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Tenth Session

Mar del Plata, Argentina, 6 to 18 May 1963

COMMITTEE ON INTERNATIONAL TRADE AND ECONOMIC INTEGRATION

SUMMARY RECORD OF THE SECOND MEETING

Held at Mar del Plata, Argentina,
on Thursday, 9 May 1963, at 4.35 p.m.

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- The economic integration of Latin America (concluded)
- The Central American Economic Integration Programme

PRESENT:

Chairman:

Mr. SILVA (Chile)

Members:

Mr. DARDALLA	Argentina
Mr. TAVORA DOS SANTOS	Brazil
Mr. SUMMERS	Canada
Mr. DARRIGRANDI	Chile
Mr. NARVAEZ	Colombia
Mr. GARCIA INCHAUSTEGUI	Cuba
Mr. MARCHAN	Ecuador
Mr. PEÑA	El Salvador
Mr. DELAHAYE	France
Mr. PALACIOS	Guatemala
Mr. RENDON	Honduras
Mr. CLARKE	Jamaica
Mr. LUBBERS	Kingdom of the Netherlands
Mr. CALDERON	Mexico
Mr. AGUILAR	Nicaragua
Mr. SANDOVAL	Paraguay
Mr. DEUSTUA	Peru
Mr. TAYLOR	United Kingdom of Great Britain and Northern Ireland
Mr. JONES	United States of America
Mr. TARIZO	Uruguay
Mr. PEREZ LA SALVIA	Venezuela

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

Mr. HOFINGER	Austria
Mr. SPAS	Bulgaria
Mr. JOZSA	Hungary
Mr. MATSUOKA	Japan
Mr. ONACIK	Poland

/Mr. RUICA

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. BERTHOUD	Switzerland
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Representatives of
specialized agencies:

Mr. KALKKINEN	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. LAGO	Inter-Governmental Committee for European Migration
Mr. CARDENAS	Inter-American Develop- ment 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 Secre- tary of the Commission

/Mr. CASTILLO

Mr. CASTILLO

Director of the
ECLA Mexico
Office

Mr. LARA

Deputy Director-
General of the
Latin American
Institute for
Economic and
Social Planning

Mr. MENDEZ

Secretary of the
Committee

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THE ECONOMIC INTEGRATION OF LATIN AMERICA (concluded)

Mr. CARDENAS (Inter-American Development Bank) described the many ways in which the IDB was increasing the degree and scope of its co-operation in the process of Latin American economic integration, and how the different agencies directly or indirectly concerned with integration in Latin America were seeking to ascertain the best methods of co-operating among themselves, of avoiding duplication and of ensuring that the objectives of integration were properly studied. For example, at a meeting recently held at Washington with representatives of the various organs concerned with the problem, decision had been reached for making the Bank a kind of clearing-house for the exchange of information on programmes of integration. The Board of Governors of the IDB, at its Caracas meeting, had recommended to the Board of Executive Directors that the Bank should expand its financial operations and technical assistance activities for the specific purpose of promoting economic integration, and establish closer relations with the Latin American Free-Trade Association and the Central American economic integration organization. The Bank had an initial amount of 200,000 dollars ready for the promotion of projects and studies on integration, a field in which more rapid progress could thus be made. The IDB also planned to increase its technical assistance to the relatively less developed countries and to those countries which had not yet been incorporated in the Latin American integration process.

In practice, the IDB's programme was carried out by means of bilateral negotiations with the various agencies concerned with integration to ensure that it met priority needs. It was planned to establish a co-ordinating group to deal with the utilization of technical resources for integration and to discuss the possibility of financing projects immediately on a national and multi-national scale as well as the removal of institutional and legislative obstacles to integration.

Mr. JONES (United States of America) recalled that the United States had consistently supported the movement towards Latin American economic integration. In 1961, President Kennedy had declared that such integration

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constituted a step towards larger markets and greater competitive opportunities for the countries of the American continent. The fragmentation of Latin American markets was a serious barrier to growth which the Free-Trade Association and the Central American Common Market could do much to remove.

He supported Mr. Prebisch's recommendation that the Free-Trade Association should advance from a period of selective reduction of tariffs to mandatory quantitative reductions according to a definite time-table. Moreover, as shown by the experience of the Central American Common Market, once the establishment of the Latin American Common Market was announced, it was certain to attract large-scale private investment.

