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Mexico City, May 1965

PROPOSALS FOR THE CREATION OF THE LATIN AMERICAN
COMMON MARKET

Note by the secretariat

The secretariat has the honour to draw the attention of representatives and observers attending the eleventh session of the Commission to the document entitled "Proposals for the Creation of the Latin American Common Market". This document was submitted to the Presidents of the Latin American republics for their consideration by its authors, Mr. Felipe Herrera, President of the Inter-American Development Bank, Mr. José Antonio Mayobre, Executive Secretary of the Economic Commission for Latin America, Mr. Raúl Prebisch, Secretary-General of the United Conference on Trade and Development, and Mr. Carlos Sanz de Santamaría, Chairman of the Inter-American Committee for the Alliance for Progress, who presented it in their personal capacity.

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The Secretary-General of the United Nations has the honor to acknowledge the receipt of your letter of 15 October 1988, in which you requested that the United Nations should take action to address the problem of the environment in the context of the development process. This document was submitted to the Secretary-General of the United Nations in accordance with the provisions of the Charter of the United Nations, and the Secretary-General has the honor to inform you that the United Nations is currently studying the problem of the environment in the context of the development process. The Secretary-General has the honor to inform you that the United Nations is currently studying the problem of the environment in the context of the development process. The Secretary-General has the honor to inform you that the United Nations is currently studying the problem of the environment in the context of the development process.

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PROPOSALS FOR THE CREATION OF THE LATIN AMERICAN COMMON MARKET

Note by the Secretary-General of the Conference

In response to the formal request made by the delegation of Mexico at the twelfth plenary meeting, the attached document, entitled "Proposals for the creation of the Latin American common market", which was recently submitted to the Governments of Latin America for their consideration, is being distributed for the information of the members of the Trade and Development Board. The authors of this document are Mr. Felipe Herrera, President of the Inter-American Development Bank, Mr. Carlos Sanz de Santamaría, Chairman of the Inter-American Committee for the Alliance for Progress, Mr. José Antonio Mayobre, Executive Secretary of the Economic Commission for Latin America, and Mr. Raúl Prebisch, Secretary-General of the United Nations Conference on Trade and Development, who presented it in their personal capacity.

PROPOSALS FOR THE CREATION OF THE LATIN AMERICAN COMMON MARKET

I. THE NEED FOR A GREAT ECONOMIC BASE

Community of effort

Latin America is failing to face resolutely a course of events which is jeopardizing the pace and the very meaning of its economic and social development and shaking its political life to its foundations.

Never before have we seen such a population explosion; nor has the very legitimate desire of our peoples for a better life been so strikingly expressed. But neither have we witnessed, until recently, the enormous possibilities that modern technology can offer for the eradication of poverty and its accompanying evils.

We have understood these possibilities. We admire the stupendous rise in the living levels of the long-industrialized countries. And we have been impressed by the experience of others which have, within a short time, gathered great economic momentum in their recent development. From both these categories of countries, the technological revolution is striving to spread out to the rest of the world. We are awaiting impatiently what this revolution has to bring us in order to fulfill that desire for a better life, but perhaps we have not perceived the many and complex aspects of what this process inevitably requires.

If we remain disunited, we shall not be able, in our desire to reap the full benefits of contemporary technology, to meet such requirements, among them the need for great economic bases: 95 per cent of the industrial output of the more advanced countries is produced within large markets which, even though each of them has immense and varied resources, reach out further in a constant search for more trade.

Our countries, nevertheless, attempt to develop in an area arbitrarily divided into numerous watertight compartments with very little inter-communication. By thus dispersing their efforts in isolated action, these countries cannot carry the weight they should in a world where, in addition to the countries that were already large, vast economic blocs have emerged. The full advantages of industrialization will not be secured if the Latin American countries, thus thrown back on themselves,

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persist in trying to produce every type of goods and doing, within their own frontiers, everything that the others are doing within theirs.

This mutual isolation is not confined to the economy: it applies to a wide range of activities. Scientific and technological research, and the training of complex skills in these fields, are very haphazard because of the limited range and dispersal of effort. And so far as culture is concerned, creative activity suffers and languishes because of the same limitations of national horizons. Moreover, incapacity to combine resources has been partly responsible for these countries being so far unable to acquire those powerful technical media of expression and dissemination which are available to others. Accordingly there have prevailed in Latin America certain outside elements of dubious value which not only fail to contribute to the enrichment of the common cultural heritage but are also incompatible with the purpose of enhancing our native values and moulding the true image of our personality.

Technology will be of ever greater influence in our time. We must adapt it to the realities of our own situation and resolutely master it, if we are not to subordinate the essence of our existence and our brotherly relationship to it. We shall not succeed in this if we continue to use up our strength in isolated effort.

We must learn to work together; we must form the community of Latin American peoples. Up to now we have been unable to undertake this great task to any meaningful extent, because we have not been able completely to escape from the pattern in which our development began in the nineteenth century. Thus separated one from another, without active relationships closely binding them together, each of our countries in those days was attracted, in isolation, towards the world's major economic, political and cultural centres. We lived in the reflection of those centres, and this has had a far-reaching effect not only on Latin America's past but also on its present. Many features of this pattern continue to exist; we must rid ourselves of them, given the facts of the world's evolution and the growing tensions within our own process of development.

In order to overcome these and other obstacles which stand in the way of Latin America's development, we must combine our forces and harness them to the achievement of major common objectives. It is not enough for us merely to respond to the requirements of technology, or to work together to create a great economic

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base and widen our cultural, scientific and technological horizon. Our action in this sense must also be for the purpose of securing greater political influence internationally.

In this context, a new historical dimension is emerging - the dimension of the developing world. Despite the striking differences that distinguish us from other regions, we have a series of common denominators which inevitably spur us to common endeavours, without detriment to the personality of each of us. We have already set out on this road, and must continue along it with tenacity of purpose. We should try, not to set ourselves up against the major centres in sterile and fruitless competition, but to secure better understanding with them, to strengthen our capacity for effective negotiation so as to place the policy of international co-operation on a new basis.

The extraordinary prosperity of the advanced countries and the opulence which some of them are attaining should open a broad path towards this new policy of international co-operation. This is a matter of urgency. Markets for the traditional export of our primary commodities are shrinking and closing, without new ones being offered for our manufactures. The trend towards imbalance in foreign trade is placing a serious brake on the economic development of many of our countries. And deterioration of the terms of trade is materially reducing the positive contribution of international financial resources to our development.

