

ECONOMIC
AND
SOCIAL COUNCILGENERAL
E/CN.12/C.1/15/Rev.2^{*/}
1 June 1959ENGLISH
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
TRADE COMMITTEE
Second Session
Panama City, Panama, 11 to 19 May 1959

REPORT OF THE SECOND SESSION OF
THE TRADE COMMITTEEErrataPage 23, paragraph 79, line 3

For "would not prove" read "would prove"

Page 48

For "Republic of Germany" read "Federal Republic of Germany"

^{*/} Document E/CN.12/C.1/15/Rev.1 was issued in Spanish only.

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INTRODUCTION

1. The present report reviews the proceedings of the Trade Committee at its second session,^{1/} held at Panama City (Panama) from 11 to 19 May 1959. The first session met at Santiago (Chile) from 19 to 29 November 1956. As detailed accounts of the Committee's activities between these two sessions appear in other documents issued by the Commission,^{2/} only the discussions held and the resolutions adopted at Panama City are included in the present report. In Part I, an outline of the organization of the Committee's work and of the items on its agenda is followed by a full account of the discussion of these topics. Part II contains the resolutions adopted. Lastly, the annexes comprise the list of representatives, the inaugural addresses and certain statements made in the course of the Committee's proceedings in connexion with the adoption of specific resolutions.

^{1/} The Trade Committee was established by resolution 101(VI) of the Commission (adopted at Bogotá on 15 September 1955) for the purpose of intensifying inter-Latin American trade, without prejudice to the expansion of trade with other regions, but with due regard to the fundamental necessity of increasing over-all world trade. To that end, the Committee was requested to prepare specific proposals, consistent with the contractual commitments of Governments and taking into consideration the conditions prevailing in individual countries or areas.

^{2/} See especially Annual report to the Economic and Social Council, covering the period 8 April 1958 to 23 May 1959 inclusive (E/3246 and E/CN.12/530), Part I, paragraphs 6-19.

Part I

SECOND SESSION OF THE TRADE COMMITTEE

A. MEMBERSHIP, ATTENDANCE AND ORGANIZATION OF WORK

1. Opening and closing meetings

2. At the opening meeting, held at Panama City (Panama) in the conference hall of the Palacío Justo Arosema, on 11 May 1959, an address was delivered by Mr. Alberto A. Boyd, Minister of Agriculture, Trade and Industry, who welcomed the delegations. He mentioned, in particular, the fact that the session was beginning at a time when there was a manifest tendency to envisage the close links between economic development and inter-Latin American relations from the regional standpoint (see annex II).

3. Mr. Philippe de Seynes, Under-Secretary for Economic and Social Affairs of the United Nations, stated in his address that the Commission, in considering the common market, was beginning to confront the fundamental problems of regional co-operation - those relating to systematic action directed towards integration (see again annex II).

4. Mr. Arnaldo Tomás Musich, head of the delegation of Argentina, spoke on behalf of the delegations present.

5. The closing meeting took place on 19 May 1959.

2. Membership and attendance

6. The meeting was attended by representatives of the following States members of the Commission: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay and Venezuela (see annex I).

7. In accordance with paragraph 6 of the Commission's terms of reference, the following States Members of the United Nations but not members of the Commission sent representatives to attend the second session of the Trade Committee in a consultative capacity: Belgium, Canada, Czechoslovakia, Hungary, Italy, Japan, Poland, Spain, Union of Soviet Socialist Republics

/and United

and United Arab Republic. Under the terms of resolution 617 (XXI) of the Economic and Social Council, the Federal Republic of Germany sent an observer (see again annex I).

8. The Credentials Committee, in accordance with rule 14 of the Commission's rules of procedure, reported at the meeting held on 18 May 1959 that the credentials of the delegations to the second session of the Trade Committee, as presented to the Executive Secretary, had been examined and found to be in order.