He announced that the Foreign Relations Committee of the United States Senate had voted approval of the Coffee Agreement, thus paving the way for its final ratification by the Congress.

THE CENTRAL AMERICAN ECONOMIC INTEGRATION PROGRAMME

Mr. CASTILLO (Secretariat) pointed out that 1962 had marked the tenth anniversary of the Central American Economic Integration Programme, under which five countries of the area had succeeded in co-ordinating five different economic systems and in achieving a 20 per cent annual rate of increase in their reciprocal trade. The group now had its own executive organs for the promotion of further economic integration, and its own regional bodies for the financing of development, for technological research and for improving their public administration. It was currently engaged in a concentrated effort to establish a regional infrastructure of transport and communication facilities, electrification and housing, and was drawing up plans for the joint development of the region's resources and the integration of its industries.

He reviewed the achievements of the programme (E/CN.12/666) and noted that, with the accession of Costa Rica to the General Treaty, a common market encompassing the five Central American republics had been formed, opening up a large free-trade area with a uniform import tariff. The Central American Bank for Economic Integration, established in 1961 with
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an initial capital of 6 million dollars, now has resources amounting to more than 35 million dollars to be used exclusively for financing industrial development in the area and other activities of regional interest. Moreover, several other countries had moved towards association with the Common Market: Panama had announced its readiness to join as a limited participant on conditions to be negotiated with the present members; the Dominican Republic had expressed interest in studying a closer economic relationship with the integration movement; and a study had been undertaken to determine the practical possibilities of linking Belize or British Honduras to the market. The studies of the experience thus gained might well serve as a basis for developing methods of progressing from the existing limited economic integration to an over-all Latin American Common Market.

As had been pointed out at the eighth session of the Economic Co-operation Committee (E/CN.12/672), the Central American Common Market, if it limited its achievements to a uniform import tariff and did not substantially expand its membership, would soon absorb the immediate advantages of economic integration and would reach a point of stagnation in development. Consequently, it was essential that it should exploit the impetus provided by its regional policies to accelerate economic and social development on the basis of planning. The Central American Bank for Economic Integration would have a crucial role to play in that endeavour.

He reviewed briefly recent initiatives taken by the Common Market to foster industrial development, assess natural and human resources and provide the infrastructure for growth (E/CN.12/666).

In addition, studies had been undertaken with a view to formulating the position which the Central American Common Market wished to put forward at the United Nations Conference on Trade and Development. Finally, the possibilities of co-operation with ALALC were being studied. While the Central American Common Market had made remarkable progress, much more remained to be done to strengthen the basis for free trade among the five countries and to ensure that the advantages or opportunities opened up by the Common Market were shared equitably. Greatly increased international

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co-operation, reciprocity and balanced development among countries would do much to promote the solution of the future problems of economic integration.

Mr. SOLA (Latin American Free-Trade Association) said that both the Central American Common Market and ALALC had been the outcome of ECLA initiatives. Both groupings were non-conformist in that they sought to develop methods and systems adapted to the particular conditions prevailing in their member countries. However, from the points of view of seniority and experience, the two groupings were not comparable; the Central American Common Market had had the advantage of ten years of experimentation and growth and its process of integration had been more rapid. Moreover, its experience was not always applicable to the rest of Latin America: for example, the Central American Bank for Economic Integration was already working on a regional basis while the Inter-American Development Bank was continuing to work with national institutions. However, ALALC showed promise of expanding, Bolivia and Venezuela having announced their intention of joining. Their accession would make ALALC continental in scope.

ALALC was not dissociating itself from the Central American Common Market: it had the same objectives and the same general approach to their attainment. It conceived the Central American group as an important element of a free-trade movement in Latin America, and hoped soon to be able to work out procedures for close association with that group in order to accelerate progress towards the Latin American Common Market.

Mr. PALACIOS (Guatemala) outlined certain aspects of the history of economic integration in Central America. He recalled that the process of integration had started with a treaty between Guatemala and El Salvador. That treaty had been only a small beginning but it had had decisive repercussions.