It is not enough to identify the problems or to talk about the attitude of the major countries towards the lot of the smaller. We must organize our common action in order to secure a constructive response from the former in all fields - in trade, finance and our primary commodities in regard to which a sound policy to uphold values and expand markets is urgently required.

A lesson for all this can be drawn from the United Nations Conference on Trade and Development, held at Geneva in 1964, and from the preparatory meetings of our countries, held at Brasilia and Altagracia. Without joint action we can make no headway towards solving these grave problems at the international level. The more we co-ordinate our own efforts at this level, the better Latin America will be able to help this action to develop effectively and responsibly - a process that is not incompatible with, but on the contrary strengthens, the regional action defined in the Charter of Punta del Este.

The policy of Latin American integration, regional action and, in general, international co-operation are not alternatives to reforms in our own economic and social structure. Such reforms are inevitable. They are already going forward and must acquire great scope in the vast movement to modernize our countries. But it will be much less difficult to cope with this Herculean task in an economy that is growing at a faster pace, with all the inspiration of a bold and clear-sighted policy of integration and of continental and international co-operation. This policy must be applied concurrently with and not after such reforms if we are to avoid frustrations fraught with dangerous consequences.

The need for political decisions

All of these changes require major political decisions at different levels. Conscious of this pressing need, President Frei has urged the authors of this document to offer suggestions for accelerating Latin American economic integration.

We share the concern of the Chilean President. We also associate ourselves with his desire to further a process that has already begun. The Latin American Free Trade Association, established at Montevideo at the beginning of 1960, is a very important step towards the common endeavour, as is also - and from an earlier date - the happy initiative of the Central American countries.

The Central American nations are proceeding resolutely towards the formation of the common market, under favourable conditions of which their Governments took advantage with laudable determination.

The same is not true as regards the broader trend towards Latin American economic integration. What has been done until now, while important, is not enough. We are still far from achieving the goal that the same Latin American countries set themselves, in August 1961, in the Charter of Punta del Este. There our countries undertook to work during this decade, which is already so far advanced, in order: "To strengthen existing agreements on economic integration, with a view to the ultimate fulfilment of aspirations for a Latin American common market that will expand and diversify trade among the Latin American countries and thus contribute to the economic growth of the region".

The integration objectives are not being fulfilled at the pace required by the magnitude of the problem. The practical obstacles are great but not insuperable.

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The slow pace of integration is not, of course, due to the Montevideo Treaty itself, but to the fact that no general integration policy has yet been formulated that clearly and distinctly establishes the desired objectives, the methods to be used, or the time required to attain these objectives, and because not all of the countries of the area have acceded to the Treaty.

The Treaty has placed in the hands of Governments the preferential instrument necessary for applying the trade measures required by this general integration policy. Hitherto it has only been used in limited commodity-by-commodity negotiations, and although this initial experience has been very useful and instructive, it is now becoming imperative to pass on to a new stage of commitments that will lead to a common market in the form described below.

Other instruments are also available: the Inter-American Development Bank, which has been defined as the "bank of integration", will have to participate on a major scale in the promotion and financing of sectoral integration agreements and of other multinational or national programmes that are in keeping with the needs of over-all integration policy. The Inter-American Committee for the Alliance for Progress and the Panel of Nine, in view of their important functions as regards Latin American development and the co-ordination of its financing, must make a major contribution towards ensuring that national plans, in their pertinent aspects, follow the lines just mentioned. In short, the machinery already available must be fully utilized.

Other important steps are also indispensable. Agreements to supplement the Montevideo Treaty are necessary: instruments are required for the programming and promotion of investments at the regional level; a compensatory payments and reciprocal credit system is lacking; it is necessary to define more precisely, in the light of experience, the principle of reciprocity, special treatment for the relatively less developed countries, procedures to correct the dislocations that could emerge from the liberation of intra-regional trade, and the fundamental role of the Latin American entrepreneur in the over-all context of the common market.

This general integration policy cannot be carried out without an institutional system which has the powers and resources essential for its independent functioning.

While, for understandable reasons, the proposals presented here respond to the need for a general integration policy that will give a powerful impetus to the

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constructive work initiated in LAFTA, they are not limited to the geographical area of LAFTA. On the contrary, they are also based on the need to extend this policy to Latin America as a whole. It would therefore be advisable, in addition to seeking the incorporation of other non-member countries, to negotiate the integration of the Central American Common Market in the whole system as a single economic entity. It would thus have to be granted the advantages advocated here in favour of the relatively less developed countries. The fact that Central America is moving more rapidly towards a common market is not an obstacle but rather an advantage as regards implementing the general policy of integration. It would likewise be an advantage if other Latin American countries were to decide on general or specific objectives in order to advance rapidly towards this goal within the framework of the Latin American Common Market.

In this great movement we need the fullest support of our peoples, the active and resolute participation of workers and entrepreneurs, of technicians and researchers, in short, of the Latin American people at all levels.

The idea of a Latin American Parliament is already becoming a reality. It could be an efficient means of giving integration the broad base of popular support that is so essential for its vigorous advance.

The common market that will take shape as integration policy proceeds does not imply that a country should neglect its own development efforts. These efforts remain the prerogative of each country, and to direct them properly will be its individual responsibility. Nevertheless, the common market will provide a favourable environment for national development efforts to be made with the maximum use of our productive resources, thanks to the direct or indirect effects of reciprocal trade and to the possibility of increasing exports to other countries within the system, always provided that imports from the others grow at the same time.

Hence there is no incompatibility between the common market and national development. On the contrary, the common market is one of the means - and certainly a very powerful one - of carrying out a design that is shared by us all, namely, the achievement of vigorous national development. It is a common design in that the national aspect harmoniously expands to cover the entire range of our countries. If our history and our feeling are not sufficient by themselves to demonstrate this,

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there are inescapable events creating a growing sense of community, of a genuine Latin American community, which, in addition to its vital intrinsic importance, will enable us to guide our relations with the other developing countries and the great industrial centres along the proper lines.

Industrialization, exports and the common market

Even when conceived in its broadest terms, integration is only one aspect of a vast effort to reform and modernize methods of production and the economic and social structure of the Latin American countries.

This must be done in the face of the serious and growing social tensions in our countries, tensions which largely derive from the lack of internal integration, from rapid demographic growth, from the progressively more conspicuous and disturbing presence, in our countrysides and towns, of swarms of people in occasional employment with precarious incomes who are denied the opportunities for a progressively better life that are offered by modern technology. These problems tend to become worse before they are solved and offer clear proof of the present inadequate dynamism of the Latin American economy to absorb, at rising income levels, the steadily increasing human potential.