3. Organization of the work

(a) Election of officers

9. At the meeting held on 11 May 1959, the following officers were elected:

Chairman: José Garrido Torres
(Brazil)

First Vice-Chairman: Juan Pardo Heeren
(Peru)

Second Vice-Chairman: Pedro Chamorro
(Paraguay)

Rapporteur: Germánico Salgado
(Ecuador)

(b) Secretariat

10. The secretariat of the Committee was composed of the following members:

Philippe de Seynes Under-Secretary for Economic and Social Affairs

Raúl Prebisch Executive Secretary, Economic Commission for Latin America

Louis N. Swenson Deputy Director, Economic Commission for Latin America

Wladyslaw R. Malinowski Director, Regional Commissions Section
Department of Economic and Social Affairs

Alfonso Santa Cruz Secretary of the Commission

Cristóbal Lara Beautell Director, Mexico Office

Esteban Ilovich Director, Trade Policy Division, Economic Commission for Latin America, Secretary of the Committee

Technical advisers:

Nuno F. de Figueiredo

Alberto Solá

Alejandro Power

B. AGENDA

11. At the meeting held on 11 May 1959, the Committee adopted the following agenda:

1. Opening addresses
2. Election of officers
3. Adoption of the agenda
4. Common market
 - (a) Bases for the establishment of the common market
 - (b) Study of its possible structure
 - (i) Objectives
 - (ii) Juridical form
 - (iii) Programme for the first stage
 - Customs and liberalization régime
 - Juridical form
 - Classification of products
 - Most-favoured-nation treatment
 - Régime for relatively less developed countries
 - Specific complementarity and specialization agreements
 - (iv) Size of the market and initial groupings
 - (v) Treaties on trade or economic matters not covered by the Agreement
 - (vi) Committee
 - (c) Basic principles for the operation of a common market

/Documents:

Documents:

The Latin American common market and the multilateral payments system
(Part One: Report by the secretariat; Part Two: reports of the first and second sessions of the Working Group on the Latin American Regional Market) (E/CN.12/C.1/9).

Consultations on trade policy. Note by the secretariat (E/CN.12/C.1/11).

Consultations on trade policy. II. Meetings held at Santiago, Chile (April 1959), with a Note by the Secretariat (E/CN.12/C.1/11/Add.1).

Consultations on trade policy. III. Meetings held at Caracas, Venezuela (May 1959), with a Note by the Secretariat (E/CN.12/C.1/11/Add.2).

Government policies affecting foreign private investment in a Latin American regional market (E/CN.12/C.1/12).

Influence of the common market on Latin American economic development (E/CN.12/C.1/13).

The railway rolling stock industry in Latin America. Note by the Executive Secretary (E/CN.12/508).

Fiscal, trade policy and methodological questions bearing on the establishment of the Central American common market (E/CN.12/497).

Latin American transport problems. Possible studies bearing on the common market (E/CN.12/C.1/14).

5. Payments

Establishment of a system for the multilateral compensation of bilateral balances, as a first step toward the multilateralism of payment inherent in the common market.

Documents:

Report of the second session of the Central Banks Working Group.
Note by the Secretariat (E/CN.12/C.1/10).

C. ACCOUNT OF PROCEEDINGS

1. General statements

12. In his statement the Executive Secretary said that the move to set up the common market responded to the needs of the economy of Latin America at its present stage of development and stressed that it was important, as regards the future work dealing with the bases of the market, for the States members of the Committee to give the secretariat the necessary general instructions. (The full text of the statement is given in annex II.)

13. The representative of Cuba said that his Government favoured the establishment of the Latin American common market and was prepared to co-operate actively for its success. Certain peculiarities in the structure of the Cuban economy - high costs of production, a traditional free-trade system, the use of customs duties as the only means of protection, the export of agricultural produce and the early stages of industrial development - might have their effect on Cuba's accession. He expressed interest in the problems connected with trade in agricultural commodities within the common market and in those bearing on the co-ordination and specialization of agricultural production and on protection and differential treatment to guarantee industrial development. He mentioned other matters connected with the common market that were of concern to his Government and which arose from its participation in the General Agreement on Tariffs and Trade (GATT), from its trade with foreign markets which must be increased and from the multilateral principle to which it desired to see full effect given in trade within the area and with the rest of the world.

14. The representative of Chile stated that his Government agreed with the bases and principles for the establishment of the Latin American market prepared by the Working Group on the Latin American Regional Market at its session in Mexico. That did not mean, however, that it was not prepared to consider any other proposals which might bring the same objective within the reach of the Latin American countries more quickly or efficiently.

15. The representative of Ecuador stated that his country supported the establishment of the common market because it had a small internal market.

