

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL
E/CN.12/C.1/SR.8
14 May 1959
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Trade Committee
Second Session

SUMMARY RECORD OF THE EIGHTH MEETING

Held at Panama City, on Wednesday, 13 May 1959, at 9.45 a.m.

CONTENTS:

Common market: (b) study of its possible structure
(E/CN.12/C.1/9) (continued)

/PRESENT:

PRESENT:

<u>Chairman:</u>	Mr. GARRIDO TORRES	(Brazil)
<u>Vice-Chairmen:</u>	Mr. PARDO HILLEN	Peru
	Mr. CHALORNO	Paraguay
<u>Rapporteur:</u>	Mr. SALGADO	Ecuador
<u>Members:</u>	Mr. MUSICH	Argentina
	Mr. HAUS SOLIZ	Bolivia
	Mr. da SILVA	Brazil
	Mr. MARTY	Chile
	Mr. DIAZ	Colombia
	Mr. MORERA BATRES	Costa Rica
	Mr. VARGAS GOMEZ	Cuba
	Mr. GINEBRA	Dominican Republic
	Mr. YEROVI	Ecuador
	Mr. MORALES RODRIGUEZ	El Salvador
	Mr. GEORGES-PICOT	France
	Mr. RODRIGUEZ GENIS	Guatemala
	Mr. ORDOÑEZ	Honduras
	Mr. GARCIA FERNANDEZ	Mexico
	Mr. RADA KILBUN	Netherlands
	Mr. CASTILLO	Nicaragua
	Mr. GALILEO SOLIS	Panama
	Mr. BRAIN	United Kingdom of Great Britain and Northern Ireland
	Mr. ROSENSON	United States of America

/Mr. PONS

Mr. PONS	Uruguay
Mr. DIASCOLI	Venezuela

ALSO PRESENT:

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

Mr. HOLLAI	Hungary
Mr. BARBOSI	Italy
Mr. NINOMIYA	Japan
Mr. JELEN	Poland
Mr. SANCHEZ BELLA	Spain
Mr. BAZIKIN	Union of Soviet Socialist Republic
Mr. EL TAHRI	United Arab Republic

Observer from a State not a
Member of the United Nations,
attending in a consultative
capacity:

Count VON PAPPENHEIM Federal Republic of Germany

Representatives of
specialized agencies:

Mr. KALKKINEN	Food and Agriculture Organization
Mr. del CANTO	International Monetary Fund

Representatives of inter-
governmental organizations:

Mr. de GERMAIN	European Coal and Steel Community
Mr. ROYER	General Agreement on Tariffs and Trade
Mr. VALDIVIESO	Inter-American Economic and Social Council
Mrs. de KYBAL	Organization of American States

/Representative of

Representative of a non
governmental organization:

Category B:	Mr. OMS CORRELO	Inter-American Council of Commerce and Production
<u>Secretariat:</u>	Mr. de SEYNES	Under-Secretary for Economic and Social Affairs
	Mr. PREBISCH	Executive Secretary, Economic Commission for Latin America
	Mr. IVOVICH	Secretary of the Committee

COMMON MARKET (b) STUDY OF ITS POSSIBLE STRUCTURE (E/CN.12/C.1/9)

(Continued)

Mr. LUBICH (Argentina) made a statement. ^{1/}

The CHAIRMAN drew the Committee's attention to section II of the draft agreement on a free-trade zone prepared at the Santiago Consultations on Trade Policy (E/CN.12/C.1/11/Add.1, annex III), under which the Contracting Parties would declare their complete readiness to renegotiate the agreement, to keep it open for accession by other Latin American countries, and to provide for the adoption of special measures favouring the less developed countries.

Mr. MARTY (Chile) said that his delegation fully supported the establishment of a Latin American common market, and endorsed the conclusions of the Working Group on the Latin American Regional Market without prejudice to the consideration of any alternative course which might lead more swiftly to the same goal.

Chile concurred in the Working Group's recommendation (E/CN.12/C.1/9, page 46, paragraph 9) that the common market should include all the Latin American countries or the greatest possible number of them. It was evident, however, that even given the most determined efforts the common market could not be launched in the immediate future. In the meantime, problems might arise locally which called for urgent solution, and they should be approached in the same spirit as the plan to establish the common market. Chile, Argentina, Brazil and Uruguay proposed to solve their common problems

^{1/} The full text of this statement has been circulated as Trade Committee Information Document No.9.