It is imperative to incorporate this impressive potential into economic activities of higher productivity. Within this process, industry must play a role of the utmost importance, together with services that grow with general economic development, because, the more technology penetrates into the backward agricultural sector and the outdated marketing of its products, and the more that primitive forms of production disappear, the greater must be the part played by modern industry - and services - in absorbing the surplus manpower which is no longer necessary in those activities where technology is making inroads.

All of this requires considerable capital, which stands in clear contrast to the scarcity of available resources. And here we really touch on the core of our problem, because we are wasting a considerable amount of capital which, if properly employed, would enable growth to be expedited and thereby greatly increase the volume of goods available for Latin American consumption and investment.

We are producing much less than we are capable of, because of the present fragmentation of what should be a large market. It is well known that a large market, the great economic base, is indispensable if production is to be efficient

and low-cost, even in the most densely populated countries of Latin America. This need is evident both for reasons deriving from productive technology and for other reasons connected with the process of competition.

Modern technology requires large-scale plant; it requires a division of labour, and a specialization that often is not feasible within the narrow limits of national markets. Latin American industrialization is far from having met this requirement. Within each country all kinds of industries have been, and continue to be, established regardless of their economic viability. Moreover, if we continue industrializing in watertight compartments, this evil will tend to grow worse instead of being remedied. But, since it is not possible to interrupt the establishment of new plants while awaiting a new integration policy that is slow in taking shape, the need to formulate such a policy becomes progressively more urgent.

To understand the importance of these considerations, it is sufficient to cite some figures which indicate the order of magnitude of the problem in the iron and steel industry. If a rational integration programme were to be brought into existence, it has been calculated that, of the probable increase in output of some 15 million tons of iron and steel by 1975, savings of some \$3,700 million could be made as regards the investments required if each producing country continued making, by itself, all the items for its own consumption. This would represent an annual saving in direct production costs of more than \$400 million by 1975, i.e., a considerable proportion of the total steel cost by that date.^{1/}

The considerations regarding competition are also very important because it is closely related to the private-enterprise system. In our countries, the scale of competition is usually small or non-existent owing to the high barrier of tariffs and restrictions behind which industrialization has developed.

This situation conspires against technical progress and greater productivity. And even in those plants that could attain an adequate scale, especially in the larger countries of Latin America, the small extent of competition - or the lack of it - frequently leads to inadequate utilization of capital and the other

^{1/} Estimates based on studies by the secretariats of ECLA, IDB and the Latin American Institute of Economic and Social Planning.

productive resources. Moreover, the establishment of new plants, added to those already producing the same items, does not usually stimulate competition but frequently leads to tacit or explicit understandings that, far from lowering costs and prices, often raises them arbitrarily.

Close communication between markets in a single economic area is essential for industry to feel itself continuously spurred on by competition among the Latin American countries. From the point of view of economic viability, this process will have two main effects. Firstly, it will lead to sectoral complementarity or integration agreements, especially in the major import-substitution industries. To a large extent, products that are now imported from the rest of the world would be replaced by others of Latin American origin in intra-regional trade. Secondly, competition will give a powerful impetus to the modernization and readjustment of existing industries.

Of course, the great differences in productivity between our countries and the technically more advanced industrial centres make it necessary to continue protecting our industries. Nevertheless, it will be necessary gradually to reduce this protection, as productivity increases and as the persistent tendency to external disequilibrium prevailing in Latin America is gradually corrected. But, are there any reasons for not promoting active competition among our countries through tariff reductions and the elimination of restrictions?

The reduction of industrial costs, obtained through complementarity and integration agreements and by the effects of reciprocal competition, would further the other objective that must be achieved at the international level, in order to help, together with import substitution, to correct the phenomenon of disequilibrium just mentioned. This objective is an increase in our industrial exports to the major centres. Even if we can achieve rational import substitution - and it is not rational today - we shall still have to continue importing a growing quantity of goods, particularly all those that cannot be produced economically within the common market. Our imports, especially of capital goods, of intermediate products, and of new consumer items, will have to go on growing intensively even though there will be continuous changes in their composition.

We can only obtain these industrial goods in adequate quantities if we export other goods, also of industrial origin, to the major centres. It will not be

possible to rely upon primary commodities, since exports of them generally tend to grow slowly whereas the demand for industrial imports tends to develop at a relatively faster pace.

But how are we to increase our exports of manufactures on a large scale if our costs continue to be high? At the above-mentioned Geneva Conference, we strongly urged the major centres to change their trade policy towards the developing countries and we asked them to grant tariff preferences for our manufactured goods. Nevertheless this by itself will not be sufficient for our industrial exports to expand to the extent required. Inevitably we must cut our production costs in order to take advantage of these preferences and be capable of existing without them when the period for which they have been granted has expired. This brings us to another of the decisive reasons for creating a common market.

Imports of certain manufactures from developing countries will certainly require adjustments in the industrial structure of the major centres.

Similarly, as a result of reciprocal competition, adjustments will be required in Latin America, together with the safeguards later mentioned in this document. If we are not prepared to make these adjustments to expedite growth, how can we expect the major industrial centres to agree to do so? Will we have the authority to impress upon them the need to transform the traditional structure if we do not show our decision to do likewise in the reciprocal trade between our own countries?

II. INTEGRATION POLICY

As has been previously mentioned, this document conceives the general policy of Latin American integration to be a series of measures covering commercial policy, regional investments, monetary and payments policy, and certain basic principles required for the proper functioning of the common market. Each of these aspects will be dealt with separately in the following pages.

Trade policy

It was already stated that the Montevideo Treaty has put a very important trade policy instrument in the hands of the signatory Governments. It would not be fair to examine the best way of using that instrument for the gradual attainment of the common market without a frank and explicit recognition of the significance of everything that has been accomplished at Montevideo during the nearly four years of the Treaty's existence.

A common list of products has been agreed upon with a firm commitment to eliminate completely, by 1973, the customs duties and other restrictions on zonal trade in these products. That common list is subsequently to be gradually enlarged every three years. In addition, the annual negotiations have resulted in the inclusion in the national lists of a much larger number of products for which lower duties of differing degrees have been established. All this has created favourable conditions for encouraging industrial investments in the next few years. And reciprocal trade has grown by 38 per cent in the three-year interval between 1959/61 and 1962/63, even though the \$950 million recorded in 1963 still represents only a small proportion of the total trade of the LAFTA countries.

At the technical level, very useful work has been carried out, such as the adoption of basic criteria and the clarification of various problems regarding the definition of the origin of goods and others connected with customs technique, and progress is being made with the standard customs nomenclature, without which progress towards a common external tariff vis-à-vis the rest of the world is impossible.