/Referring to

Referring to the recommendations of the Working Group, he said that the system of averages - a formula which might prove profitable - should be studied with care. The special system for the relatively less developed countries was of particular interest to Ecuador as in the absence of such a system countries might continue to be nothing more than purveyors of raw materials. At the same time it would be as well to study the possibility of prolonging the first stage provided for in the Working Group's recommendations. The greater opportunities to which the common market would give rise would help to discourage the tendency to economic autarky with its negative consequences. In another connexion, Ecuador would be interested in the exchange of technical information and the investment of foreign capital, plans which would also profit from the establishment of the common market.

16. The United States representative drew attention to what was, in his view, the unsatisfactory nature of the scheme prepared by the Working Group. The creation of an undetermined level of preference without a concrete undertaking to proceed with the formation of the free-trade area was likely to produce a high degree of uncertainty. Even if preferential treatment was inherent in any common market, such treatment could not by itself ensure the establishment of a free-trade area or of a customs union and might even create new obstacles. That factor might hinder recognition of the preferential area by third parties. He also pointed out that rules for the average level of tariff reductions were liable to have a limiting effect on competition.

17. A payments union as a possible factor of the common market did not seem desirable to him. A high proportion of Latin American trade was with the outside world and there was no reason to expect any change in that situation. Balance-of-payments difficulties were chiefly associated with trade with countries outside Latin America. In addition, the operation of the payments union might involve the application of exchange controls which would be a step backwards for the countries whose currency was at present convertible.

18. Lastly, after expressing concern regarding the complex system of classification of countries and products laid down in the draft prepared

/by the

by the Working Group, he said that the greatest possible simplicity would be best suited to the operation of the market.

19. The representative of Mexico described the scheme prepared by the Working Group as a formula that was prudent, ingenious and practical and at the same time comprehensive and flexible. The Mexican Government was prepared to accept any responsibilities which might devolve on it under the common market agreement. He was therefore in favour of approving the scheme with any advisable amendments and also believed that the secretariat should prepare, in collaboration with the Governments concerned, the initial draft agreement for the common market so that it could be given immediate effect. Although he was in favour of participation by all countries from the outset, he was prepared to join with those which wished to go ahead immediately while always leaving the door open for others to accede to the agreement. He approved the gradual establishment of a multilateral payments system whose primary aim was the possibility of transferring balances between existing bilateral accounts. He then referred to the draft protocol for the establishment of a system of multilateral compensation for bilateral balances and expressed his satisfaction with it. He announced that Mexico was negotiating a number of bilateral agreements with South American countries while still maintaining a single type of exchange and complete exchange freedom so as to "meet them half-way" and increase trade with them. He pointed to the need for a dynamic approach in which the common market would be the instrument for the extension of industrialization. He also drew attention to the importance of the simultaneous development of an efficient transport system, particularly shipping.

20. The representative of Panama said that his country's geographical - and therefore economic and financial - position might make it impossible for it, at a given moment, to belong to restricted groups; that did not, however, prevent it from supporting the general principles of Latin American economic co-operation. The bases laid down by the Working Group in Mexico represented a step forward, particularly as regards the classification of countries and goods and also as regards the method for the gradual and flexible reduction of trade barriers.

/21. The

21. The Committee must consider whether it would be better to insist that any agreement should cover all countries or whether more restricted agreements could be authorized. It was essential that all countries or groups of countries should be completely free to deal with their own particular problems and if negotiations on those problems led to the formation of a local group, it had necessarily to be accepted. The only legitimate requirement was that groups of that kind should be free to negotiate with other States.

22. The representative of Paraguay said that his country was one of those which could benefit from differential treatment as proposed by the Working Group, although it understood that the granting of excessively favourable treatment to countries that were relatively less developed might encourage the establishment of many non-competitive industries. The position of those countries which were not able to compete with the more industrialized countries should be studied. Another factor to be considered was the possible effect of the common market on trade with the rest of the world, for, if other countries considered it prejudicial to their interests, they might take reprisals and thus affect the development of the countries participating in the common market.

23. The representative of Peru stated that the falling prices of primary commodities in comparison with those of industrial goods, and the difficulties which arose in selling the former owing to the measures adopted by traditional purchaser countries, frequently forced his country to take restrictive measures which impeded trade, even within the region. His Government had given its constant support to any procedures for solving the tremendous problem of under-development through the gradual economic integration of the Latin American peoples. He considered that the common market project should include as many countries as possible, and that its bases should therefore be acceptable to all of them, although some might not be in a position to take part in the initial stage for justifiable and circumstantial reasons. The common market should be established on a broad basis, and allow for free competition under proper conditions.