/by replacing

by replacing bilateral agreements by a multilateral agreement on a free-trade zone. As would be seen from the note by the secretariat which prefaced the report on the Santiago consultations (E/CN.12/C.1/11/Add.1, page iv), the consultants had borne in mind the desirability of so constituting the proposed four-Power group as to provide for its eventual incorporation the common market. Chile, therefore, saw no reason why the four-Power arrangement should not go forward, on the understanding that once the basis and structure of the common market, had been generally approved, the group would become part of the arrangement covering the whole of Latin America. With that end in view, the four-Power group should maintain close relations with a body representing all the Latin American countries - perhaps the Trade Committee itself - in order to co-ordinate its operations with the preparations for the establishment of the common market.

His Government was taking every precaution to prevent any disturbance of its trade with other countries of the region.

Mr. PONS (Uruguay) made a statement. 2/

The CHAIRMAN, speaking as the representative of Brazil, observed that the idea of the common market was an attempt to apply on the economic plane the principle of solidarity which was the governing factor in the political and legal life of Latin America: in other words, to give Pan-Americanism an economic content.

2/ The full text of this statement has been circulated as Trade Committee Information Document No.11.

From the political standpoint, solidarity implied the observance of three principles: first, equality of opportunity for all countries to develop their resources effectively and economically; secondly, freedom of choice - for it was inconsistent with national sovereignty that any country should be compelled to join any grouping save as and when it chose; and thirdly, non-exclusivity. No action must be taken which resulted in the formation of rival blocs.

On the economic plane, solidarity implied the observance of three further principles. The first principle was that of the maximum possible utilization of resources. The second was the principle of free competition: no firm, no country and no group of countries must be allowed to establish any monopoly. Thirdly, the region should aim at a international division of labour, by encouraging the specialization of production so as to make the best use of available resources, increase the real income of the population and expand trade with the rest of the world.

The pursuit of these aims entailed a faster rate of economic development for the region as a whole; but that could be achieved only through the establishment of a common market. The fact that goal was not immediately attainable, should not be allowed to impede the attainment of lesser goals of a similar nature. Where a group of countries faced pressing common problems, solutions had to be found; and those solutions should be such as to mark an intermediate stage on the road to the final general objective. Agreements arrived at within such groups should be

/open to

open to accession by other countries and should be subject to revision. The Trade Committee might perform a usefull function by examining, criticizing and guiding the activities of such groups of countries in order to ensure that actions were consistent with the pursuit of the general goal of the common market. Each group would have to set up its own controlling organ, but the latter should be guided by the Trade Committee.

Mr. GALILEO SOLIS (Panama) said that the unique nature of Panama's geographical and, consequently, economic and financial situation prevented it from joining groups, but not from subscribing to the general principles of Latin American economic co-operation. The proposed form of such co-operation had been variously referred to as a "free-trade zone", a "customs union" and a "common market". The first expression appeared to describe an unattainable state of affairs; there was nothing in the Working Group's recommendations (E/CN.12/C.1/9) to indicate any intention to free all goods from tariffs completely. The second expression was insufficiently explicit; a customs union might be formed, not to lower tariffs, but to raise them.

A common market, however, was an organization formed with a clear and discernible aim: to expand markets, both for the products of countries capable of industrial growth and for those of countries mainly producing raw materials. In the case of Latin America, the purpose of a common market was to enable every member country to purchase and sell as many goods as possible within the region.

/His delegation

His delegation considered the principles set forth in the Working Group's recommendations (E/CN.12/C.1/9, part two) a useful advance towards the establishment of such a market; that applied particularly to the classification of products (section IV); the classification of Latin American countries into three groups (section VI); and the clauses providing for the gradual and flexible reduction of trade barriers.

Equally important, however, were exchange arrangements, which could make or mar the whole scheme. The Committee should be on its guard against repeating in Latin America the traditional division observable in the world at large between rich, industrialized countries and poor countries producing raw materials. That division had come about because a proper system of price-fixing and exchange regulation had never been established. It was essential that, when the common market was set up, the system should be so regulated as to prevent the industrialized countries from charging excessive prices for their goods and offering unduly low prices for the products of the primary producing countries.