Within LAFTA a group of technical advisers has been established, and private enterprise has been encouraged to establish representative bodies to collaborate in carrying out the Treaty. Moreover - and this is particularly important for the future - a capable and efficient secretariat has been formed with a strong sense of its responsibilities.

Some very commendable results have therefore been achieved. But if these are evaluated in terms of the major objectives of a common market, as previously defined, the enormous field of action still to be covered can be clearly seen.

The Montevideo Treaty constitutes an important step towards the establishment of the Latin American common market, and member Governments have declared their intention of doing their utmost to create favourable conditions for attaining that purpose. But the immediate objectives and the commitments assumed have so far been primarily those required in order to create the preferential instrument to which reference was previously made, within the juridical context of a free-trade area, by means of selective negotiations on a commodity-by-commodity basis.

This cumbersome procedure of miniature negotiations is showing itself to be incapable of bringing about a substantial liberalization or an important expansion of trade. As the stage of easy concessions comes to an end, it has become

increasingly more difficult to include new products in the lists. Moreover, in each negotiation vested interests exert pressure on Governments to exclude products that could be exposed to competition from the rest of the area. As a general rule, the selective procedure limits tariff reductions to a specific number of items and makes it almost impossible to achieve the general liberalization of reciprocal trade. This is even more important if account is taken of the high barrier of tariffs and restrictions on the area's trade. The tariff barrier is largely a result of the improvisation to which our countries have frequently been forced to resort in trade policy under critical pressure from outside. It is estimated that the average tariff level of the LAFTA countries exceeds 100 per cent, and duties of 200 and 300 per cent are frequent.

Perhaps it would not have been possible to choose any procedure other than these commodity-by-commodity negotiations during the initial stages of the Treaty. Still, it was foreseeable, from the experience of the European Common Market, that the procedure would be inhibited by fear of the dislocations which might transpire when the market was gradually opened up to competition from other countries of the system. It might have been seen, in the light of the European experience, that this fear was without foundation, but none the less it has been impeding the advance towards the reduction and elimination of tariffs.

Today it is generally recognized that such a system of negotiations will have to be replaced by another, in which reductions take place automatically. Within LAFTA itself, the secretariat has been studying ways and means of achieving that purpose.

In order to strengthen the integration process, it is essential to determine clearly and distinctly the point to be reached within a given period of time. Accordingly, it is considered necessary for the Latin American countries to assume four closely interrelated commitments to be fulfilled within a period of ten years: firstly, to establish quantitative targets for the desired maximum level of customs duties - including restrictions of equivalent effect - to be attained and to adopt a gradual and automatic mechanism for the application of such a system; secondly, to eliminate gradually the application of quantitative and other non-tariff restrictions on intra-regional trade; thirdly, to establish a common tariff vis-à-vis the rest of the world; and, fourthly, to establish a system of reciprocal preferences for member countries to enjoy in their intra-regional trade pending the establishment of the definitive preferences in the common tariff.

As to the first commitment, it is proposed that, at the end of the specified period, participating countries should not be able to levy customs duties in their intra-regional trade exceeding 20 per cent of the c.i.f. value of each product, with the exceptions that are explained later, particularly with respect to the relatively less developed countries. For obvious reasons, those reductions should not be left until the end of the period, but should be introduced annually. Once this idea is accepted, the technicians should present appropriate formulae for bringing this quantitative target into effect within the established time-limit.

Application of this gradual and automatic process would mean that, at the end of the first half of the period concerned, i.e., at the end of five years, all customs duties not now exceeding 100 per cent would be reduced to levels equal to or lower than 50 per cent, which is considered a reasonable minimum target for the first part of the period mentioned. The case of customs duties now higher than 100 per cent is different, and it would therefore be advisable to intensify their reduction in such a way that, at the end of the first half of the period, none of them exceeds 50 per cent.

In this way the differences in customs duties that now exist between countries and even within the same country for various products would be gradually eliminated until the target is reached; this is an indispensable requirement if a common market is to be attained. It should be borne in mind that the proposed system does not exclude the desirability of continuing those commodity-by-commodity negotiations that help to accelerate the tariff reduction process.

Furthermore, establishment of the common market implies the total elimination of customs duties, and not merely a quantitative target for reduction. It would not, however, be advisable to try to do this immediately. This should rather be left for the final stage, when decisions should be taken in the light of the experience gained during the initial stage when a substantial reduction of tariffs would be obtained.

Clearly it will be necessary to anticipate the difficulties that may arise in fulfilling these commitments. For this purpose, as is explained later, the system would also include adequate safeguard clauses that would make it possible effectively to deal with such situations or possibly to correct any trade disequilibria that might arise. Moreover, countries could introduce internal taxes

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affecting national production and imports alike for the purpose of restricting consumption of certain items, especially luxuries.

As for the second commitment, quantitative and other non-tariff restrictions on intra-regional trade - other than safeguard clauses - should also be gradually and automatically eliminated within the same period in accordance with formulae proposed by the technicians. These formulae should enable the above-mentioned restrictions to be converted into customs duties that would be subject to the other commitments proposed in this section.

As regards the third commitment, a common external tariff, which is an essential element for the creation of a common market, should be gradually worked out. Nevertheless, the greatest efforts should be made both to attain uniform tariffs as soon as possible for raw materials and intermediate products, in order not to dislocate competition among countries of the system, and to establish common external tariffs in the sectoral complementarity or industrial integration agreements, in order to obtain a reasonable degree of protection against external competition.

With regard to the fourth commitment, until the common external tariff is achieved, a system of preferences should be introduced for products of member countries when the preferences resulting from the process of tariff reduction are insufficient to satisfy the principle of reciprocity.

Regional investment policy

It would be a mistake to assume that the efficient manipulation of the trade policy instruments described above is enough to put the integration policy suggested here into effect. The play of economic forces alone, stimulated by tariff reductions, would not by itself lead to this result. It would be imperative to exercise some control over those forces, in order to attain the objectives of that policy.

It is not merely a question of reducing or eliminating duties and restrictions, of creating preferences, of foresightedly introducing safeguard measures to ward off or remedy dislocations, or of having corrective expedients available. It is much more than that. Integration also requires constructive action. Trade policy measures could not be a substitute for it; their function is solely to establish an adequate framework in which integration can be attained.

This constructive action should be translated primarily into a stimulating common market investment policy. Within the broad context of development, this policy must include, in particular, a series of activities relating to integration - first and foremost, the large import-substitution industries which, in addition to their importance in the development process, must help to overcome the external imbalance which is a feature of the more advanced countries of Latin America and which will soon appear in the others if current external trade trends continue.