24. He trusted that the other delegations would find some common ground for agreement since that would be the best tribute that could be paid to the work that they were carrying out.

25. The representative of the Dominican Republic said that his Government was prepared to endorse the project for a common market. It was to be hoped that the formula agreed upon would take account of the difficulties of economies in process of developing from the production of primary commodities to a more diversified stage; but during that period it would be necessary to import industrial goods and to obtain them exports would have to be increased to both Latin America and the rest of the world.

26. The representative of Uruguay said that his Government fully supported any action designed to co-ordinate Latin American economies with the constitution of a common market as the final aim. That aim must be attained by unambitious stages so that it would be effective. The relevant agreements must be sufficiently flexible to permit their swift adaptation to the different economies and to prevent their execution from producing unfortunate effects on the social order.

27. The representative of Venezuela said that his Government favoured the idea put forward by some delegations of an inter-governmental committee, which in collaboration with the secretariat, might use the outline prepared by the Working Group to formulate a draft agreement for submission to Governments for their consideration. The idea of reciprocity among members of the market, which was outlined in the scheme and took into account the different degrees of development of the Latin American countries, seemed practical and would necessarily contribute to the balanced growth of the different economies. He thought it only right and just that other differential factors should also be taken into account, such as the need for countries with high production costs gradually to adapt themselves to the situation that would be created by a common market.

2. Review of possible bases and principles for the common market

28. The Committee took note with satisfaction of the report of the first session of the Working Group on the Latin American Regional Market (Santiago, Chile, February 1958),^{3/} in which the general principles for the establishment of the Latin American common market are set forth.

^{3/} See E/CN.12/C.1/WG.2/6, incorporated in Part Two of the report on The Latin American common market and the multilateral payments system (E/CN.12/C.1/9), submitted to the Committee at its second session.

29. The Committee next discussed the possible structure of the common market, and in that connexion studied the report of the second session of the Working Group.^{4/} With due regard to the general principles formulated in that of the first session, the report of the second session presents in specific terms a set of bases and principles on which the common market might be built up. With the aim of assembling the background data required for planning future work, the Committee decided to discuss the basic ideas expressed in the above-mentioned report and to include, in the report of the second session, a summary of the opinions and suggestions put forward by the delegations taking part in the discussion.

(a) Objectives ^{5/}

30. In discussing the over-all objectives pursued by the establishment of the common market, the Committee felt it was unnecessary that in setting them forth, reference should be made, as headings for the bases, to specific means or instruments which would be used to bring them into effect, since such means and instruments were all those subsequently specified in the bases concerned.

31. Several delegations expressed the view that it was not desirable to mention in the objectives the establishment of a preferential system among the countries members of the common market. Such a preferential system, apart from being an instrument, not an objective, would emerge as the logical effect of the process of reduction and abolition of customs duties and other restrictions. There was consequently no reason why express reference should be made to that system in specifying the objectives.

(b) Juridical form ^{6/}

32. The representative of Brazil expressed concern as regards the following point: if the juridical form to be adopted for the common market were to be defined from the outset, certain limitations might perhaps be afterwards imposed on the application of such formulae as might seem the most appropriate for bringing the common market into existence. Another point which it would

^{4/} See E/CN.12/C.1/WG.2/10/Rev.1, also incorporated in document E/CN.12/C.1/9, pages 38 et seq. The references to pages and items in this section of the report relate to the latter document.

^{5/} Op. cit., p. 43, I

^{6/} Op. cit., p. 43, II

be worth while to clarify was whether the bases outlined in the Mexico report were or were not entirely consistent with the inherent characteristics of a free-trade zone.

33. The representative of Uruguay suggested that perhaps for the moment it might simply be stated that the juridical form to be adopted in due course would be that best adapted to actual conditions in Latin America.

34. After a reminder that the Contracting Parties of GATT would find their consultations with that body facilitated if the juridical form adopted for the common market was one of those covered by the text of the Agreement, the Committee unanimously decided upon the following criterion with respect to the juridical form of the market: the agreement constituting the common market was to establish the terms and procedures for the gradual reduction of customs duties and other restrictions, with a view to the establishment of a free-trade area designed to lead up to a customs union.

