair to producers and consumers alike.

A long-term arrangement regarding international trade in cotton textile had now been accepted by twenty-three countries and was designed to facilitate economic expansion and the development of less developed countries possessing the necessary resources, such as raw materials and technical skills. The agreement afforded them greater opportunities of increasing their exchange earnings from the sale in world markets of products which they could efficiently manufacture, while at the same time it avoided disruptive effects in individual markets. The over-all aim of the arrangement was the progressive removal of restrictions.

Experience had shown that a more far-reaching approach to trade expansion was necessary and that a number of problems arose in world trade which could not be solved without considerable study and negotiation. At the present time, the principal problems facing the expansion of world trade were those connected with the further reduction of tariff levels; reduction in the use of non-tariff measures, including measures for the protection of agriculture and the removal of barriers to the trade of less developed countries and the improvement of the trading opportunities of such countries in export markets.

As regards the reduction of tariffs, the GATT Ministers had recently agreed that a more flexible attitude should be taken with respect to the degree of reciprocity to be expected from the less developed countries in view of their stage of economic development. The Ministers had noted that recent tariff negotiations had been found disappointing by a number of members as they had produced no substantial results in respect of agricultural products. Further efforts might well be made to solve agricultural trade problems so as to enable countries heavily dependent upon the export of agricultural products to play a full part in the negotiations.

With respect to trade in agricultural products, the GATT Ministers had expressed great concern about the extent of agricultural protectionism and had agreed that the Contracting Parties should seek a solution on a world-wide basis. They had agreed that the Contracting Parties should be invited to indicate any substantial changes in their agricultural policies. Several Contracting Parties had done so, particularly EEC which had submitted its common agricultural policy regulations covering a number of agricultural

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products. A consultation had been held with EEC, one of the most important results of which had been the assurance given by the Community that it was prepared, on the basis of reciprocity, to enter into consultation or negotiations concerning its general price policy in respect of the agricultural products concerned.

GATT had long been aware of the importance of maintaining and expanding the export earnings of the less developed countries and of developing and diversifying their economies. It had undertaken a detailed study of the obstacles to the export of a group of products selected by the less developed countries as being of major importance in their export trade. It had subsequently been agreed that the list of products should be expanded to cover not only products currently of interest to the export trade of less developed countries but also those which the countries concerned might be expected to export in the relatively near future. It had further been agreed that the list should include products of interest to countries not represented on the Committee concerned with the matter and, consequently, the advice of the United Nations regional commissions in Africa, Asia and Latin America had been sought in compiling the list. The GATT Ministers had given considerable attention to the trade problems of less developed countries and had adopted a Declaration on the Promotion of the Trade of Less Developed Countries which contained guiding principles and set out certain facts regarding tariff and non-tariff measures affecting access to markets. The Declaration had further stressed the important contribution to the expansion of export earnings that could be made by intensified efforts to expand the export earnings of the less developed countries and to lessen the instability of such earnings deriving from fluctuations in primary commodity markets, and the important possibilities for encouraging sound economic development in the less developed countries through increased trade among themselves.

The Ministers had also agreed that the Contracting Parties should take immediate steps to establish specific programmes of action and, where feasible, target dates for progressive reduction and elimination of barriers to the exports of less developed countries. The directives were now being implemented, priority being given to the removal or reduction of tariff and

/non-tariff barriers

non-tariff barriers to the exports of the less developed countries. A programme of action to be submitted to the Ministers shortly called for: a standstill on new tariff and non-tariff barriers; the elimination of quantitative restrictions; duty-free entry for tropical products; the elimination of tariffs on primary commodities; the reduction and elimination of tariff barriers to the exports of semi-processed and processed products from less developed countries; the progressive reduction of internal charges and revenue duties; and the establishment of a reporting procedure for ensuring the implementation of the action programme. While there remained difficulties as regards implementing these proposals in respect of specific items and, in some instances, as regards the target dates proposed, most of the industrialized countries to which the programme of action had been submitted had indicated that they were prepared to agree to work towards the achievement of the programme's objectives.

Looking further ahead, an effort would be made to ensure that, as industrial development proceeded in less developed countries, access to world markets on favourable terms would be available for the exports deriving from their industrialization process. It had been agreed that over the longer term there was a vital need for the less developed countries to diversify and broaden their economies in order to overcome this balance-of-payments problems and achieve higher living levels. The industrialized countries should assist in that process by facilitating access to their markets for processed and manufactured products from the less developed countries.

The CHAIRMAN suggested that ECLA might be recommended to study the effects on Latin America of the policies of other regional groupings and to seek solutions to the problems created by those policies.

It was so agreed.