As is well known, the import substitution process is entering a new stage. Easy substitutions are wholly or nearly exhausted in the more advanced Latin American countries and technically complex industries are beginning to be set up requiring large investments and a sizable market. None of our countries, no matter how large or vigorous, could begin or continue this stage of industrialization on its own in economically viable conditions.

It is therefore necessary to plan the development of these industries on a regional scale. This planning refers principally to iron and steel, some non-ferrous metals, some groups of heavy chemical and petro-chemical industries, including the production of fertilizers, and the manufacture of motor vehicles, ships and heavy industrial equipment. This involves a limited number of industries which, in addition to being import-substitution industries, cover fields of vital importance for strengthening the economic structure and accelerating the pace of our countries' development. It is precisely in such fields that economies of scale, the advantages of suitable siting, the utilization of productive capacity and better operational efficiency will be most strikingly achieved. One of the paradoxical situations existing side by side with the Treaty of Montevideo has been that some of these industries have been established or expanded in various countries without regard to the objectives of an integration policy.

It would be appropriate for the Governments to decide now to conclude these sectoral agreements in such industries so that a start can be made without delay on the studies needed for carrying out the relevant negotiations.

One result of the investment policy in all these industries might be the conclusion of a series of sectoral agreements within the next few years. Although these agreements are provided for in the Treaty of Montevideo, very few of them have so far been concluded, and those that exist do not relate to the industries

that are of basic importance. One circumstance which may have contributed to this situation is the view originally taken that these agreements should conform to the most-favoured-nation clause. This has just been corrected by a decision of LAFTA which provides that tariff reductions negotiated under an agreement will not automatically extend to the countries not parties to the agreement in the absence of the compensatory measures stipulated.

As a general rule, complementarity agreements would have to start from a more rapid and radical reduction in customs duties than would result from the gradual and automatic lowering of tariffs. In most cases, it might be possible for tariffs to be completely eliminated even before the end of the initial period of ten years. This, of course, does not exclude the possibility of import quotas being established for limited periods so that the industries of some countries might be able to maintain a certain volume of production until such time as they became competitive within the common market.

In order to prevent combinations which, in the execution of the agreements, would restrict competition, it would be desirable to provide for a gradual and reasonable reduction of tariffs vis-à-vis the rest of the world as soon as the Latin American industries had been strengthened.

These sectoral agreements should be based on development plans for the various industries. Each plan should set out the production targets which would enable demand to be met and some or all of the relevant imports to be replaced. In addition, the necessary financing would have to be provided, and the broad lines of the policy to be adopted would have to be determined, especially to forestall any substantial difficulties which might arise from competition.

From another point of view, such agreements should not be exclusive or impede any other action that might be effective in the areas covered by the agreements. The scope of the agreements should, in this regard, be limited to providing incentives - particularly fiscal, technical and financial incentives - that would direct the flow of investment in accordance with the aims of each plan but would not discourage new forms of action not benefiting from such incentives.

Apart from the sectoral agreements, the regional investment policy should concentrate on the countries that are relatively less developed and on any country in which the process of integration might give rise to substantial difficulties.

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On the other hand, it must be recognized that in other branches of the consumer- or capital-goods industries, too, the progressive integration of markets may require special measures as regards promotional activities, reorganization and both technical and financial assistance, which would differ in degree and kind according to the particular circumstances and be complementary to the action taken to reduce tariffs.

Agriculture presents its own very special problems. Generally speaking, agricultural production has not expanded fast enough to keep pace with a growing population and its needs. Latin America as a whole continues to import a large volume of agricultural products from the rest of the world, whereas its exports are expanding at a slow rate. Imports currently amount to \$600 million, about \$200 million of which is represented by United States agricultural surpluses.

There are thus three objectives to be achieved: an increase in production to improve the diet of the people and supply raw materials for industry; a reduction in the proportion of imported food and raw materials for internal consumption; and the encouragement of agricultural exports as a means of helping to eliminate the external bottleneck.

It is obvious that the solution of this problem cannot be left entirely to the corrective action of a trade policy. The problem is a complex one that has not yet been attacked in its full breadth and depth. What possibilities does Latin America have of achieving these objectives if it takes energetic action to increase productivity? In what form and to what extent will the various countries be able to take part in this action? In what way could the agricultural trade balance of each country be modified in relation to the rest of the common market? How far would it be possible to adjust whatever imbalance might arise from purely agricultural trade?

It must be confessed that the lack of systematic research in this matter makes it impossible to give any satisfactory reply to these questions. Nothing more can be done than to make certain very general statements of principle which may serve as a guide to the technicians. One paramount consideration in this regard is that the land of each country and the factors of production related to the land must be employed in the most economically efficient manner possible and that there can be no such thing as chronic unemployment, in so far as these factors are concerned, which cannot be corrected through their absorption in other sufficiently productive types of activity.

What is needed for the achievement of all these things is a programme for developing Latin America's production and agricultural trade, a programme in which special attention must be given to price policy. Such a programme would also have to make provision for the investment necessary to put it into effect.

As to the infra-structural investment of the common market, special attention must be given to investment in transport and communications and, in some cases, to investment in power production and distribution. It is not intended that a single programme should embrace the entire range of investments to be made in these fields by the countries belonging to the system; the aim is rather to co-ordinate this investment and to concentrate on carrying out those measures that require joint action.

With regard to air transport, the fragmentation and lack of co-ordination among the large number of Latin American airlines obviously impairs their efficiency and ability to compete with the airlines of the more advanced countries. This situation will become much more serious than it is now when supersonic aircraft come into use in the near future.

Joint action is also needed in the matter of shipping, which is affected by numerous complex problems ranging from the participation of Latin American fleets in traffic both inside and outside the area to the possible organizing of multinational shipping companies and the establishment of an adequate port régime.

Existing communications are generally poor and inefficient, and the need for improving, expanding and linking the various systems is obvious. The technological revolution in communications resulting from the use of satellites makes it even more imperative to unite efforts that would otherwise continue to be weak and ineffectual.

Investment policy should likewise encourage efforts for the integration of frontiers so as gradually to eliminate the consequences of an artificial division in regions where development calls for a common approach.

The Inter-American Development Bank should channel a considerable part of its resources into these investment programmes without thereby giving any less attention to the financing of national development. As the integration policy gathers momentum, however, more extensive resources will have to be forthcoming, either from additional contributions made to the Bank for this purpose, or from funds from other sources. The ICAP is destined to play a leading role in co-ordinating these various kinds of financing.