(c) Tariff and liberalization system^{7/}

35. During the discussion of the reduction and abolition of customs duties, as also of other restrictions, the representative of Brazil drew attention to the desirability of differentiating between the following two aspects: (a) customs duties and other taxes having equivalent effects, the incidence of which was measurable and which were therefore susceptible of gradual reduction; and (b) administrative, quantitative and exchange restrictions, which by their very nature could not be measured and therefore could not be gradually reduced. Import permits were cited as an example.

36. The representative of Mexico suggested that as useful background data for planning future work relating to methods of reducing customs duties and other restrictions under the common market system, the procedures adopted to that end by the European Economic Community should be borne in mind, especially those relating to quotas.

37. The representative of Bolivia pointed out that import quotas could be eliminated gradually.

38. The Netherlands representative suggested that, among the members of a common market, the application of new restrictions should be suspended as a preliminary step towards the abolition of existing restrictions.

^{7/} Op. cit., p. 43, III.

39. The delegation of Cuba said that the duties and programme of action of the Latin American countries during the second stage of the regional system, as conceived in the Mexico report, should be defined in greater detail and, above all, that tentative dates should be fixed for the final organization of the common market.

(d) Classification of products^{8/}

40. The delegation of Colombia advocated consideration of whether the classification of products suggested in the Mexico report should or should not be broken down in greater detail. To that end it would perhaps be possible to divide into two parts the category of primary commodities proposed, so that a distinction could be drawn between foodstuffs, on the one hand, and raw materials on the other. Similarly, it would be well to discuss whether the category of capital goods ought to be divided into two sections, so that durable consumer goods and those used in the production of other goods were separately specified.

41. The secretariat stressed that the more categories of goods existed the greater would be the number of partial targets set up within the general programme of reductions, which would detract from its flexibility and make it difficult to apply the policy of gradually lowering customs duties.

(e) Programme for the first stage^{9/}

42. The representative of Venezuela expressed his approval of the institution of a special system for agricultural commodities for some time at least as envisaged in the Mexico report. After drawing attention to European precedents he emphasized the need for separate treatment to be accorded, under such a special system, to those items - wheat, for example - which for climatic reasons could be produced only in certain areas, in contrast with others, such as maize, which were grown in all the Latin American countries.

43. With regard to the reduction system for the first stage, outlined in Mexico report, the representative of Brazil drew attention to the following three points:

^{8/} Op. cit., p. 44, IV.

^{9/} Op. cit., p. 45, V.

(i) When the counterpart of a specific reduction of customs duties took the form of the reduction or elimination of restrictions of a non-tariff character like those deriving from the application of direct foreign trade controls, the result might be a lack of equity in the reciprocal advantages obtained which it was worth while to forestall. In fact, while customs duties belonged to a form of trade policy characterized as a rule by its stability, the factors of direct control were often subject to changes determined merely by an administrative decision. Such changes might easily destroy the element of reciprocity in the effect of the negotiations concerned. It would therefore be desirable that non-tariff import restrictions should as far as possible be gradually incorporated into the customs tariff;

(ii) The bringing-down of customs duties to a specific average level might mean that the member countries of the market would have to grant one another margins of preference of which the magnitude would differ greatly in practice, since in each case it would result from the difference between the level of duties applied to the rest of the world and that prevailing within the common market. What mattered in that connexion was not the average level of duties established by the targets concerned, but the effective magnitude of the preference. He called attention in passing to another aspect; it was precisely the countries which experienced balance-of-payments difficulties that would in effect grant the widest margins of preference, since such difficulties usually compelled them to raise the level of tariffs. A prerequisite for the equalization of mutual concessions would be to establish relative consistency in the customs duties applicable to the rest of the world;

(iii) If the common market were to assume the juridical form of a free-trade area, under the regulations governing such an arrangement the members would have to liberalize, within a certain time-limit, a substantial part of their reciprocal trade. In this connexion the Brazilian representative recalled that the targets for the first stage outlined in the Mexico report included the total abolition of customs duties only in the case of primary commodities (category I) and not in that of goods in categories II and III. Thus, items in the last two categories could not be included in liberalized trade for purposes of the quantitative assessment of liberalization. Consequently, it might perhaps be difficult for the elimination of duties

on a substantial part of trade to attain the level necessary for compliance with the requisite alluded to above.