In reviewing the activities of the Central American Bank for Economic Integration, he emphasized the progress being made in the integration of the capital resources of Central America. It had been found that industrialists were prepared to invest when they were presented with specific projects. Although financing was still on a national basis, the projects were concerned

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with the interests of the region as a whole. He had no doubt that the process of integration of capital resources would be successful.

Mr. BENNATON (Permanent Secretariat of the General Treaty on Central American Economic Integration) wished to supplement the review by Mr. Castillo with some remarks concerning planning and the customs union. The Central American States had recognized the importance of planning from the outset. They had set up a group to co-ordinate national development plans, assist the planning organs of each member country, and study the over-all aspects of economic development. Work was also proceeding on a common plan embracing all levels of education. In addition, Central American bodies were studying, in conjunction with ECLA and OAS, the system of taxation on a regional basis.

Under the General Treaty, the Central American States had undertaken to form a customs union in order to accelerate trade in certain products and to develop a system of uniform duties. The Executive Committee of the Central American Treaty countries was studying the procedures involved and it was expected that by 1966 a full-fledged customs union would be in operation. A more immediate aspect under study was a joint trade policy vis-à-vis third countries.

Mr. TAYLOR (United Kingdom) was sure that a secretariat study on the Central American Common Market and British Honduras (Belize) would be very helpful in connexion with future economic relations. He also expressed the conviction that the integration programme being undertaken both under the General Treaty on Central American Economic Integration and ALALC would, by encouraging development, greatly help in solving the region's economic problems.

Mr. CALDERON (Mexico) said that Mexico had always been in favour of large economic entities and could only welcome the progress that had been made in the economic integration of Central America. He congratulated ECLA on the studies that had contributed to that process.

The countries of ALALC would encounter problems similar to those being solved by Central America when they moved to the stage beyond that of the Montevideo Treaty. He suggested that ECLA might usefully study whether ALALC could be provided with a mechanism that would take into

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account Central American experience, for example, a development fund of the kind described by Mr. Prebisch in his opening statement at the current session.

He also mentioned the possibility of very close relations between ALALC and the Central American Common Market, perhaps to the extent of Central America's participation in ALALC. He hoped that the secretariat would complete its studies on that subject.

Mr. PEÑA (El Salvador) said that, so far as the history of Central American economic integration was concerned, the facts, treaties, meetings and negotiations were well known and, in his view, the theme had been exhausted. What was now needed were specific suggestions and proposals for further integration. As an example, the Committee might consider the advisability of working out arrangements with ALALC.

Mr. DELAHAYE (France) expressed the satisfaction of his delegation at the trends emerging from the discussion. Not only had the countries of ALALC and Central America resolutely moved towards economic integration but they had also shown themselves to be aware of its difficulties and to have the determination to overcome them.

France, which had taken a similar path in Europe, welcomed the effort being made by the Latin American countries to co-ordinate their positions with regard to the rest of the world, for it was obvious that a common approach would tend to facilitate the search for solutions to the economic problems confronting Latin America. The studies made by the secretariat showed that one of the most important of those problems was the deterioration in the terms of trade, which, by compelling a reduction in imports of capital goods, constituted an immediate threat to industrialization and ultimately to integration itself.

The French delegation was convinced that the trend was not irreversible and that a rise in world prices of agricultural commodities would transform the situation. A common approach by the Latin American countries could facilitate the conclusion of world-wide agreements having such an effect on prices. That was one example of the truth that regional and world-wide solutions were not mutually exclusive but complemented each other. France wished Latin America an early success in its integration scheme, not only

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because of its advantages to the Latin American countries but also because it would contribute to the success of the universal solutions in which his country believed.

Mr. LUBBERS (Kingdom of the Netherlands) said that it had been the experience of his country since the Second World War that a purely national approach to a country's economy involved more risks and disadvantages than benefits. National economies had become highly interdependent in such respects as trade, transport, migration and capital movements. For the Netherlands, economic integration had started with its economic union with Belgium and Luxembourg (BENELUX) and since then his Government had actively assisted in the preparation of programmes for economic integration in Western Europe.

The integration movement which had proved so beneficial to Western Europe would also be instrumental in furthering economic and social progress in Latin America and therefore in the world at large. His delegation was gratified at the progress that had been made and hoped that economic integration in Latin America would prove a complete success.

The meeting rose at 6.30 p.m.