Monetary and financial policy

It must be recognized that the inflation prevailing in some Latin American countries is a serious obstacle to integration, besides disrupting their economic and social development.

The struggle against inflation is a long and difficult one and the policy that is being carried out in this connexion should be pursued resolutely and persistently. It would not be possible to wait for it to bring about monetary stability before putting the integration policy that is advocated in this document into effect.

In addition to the measures which are mentioned later in this document for dealing in particular with the exchange discrepancies that inflation usually causes, it would be very useful if the Latin American central banks could co-ordinate their efforts in considering the problems of monetary policy in the context of integration and, more particularly, in examining the phenomena of temporary or permanent disequilibrium in intra-regional payments and in trade relations with the rest of the world.

Such joint efforts on the part of the central banks would be important as an expression of the sense of collective responsibility inherent in the policy of integration. This same attitude should prevail in discussions of the domestic measures of one country which might affect other countries and it should also strengthen the joint support of the efforts made by the Latin American countries in the relevant international organizations with a view to solving their balance-of-payments problems.

These movements towards regional unity will be of undoubted importance in the approach that Latin America should take as regards the revision of the world monetary system that has been recently begun. The fact that we and other developing countries are not taking part in the study of problems of international liquidity that is being made by the group of ten highly industrialized countries is further evidence of the urgent need to strengthen our capacity for international negotiation.

On the other hand, there is no doubt that the lack of an adequate system of reciprocal and multilateral payments and credits is a considerable drawback in the policy of reducing tariffs and eliminating trade restrictions among the Latin American countries. This effort, and, generally speaking, the whole policy of

integration, would be largely frustrated if there was no payments union, i.e., no system under which the operations of each country can be compensated by those of the other member countries and reciprocal credits can be granted to cover the balances resulting from regional trade. It is therefore necessary to provide for the periodical liquidation in convertible currencies of the balances which exceed the limits of the established credits and for the adoption of substantive measures to eliminate the causes of the continuing disequilibria.

In this connexion, the idea that has been discussed again recently of forming a joint reserve fund of the central banks should be encouraged, for various reasons, one being that it would help in mobilizing the external resources needed for the proper operation of the payments union.

A general compensatory machinery, designed to simplify payments and to enable sizable economies to be made in currencies and operational costs, would not preclude the establishment of smaller compensatory boards of groups of countries that have close trade relations.

In this regional plan it would be necessary to use the services of the existing commercial banks and, with their close co-operation, to promote the development of a system of short-term commercial loans to encourage Latin American trade.

With regard to the need to establish machinery for the medium-term financing of exports of certain types of goods, the Inter-American Development Bank has already taken a very important step in organizing a regional system for the financing of intra-regional exports of capital goods. This system should be made more flexible and should be supplemented by regional machinery for insurance and reinsurance.

III. OTHER RECOMMENDATIONS FOR THE SYSTEM OF INTEGRATION

In the foregoing pages we have considered the measures of trade policy, investment policy and monetary policy that would have to be adopted in order to promote the establishment and smooth functioning of the common market. It would, however, be advisable also to establish clear criteria for other aspects which, if disregarded, might hamper progress towards this great objective. To this end, the following recommendations are put forward concerning the principle of reciprocity, the treatment to be accorded to the relatively less developed countries, the measures needed to deal with the internal dislocations that might arise in the process of liberalizing trade, and measures designed to stimulate Latin American private enterprise within the common market.

The principle of reciprocity

Reciprocity of advantage within the common market is an essential principle for its smooth functioning. No country will be able to go on deriving greater advantages than it grants to others.

It is impossible to lay down specific rules for maintaining this type of balance. Information on the additional trade which each country gains as a result of the reductions and elimination of tariffs and restrictions and of the specific integration agreements will, of course, be an important factor in assessing those advantages. Each specific case, however, will have to be examined carefully, for the disequilibrium working against one country will not always be due to the other countries not having granted it sufficient advantages. It might also have its source in the actual conduct of the country in question - its exchange system, for example, or the lack of adequate action to encourage exports, or other reasons. If that were not the case, however, it would be the responsibility of all to ensure that it obtained due reciprocity. Investment policy is of the utmost importance in the fulfilment of this collective responsibility, which is vital for the proper functioning of the common market, but in order to ensure reciprocity it will be necessary also to adjust tariffs.

In this sense, the countries which persistently gain greater advantages from the common market than do the others should speed up the reduction of customs duties and elimination of restrictions, in so far as the imbalance is not due to the

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attitude or policy of the less favoured countries. Those countries will also have to offer a greater margin of preferences in order to promote their imports from the region in all cases where the reduction of customs duties and the preferences already granted are not sufficient.

This corrective action might prove necessary irrespective of the countries' level of development. The case of the less developed countries of Latin America, however, would have to be given preferential attention, in accordance with the following general criteria.

The relatively less developed countries

If integration is to succeed, all the countries must have in actual practice equal opportunities to profit from the establishment of the common market. For that reason, the relatively less developed countries require preferential attention and special treatment, particularly in three fundamental aspects: trade policy, technical and financial assistance, and regional investment policy.

With regard to the execution of trade policy, the less developed countries should have longer periods in which to reach the quantitative goals set for the reduction and elimination of customs duties and other trade restrictions and to establish the corresponding preferential margins for intra-regional imports. This system would have to be applied in relation to the actual expansion in the volume that these countries manage to export to the common market, on the understanding that the less developed countries will continue to fulfil the obligations they have contracted only in so far as they go on gaining specific advantages from the common market.

There is no doubt that the incorporation of the less developed countries in the regional integration process will require a special effort of technical and financial assistance. As far as technical assistance is concerned, the international organizations, the industrialized countries and the more developed countries of the region must co-ordinate their efforts in programmes with well-defined objectives that will enable the respective projects to be prepared in good time. Moreover, for the financing of the necessary investments, consideration must be given to external financial assistance on flexible conditions and favourable terms.

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The regional investment programmes must also give preferential attention to the less developed countries, especially in connexion with power supply and the linking of those countries with the rest of the region, with regard both to means of transport and to communications systems. Similarly, the economic integration programmes of the less developed countries - as in the case of the Central American countries - and the border programmes between those countries and between them and the relatively more developed countries must be given special impetus. Lastly, particular attention must be given to the problems that arise in the less developed countries as regional competition becomes stronger. In this aspect, the action to be taken in order to improve or adapt established industries that are not sufficiently efficient is of special importance.