44. The representative of Venezuela remarked that customs duties in countries without balance-of-payments problems were not always relatively lower than those in force in countries where such problems existed. When countries belonging to the former group had to meet heavy production costs for obvious reasons they were obliged to establish high duties.

45. Furthermore, the same representative pointed out that it would be difficult to assimilate the system proposed in the Mexico report for the reduction of duties on goods which might be described as dynamic - in particular certain durable manufactured goods - to the method suggested for primary commodities, since the former category needed relatively greater customs protection in countries at the initial stages of economic development, except that in the case of capital goods countries anxious to become industrialized might sometimes authorize exemptions.

46. The representative of Mexico stressed that the targets for the first stage of the programme, in their bearing on the classification of goods in the several categories, constituted a satisfactory system which was of fundamental importance for the establishment of the market, since it was suitably adapted to actual conditions in Latin America.

47. The representative of Ecuador, while seconding the view expressed by the delegation of Mexico, also agreed with the representative of Brazil that the system suggested by the Working Group would give rise to different margins of preference in the various countries members of the market. But there would be reciprocity among them in consequence of the fact that the customs duties applied by the member countries among themselves would be the same. A functional reciprocity would also exist, since a country whose exports to the common market territory persistently expanded would have to reduce the disequilibrium by accelerating the process of liberalization in relation to imports from within the market itself. Unfortunately, there were problems which would prevent a single Latin American common market tariff vis-à-vis the rest of the world from being established in a relatively short space of time. And to make the conclusion of the common market agreement conditional upon the solution of such /problems would

problems would mean postponing it for some years.

48. The representative of Cuba, referring to paragraph V (a)^{10/} differed from the view that the obligation to reduce and abolish customs duties and other restrictions could be waived in the case of imports of agricultural commodities by countries members of the common market, as might happen if the basis defined in paragraph V (a) were adopted. Many of the countries members of the common market would not be in a position to export industrial products to that market until a certain number of years had elapsed from the time of its establishment. In such cases the economic development of the countries in question would derive no stimulus from their participation in the market, unless they were able to expand their traditional exports of agricultural commodities. Consequently, were the provision contained in paragraph V (a) endorsed, it would have to be limited to exceptional cases, since as a general rule it would be desirable to facilitate the satisfaction of the increment in Latin America's consumption of agricultural commodities with supplies from those countries of the region which specialized in production of that kind.

49. The margin of preference would also mean that the traditional exporters of agricultural commodities would find themselves compelled to buy Latin American industrial products at prices higher than those quoted on the world market. To compensate them for this sacrifice they would have to be accorded in return some concession in favour of their exportable goods quoted at world prices.

(f) Régime for relatively less developed countries^{11/}

50. The representative of Colombia made the general observation that for purposes of accelerating the rate of economic development in the less advanced countries, great importance might be assumed by common market measures aimed at facilitating the freedom of movement of capital and natural persons.

51. The representative of Venezuela pointed out that the common market bases, besides providing, as in the Mexico report, for differential treatment in favour of the relatively less developed countries, should include certain ad hoc arrangements made by those countries in which wage and cost levels were proportionately higher. Some of those countries - Venezuela, for example - would offer the other members of the common market the incentive deriving

^{10/} Op. cit., page 45.

^{11/} Op. cit., page 45, VI.

from their high capacity to import, which would facilitate the establishment of real reciprocity for the purposes of the common market.

52. The representative of Brazil noted with pleasure the inclusion of measures aimed at restoring equilibrium with respect to the economic situation of countries at differing levels of development. However, he thought it worth while to go more deeply into the question of whether such measures were or were not compatible with the GATT regulations on the constitution of free-trade areas. He was especially interested in those bases proposed in the Mexico report, according to which different rates of reduction of customs duties might exist not only among countries at different degrees of development, but also in respect of those whose level of economic development was comparable in general but unequal as regards the production of specific goods or groups of goods.

53. He went on to remark that the increase in the number of categories of goods suggested in the course of the discussion would undoubtedly facilitate the granting of special treatments designed to bridge the gap between differing degrees of economic development. But it would hamper the operation of the free-trade area.

54. He added that the bases suggested in Mexico for country classification seemed to him over-simplified in that, by and large, they implied that the economic development process could be characterized by an initial phase of agricultural production, followed by one of current consumer goods production and terminating in the manufacture of durable consumer and capital goods.