ECONOMIC INTEGRATION OF LATIN AMERICA

Mr. MENDEZ (Secretary of the Committee) drew attention to document E/CN.12/668 concerning the accomplishments and prospects of the regional market. One of the chief aims, at the time the document was being prepared, was to determine what aspects of integration in ALALC would call for immediate and intensive work on the part of ECLA to ensure that the process of integration was speeded up. During its preparation some points had been brought to light that patently called for further study.

/The document

The document began by giving a general account of the first two rounds of negotiations conducted in ALALC and made it clear that they had surpassed all expectations; they had also exceeded the minimum liberalization requirements established by the Montevideo Treaty. One of the aspects that ECLA was currently analysing concerned the medium-term prospects opened up by the negotiations. One of the points dealt with in chapter I, of obvious interest to ECLA, was whether the present system of negotiation was wholly suitable for intensive development or whether new automatic procedures should be introduced.

Mr. CALDERON (Mexico) complimented the Secretary on the clarity of his exposition, but felt there should have been specific mention of studies on the matter of complementarity in the Montevideo Treaty, since it constituted the only dynamic element for the achievement of integration. He stressed the importance of studies to delimit fields in which all countries could make complementarity agreements, as the possibilities of automatic tariff reduction were becoming exhausted. One drawback was ignorance of the practical application of the Montevideo Treaty, and in that connexion there might be a specific study of industrial sectors affected by concessions. Another was poor sea transport and the lack of established lines between certain points. It might be possible to determine basic cargoes in order to encourage shipping companies to schedule regular services. Given adequate financing, products could be stored locally, thus contributing to the general aim of making the trips worthwhile. Other aspects which would repay study were the standardized classification of products for statistical purposes, the survey of industries where the prospects for integration would be most favourable, and zone-by-zone trade possibilities.

Mr. DEUSTUA (Peru) agreed with many of the Mexican representative's points but felt that ECLA should not confine itself to sectors which concerned only the nine countries of the Montevideo Treaty. ECLA, which comprised more than thirty countries, might arrive at conclusions at variance with those of the nine.

Mr. SOLA (Latin American Free-Trade Association) said that reductions in tariffs on agricultural commodities were more extensive under ALALC than in Europe but that the matter had been unduly stressed in the ECLA document

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on the subject (E/CN.12/668). In point of fact, ALALC had encountered no major problem with respect to the inclusion of agricultural products in the process of liberalization provided for in the Montevideo Treaty. On the other hand, the problems arising from over-pricing in respect of mining products had been resolved through the co-operation of the exporters and consumers concerned. The machinery in favour of the relatively less developed members of ALALC was working well and some 4,000 concessions had been granted to them. Moreover, a special programme for the promotion of their production had been established.

The subject of the origin of goods had been discussed thoroughly but the fact of the matter was that Latin America lacked the necessary experts and had to resort to the experience of other regional associations, particularly in Europe.

With respect to transport, ALALC had held several meetings aimed at ensuring that the trade possibilities of member countries should not be hampered by transport difficulties. Shipping interests were co-operating in this work and were expected to hold a meeting shortly to discuss the problem.

It was true that not much had been accomplished in the matter of complementarity agreements, although the subject was currently being studied by Governments and entrepreneurs. While no institutional problems had arisen, the activities of entrepreneurs had so far been directed at their respective domestic markets. When faced with competition from abroad, they usually sought protection from their Governments in the form of higher import tariffs. However, the number of complementarity agreements could be expected to increase within the next few months. Entrepreneurs were showing greater interest in the subject and were about to form a Latin American industrial association to discuss their problems.

The question of the lack of understanding on the part of entrepreneurs of the machinery and facilities offered by ALALC was causing concern. The member countries themselves should ensure that information regarding the Free-Trade Association was made available to the entrepreneurial sector.

ALALC had also been active in studies on customs nomenclature and had adopted its own nomenclature based on the Brussels Convention. Further studies were being carried out in co-operation with ECLA.

/Mr. FRAGUO

Mr. FRAGUIO (Argentina) said that, as far as the implementation of the Montevideo Treaty was concerned, the main obstacle seemed to be the entrepreneurs' ignorance of the terms on which they could compete. He therefore considered it essential that they should be fully informed of conditions and marketing mechanisms. To overcome the resistance of the entrepreneurial sector to the integration movement, he suggested that they should be invited to contribute to the preparatory work for the Trade Conference.

With respect to the problem of transport, the Government of Argentina was doing all it could to improve communications.

Argentina gave its whole-hearted support to the declaration recently signed by the Presidents of Brazil and Chile, which, among other things, called for a meeting of the Ministers of Foreign Affairs of the ALALC countries with a view to intensifying the integration process.

It was necessary to create sectoral markets for some specific products where there would be complete freedom of trade, as a means of furthering the integration process and of providing low-cost items for the population. Sectoral markets could be established in such categories as pharmaceuticals, foodstuffs and building materials.

The meeting rose at 1.20 p.m.