Measures of protection and readjustment

It is understandable that countries should be reluctant to enter into agreements providing for substantial reductions in tariffs and other trade restrictions until they have a clear picture of what protective measures they will be entitled to take if their imports should involve them in serious and persistent economic difficulties. Reference has already been made to the fact that technical and financial co-operation is needed for the readjustment of any activities which may be affected. While this process of readjustment is going on, it is essential that member countries should have at their disposal defensive measures which they can take in cases where their compliance with the agreements entered into jeopardizes activities of obvious importance to their national economy, or seriously affects their balance of payments or level of employment. Such measures could consist, for example, in the provisional imposition of import quotas or tariff rates higher than those agreed upon.

These measures could not be left to the sole discretion of the importing countries; they would have to be authorized by the competent organs of the common market, indicated above, so that the exporting countries would have some guarantee that measures of this kind would not be arbitrary, or be continued beyond the reasonable period necessary to bring about the required readjustment.

In this connexion, the disturbing effects on trade resulting from inflation give rise to justified concern.

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Until monetary stability is achieved throughout the region, any marked disparities between internal price levels and the external value of currencies will have to be avoided. Such disparities, whether they take the form of monetary over-valuation or of under-valuation, affect the entire process of trade and the entire payments system, not only our intra-regional trade.

Where a country's currency is over-valued, the harmful effects are felt by the country itself, which can rectify them by altering its rate of exchange. However, it is conceivable that the country in question could be authorized to take certain transitional measures to correct the effects of the over-valuation of its currency on its trade with the other Latin American countries.

Where a country's currency is under-valued, the harmful effects are felt by the other countries members of the system. Accordingly, these countries should have at their disposal measures to protect their internal production and their exports until the exchange discrepancy is rectified. These measures, of course, would have to be expressly authorized whenever the country whose currency was under-valued failed itself to take measures of readjustment or compensation, as would be highly desirable.

In any event, the Governments concerned will have to avoid or correct these disparities until such time as success has been achieved in removing their causes, whether these are to be found in inflation or in any other phenomenon.

Difficulties may also be caused by the varying tariff treatment given by different countries to imports of raw materials and intermediate products, since this gives rise to cost and price differences which interfere with normal conditions of competition. Until a common tariff - the fundamental solution to this problem - has been achieved, authorization could be given for transitional measures of a compensatory character.

The problem of stimulating Latin American initiative

The signatories to this document share a concern which is extremely widespread in Latin America: that in the most complex and investment-attracting sectors of the common market - i.e. in basic industry - private initiative in the great industrial centres enjoys so great a technical and financial superiority that it may well acquire a predominant position, to the decided detriment of Latin American entrepreneurs. This serious problem, while not the sole problem of the common market, may prove an obstacle to its progress.

Accordingly, solutions must be sought which will effectively dispel this concern. Two types of solutions may be conceived: the formulation of a statute providing a clear and uniform definition of the terms offered by Latin American countries and the common market to extra-regional investors; and the adoption of a policy providing regional entrepreneurs with solid technical and financial support.

Proposals were recently made for the establishment of an international system to do away with the conflicts of interest which face foreign investors. In refusing to support these proposals, the Latin American countries have implicitly assumed responsibility for creating a system of their own offering practical and stable safeguards, within a code of principles rooted in an entire tradition of independent life.

Foreign capital undoubtedly has an important part to play in the development of our economies, particularly when it operates in association with local entrepreneurs in industries which are so technically complex or so capital-intensive that access to them is difficult for Latin American entrepreneurs alone at their present stage of development. Foreign firms generally have considerable exporting experience, and this experience, in conjunction with the efforts of our own entrepreneurs, could be of great use in ensuring better exploitation of the opportunities offered by the common market, and, particularly, in promoting the export of industrial goods to the rest of the world. There are already a number of highly positive examples of these forms of association in various Latin American countries.

If the Latin American entrepreneur is to be enabled to take an efficient and equitable part in this type of association, the rules for foreign investment will have to be founded on the principle that the regional market must be an instrument to strengthen the position of our entrepreneurs and confirm their paramount role in the development of Latin America.

Thus foreign investment must be brought into line with the fundamental objectives; that is, it must bring with it modern techniques of production and it must serve increasingly as an efficient vehicle for the transfer of such techniques to our technicians and entrepreneurs and their genuine incorporation in the processes of business management.

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But if the Latin American entrepreneur is to be able fully to fulfil his function, this is not enough; he must also be given solid technical and financial assistance. This is a responsibility which will have to be shared by the actual countries concerned and by the international organs and industrialized countries which are participating in the development of Latin America. The former will have to organize themselves with a view to mobilizing their own technical personnel - frequently dispersed among a variety of secondary activities - and setting up credit instruments and capital markets which will be of help in the preparation of projects and will contribute to financing the local costs of the resulting investments.

External financial assistance is a fundamental element in our development process. While the tremendous progress made in the last decade in the volume and quality of international financial co-operation - particularly in the financing of public investment - must be recognized, much remains to be done to create credit instruments by means of which similar finance can be rapidly channelled into the private sector. This is a problem demanding urgent attention, for until it is solved the very high proportion of total investment in Latin America represented by private investment will for the most part go to financing suppliers, frequently in respect of purchases of capital equipment at prices higher than the market prices and on amortization and interest terms incompatible with the capacity to pay of the lending countries. To solve this fundamental problem, concerted and tenacious efforts on the part of all international financial organs and the active co-operation of the competent authorities of the capital-exporting countries will be essential.

IV. THE INSTITUTIONAL MACHINERY OF THE COMMON MARKET

In order to pursue systematic integration policy culminating in the establishment of a Latin American common market, it is necessary to set up institutional machinery which will make use of the various agencies and facilities already in operation and will thus make it possible to co-ordinate all action taken in connexion with the objectives and general criteria stated above.

Council of Ministers

The supreme power of decision should vest in a Council composed of a Minister of State and an alternate representing each member country. The Council would hold regular meetings at least twice a year and special meetings when circumstances

so required. When specialized subjects were under examination, the competent Secretaries of State should be present. Without prejudice to the foregoing, the alternates would meet more frequently in order to keep one another informed and to facilitate the work of the Executive Board and specialized bodies referred to below.

It would be desirable that the right to veto the Council's decisions should be restricted from the outset.

It would also be desirable for the Council to have the help of advisory committees composed of high-level technical officials from the member countries, and that of a committee composed of representatives of the workers, entrepreneurs, universities and technical and professional organizations.