The Committee had to decide whether the wisest course would be to insist that any group formed should comprise all the countries in the region, or to sanction smaller multilateral agreements or bilateral agreements. When many countries met to discuss their problems, it was inevitable that general agreement should be impeded by problems peculiar to smaller groups. But if a way could not be found to regulate intra-regional trade in a manner consistent with the interests of every Latin American State, then to establish a region-wide organization would

/be to

be to court disaster.

It was essential, therefore, that every country or group of countries should enjoy complete freedom to deal with its individual problems; and if, as a result of negotiation regarding those problems, a local grouping was formed, the fact must be accepted. The only legitimate stipulation was that any such grouping should be open to re-negotiation with other countries, in order to develop trade among all countries as fully as possible. That objective could not be attained overnight, and the Latin American economic community must learn to walk before it could run.

Mr. GARCIA RIVERA (Mexico) observed that the Committee had digressed from a discussion of the principles for the setting up of a Latin American common market (E/CN.12/C.1/9) to a consideration of the draft agreement on a free-trade zone between four southern Latin American countries (E/CN.12/C.1/11/Add. 1, annex III). The Argentine representative had stated that the document describing the trade policy consultations held recently at Santiago (E/CN.12/C.1/11/Add. 1) was not yet official, and that the four Governments did not consider themselves bound by the draft agreement drawn up by their nationals acting as consultants at the meetings in question. Nevertheless, the members of the Committee clearly wished to discuss the document and the instrument it contained and some members, including the Chairman himself, in his capacity as the representative of Brazil, had gone so far as to speak of the relationship of the future southern free-trade zone

/--which they

- which they assumed would become a reality - to the proposed regional common market. It would appear essential, therefore, that the Committee should formally decide whether it wished to take up the document in question and the subject of the draft agreement.

That done, there were various elements in the document which invited comment. For instance, it was clearly the intention of the consultants that the proposed agreement should be based on the General Agreement on Tariffs and Trade and that it should be submitted to the Contracting Parties of GATT for their approval. If subsequent negotiations were to be carried out in accordance with the provisions of the General Agreement, all countries should be kept informed, preferably through the Committee. Again, some attempt should be made to bring the bases for the formation of the Latin American regional market drawn up at the Mexico meetings of the Working Group (E/CN.12/C.1/9, part two, section I), and now formally endorsed, into line with the draft agreement on the four-country free trade zone, once that had received the official sanction of the Governments concerned. That should not be difficult, for the Santiago consultants had themselves recognized that the establishment of the free-trade zone might be a step towards the formation of a common market, and the draft explicitly stated that the agreement could be renegotiated as soon as there was general accord on the basic principles of the common market - those worked out at the Mexico meetings - and that it should be open for accession by other Latin American countries. It also recognized the harmful effects

/of uneven

of uneven economic development as between the different countries, and stated that the signatories of the agreement would adopt special measures in favour of the less developed countries. Assuming, then, that the four-country free-trade zone would be set up, the Committee should consider the various possibilities for its expansion, ultimately, into a Latin American common market.

The CHAIRMAN invited the Committee to consider that the report on the trade policy consultations held at Santiago in April (E/CN.12/C.1/11/Add.1) was before it for consideration.

It was so decided.

Mr. da SILVA (Brazil) expressed agreement with the statements made by the representatives of Argentina, Chile and Uruguay, and said that in participating, through its consultants, in the Santiago consultations, his Government's intention had been to assist in the drafting of a document which would permit the replacement of existing bilateral agreements by a multilateral arrangement with the general objectives of the common market in mind and pending the elaboration of some more comprehensive instrument.

Mr. VARGAS GOMEZ (Cuba) felt very strongly that there was a basic and essential contradiction inherent in the discussion. It was perhaps primarily procedural, but it had serious political implications. On the one hand, all the Latin American countries had for over a year been attempting to find the bases - and their attempts had now largely succeeded - for the formation of a common market which would embrace them

/all. and

all and would take account of all their interests. On the other hand, four Latin American countries had very recently elected to draft a document embodying principles for a different form of economic integration, which took account only of their own problems and their own interests, and had presented it to the Committee, expecting the latter's prompt approval. The Mexican document was still open for discussion and subject to modifications; the Santiago document was not. Members of the Committee should be realistic about the situation and aware of its implications. There were dangers inherent in sub-regional groupings; it could not be assumed that they would automatically serve the interests of the Latin American community as a whole.

The meeting rose at 12 noon.