Executive Board

The executive authority of the common market would vest in a Board composed of a Chairman and a limited number of members - preferably four and in any case no more than six - appointed by the Council. The Chairman and members of the Board should be nationals of member countries, would be eligible for reappointment and should be selected mainly on their technical qualifications.

The members of the Board would represent, not the Governments appointing them in the Council, but the community itself. They would accordingly be forbidden to receive orders or instructions from countries individually and would be required to exercise complete independence of judgement in the performance of their duties.

The principal functions of the Board would be: to ensure that the objectives of the integration policy were attained and that the general criteria of that policy, including the principle of reciprocity and the necessary tariff-adjustment and preferential measures, were applied; to propose to the Council measures designed to accelerate that process; to promote the negotiation of sectoral complementarity agreements; to promote, or to have carried out under its direction, the studies required for the application of the general policy of integration; to decide on the application of safeguards and readjustments when required; to act as a court of first instance in disputes on interpretation; and lastly, to co-ordinate activities relating to commercial and investment policy, monetary and payments policy and foreign trade financing policy.

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In addition, the Board should promote or carry out studies designed to co-ordinate the action of the Latin American countries in negotiations for the expansion or diversification of exports, should protect the prices of products exported to the rest of the world, and should play an effective part in devising other measures of international co-operation.

Latin American Parliament

The establishment of a Latin American Parliament, composed of representatives of the region's Parliaments, would give great impetus to the integration process. At the recent meeting at Lima, Latin American parliamentarians gave this fundamental decision their unanimous support. The Latin American Parliament would be a regional forum in which the major currents of public opinion would converge to elucidate the most important problems of integration. A climate of opinion would thus be created which would be favourable to the political decisions needed to set the process in train and to maintain steady progress towards regional integration.

Instrument for the promotion of regional investment

In the matter of regional investment policy, the Board should reach agreement with the Inter-American Development Bank on the establishment of an instrument which would actively promote the preparation of studies and projects in connexion with the regional market, taking advantage of the work already being done in this direction by various organizations and drawing upon the experience they have gained. This instrument should form part of the IDB system and be under the joint direction of representatives of IDB and of the Board.

Its main function would be to carry out pre-investment studies and to prepare programmes and projects in the following fields: basic industry; border programmes; regional infra-structural investment; and investment in relatively less developed countries, or investment designed to correct maladjustments.

With these studies and projects in its possession, the Board would be able to promote the sectoral complementarity agreements required to negotiate the financing for the required investment. It should be made clear that the choice of functions for this body implies no disregard of the important contribution currently being made in this field by organizations of the inter-American system and by

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international agencies. On the contrary, the aim should be to encourage closer collaboration among all concerned, so that their efforts may be put to better use.

Conciliation procedure

Disputes on interpretation may arise in the course of the integration process. Problems not solved by direct negotiation between the parties should be referred, in the first stage of the conciliation procedure, to the Board. If no agreement were to be reached, the problem would be solved by an ad hoc conciliation committee acting as a supreme court; its members would be drawn by lot from a list of persons designated for the purpose by the member countries beforehand. This experiment might lead to the establishment of a regional court of justice.

V. FINAL OBSERVATIONS

These are the proposals which are being submitted to the Latin American Governments for their consideration. What is needed, more than technical studies, is a definition of major objectives and the adoption of political decisions at the highest level. However, once these decisions are taken by Governments, there will have to be technical discussions on the best means of translating them into specific agreements and commitments which will ensure their implementation. Without these prior political decisions, there is a danger that the technicians will unduly prolong their deliberations for want of a complete picture of the aims and objectives to be achieved.

These proposals call for a vast programme of work. Our countries must set about this programme without delay, however much effort this may require of them, and resolutely mark out the path of Latin American integration. It would be useless to seek another solution. None exists, nor will one appear with the passage of time; indeed, time will make the task more difficult.

Integration is not something that can equally well be done or left undone. It is of fundamental importance for expediting Latin America's economic and social development, which is so gravely threatened by internal and external factors which must be dealt with most decisively.

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We must realize, however, that the solutions which will lead us to that goal are not simple or easy ones. Ever since the great world depression, we have been seeking such simple and easy solutions, but we have not found them. Nor shall we find them, for our ills do not respond to contingent or transitory factors. They are basic ills, and they require basic remedies. In those earlier times, we lacked the experience to undertake this task on a regional scale. To fail to try now, after a long succession of frustrations, would be unpardonable.

Nevertheless, we must not underestimate the serious obstacles barring the way to these solutions. A multitude of immediate problems urgently demand the attention of our Governments, leaving little time or energy to attack their fundamental causes. Thus, we are caught in a vicious circle. The immediate problems are becoming more serious and more acute because no basic decisions have been taken, while such decisions are not being taken because of the constant pressure of the immediate problems.

An extraordinary effort is required in order to break this vicious circle, and it is an effort which can no longer be postponed.

There is no doubt that the course of action advocated here - action leading to a common market - is fraught with dangers. However, there are also risks in inaction, and they are far greater. It would be the height of folly to run the risks of inaction in a Latin America which is in the throes of such profound social upheaval.

Moreover, the risks of action should not be exaggerated. There is no risk in the advance towards economic integration which cannot be averted or overcome, nor is there any dislocation which cannot be corrected. Why should the emphasis be placed on all these things rather than on the positive aspects of this great policy? Will it not offer our countries the most promising opportunities for action? Indeed, confined within the narrow limits of a national market, that action lacks broad horizons. Its frontier must be extended so that it can develop as effectively as possible until it reaches the 230 million inhabitants of Latin America.

We must also extend the frontier at the higher levels of Latin American educational and technical and scientific development as an essential part of the vast integration process.

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This represents a tremendous challenge. It is a challenge to Latin American statesmen. It is a challenge to entrepreneurs with a spirit of determination and pioneering. And it is also a challenge to the Latin American workers, to technicians, and to the new generations which will find a great vital stimulus in the eager effort to create a Latin American community.

All this must be done now, without delay and with broad vision and constructive boldness. For a great deal is at stake. It is not simply a question of markets and competition. What is threatened in Latin America, given the imperious social demands of development, is the dynamic effectiveness of the system under which we live and the survival of our own values. What is at stake is our ability to step up the pace of development in order to achieve, on an impressive scale, a better life for the entire community through the vast potentialities of technology, within the broad and promising framework of an integrated Latin America which is conscious of its destiny and of the weight it carries in the modern world.

The recommendations appearing in this document represent the unanimous opinions of the authors and are their own and exclusive responsibility. They wish to point out that they had the co-operation of various persons, including the very valuable collaboration of Mr. Angel Alberto Solá, Executive Secretary of LAFTA.