55. Without wishing to detract from the value of such data as a general guide, he pointed out that the fundamentally important yardstick of the different levels of per capita income should not be overlooked. The characterization of the different degrees of development was a much more complex problem than it appeared from the Mexico report. By way of example he pointed out that many other factors could be taken into account in differentiating countries in order to ensure that treatment would be reciprocal: the size of local markets, the capacity to absorb foreign capital, labour costs and other production factors, the balance-of-payments situation, etc.

56. The differential system in favour of the under-developed countries, as proposed in the Mexico report, did not make it clear whether the system in question would last only until the end of the first ten-year phase of reductions, or whether it could be prolonged until differences in development ceased to exist, as he himself would advocate.

57. The representative of Venezuela said that the principles for the classification of countries might be improved upon, as had just been pointed out, by introducing the high costs factor. Conversely, it might not be appropriate to adopt the size of markets and the capacity to absorb capital as classification criteria, since they were not structural elements. He added that, according to the Mexico report, preferential treatment for the relatively less developed countries would not necessarily come to an end at the close of the first phase. Before that point was reached the situation could be reviewed.

58. The Netherlands representative, commenting on the possibility that countries at the earlier stages of development might increase customs duties on imports of capital goods from the rest of the world, observed that, in such an event, relatively less developed countries would purchase capital goods which were more expensive or of less satisfactory quality, thus discouraging their industrialization. It should be borne in mind that the concessions granted to the relatively less developed countries would not be as effective as might appear at first sight. When a country which was no longer in that position abolished or reduced its duties on imports from countries in the initial stages of development, simply because it was relatively more highly developed, the effect of the concessions it accorded would be insignificant, since it would generally produce the same lines of goods as the concessions in question were intended to benefit.

59. The representative of Panama said that the traditional division to be found in all parts of the world between rich industrialized countries and poor countries that produced only raw materials should be avoided in Latin America.

(g) Size of the market and initial groupings^{12/}

60. The representative of Colombia referred to the principle according to which countries that became parties to the agreement after its entry into force should be allowed a period of ten years, corresponding to the first

^{12/} Op. cit., page 46, VII.

stage, from the date of their accession. That system might cause difficulties for the operation of the common market agreement, as with such a procedure the objective of the first stage would not be reached at the same time by all members of the market, as seemed desirable.

61. The secretariat explained that the purpose of the provision referred to was to facilitate accession for those countries which were not in a position to become parties from the beginning.

62. The representative of Brazil agreed with the principle of making the common market as broad as possible. There were two ways of doing so. One was to start from a general system, that was, a single instrument for the whole of Latin America, and move towards specific solutions. The other was to tackle the sub-regional or sectoral aspect first, arriving ultimately at a general common market. Movements towards sub-regional groupings could be observed in Latin America at the present time. In his view, they were compatible with the ultimate objective of a regional market, provided that they were based on partial agreements that could later be incorporated or absorbed into broader agreements. For that purpose, it would be desirable that some body composed of all the countries, the members of the Trade Committee, for example, should establish standards and principles for such sub-regional and sectoral instruments in order to avoid maladjustments and inconsistencies between them that would impede the formation of the Latin American common market.

63. The representative of Venezuela thought that sub-regional customs groups did not encourage the formation of a common market, since it would be difficult to co-ordinate or compound the instruments on which they were based with that by which the common market was set up, owing to the disparity between the rate of reduction of duties and that of the other procedures laid down by them. Furthermore, inequalities between countries of a particular sub-regional group would be rectified more easily in the setting of a general common market than within the narrower limits of the group itself.

64. The secretariat stressed the importance of the problem under discussion. The experts who had prepared the Mexico report, after duly weighing the alternatives outlined by the secretariat, recommended the idea of the common market for the whole of Latin America as they considered that, if a series

/of closed

of closed preferential areas were to come into existence, the present water-tight compartments would be replaced by others which, even though broader than those existing at the present time, might make the achievement of the final objective - the common market - more remote. That did not mean that no account should be taken of the bonds resulting from geographic proximity and which promoted closer relations and gave rise to special problems between particular countries, a consideration that was taken into account in the Working Group's report. In addition, the agreement under which the common market would be set up could take account of the existence of restrictive groups whose aim would be to deal with matters of specifically sub-regional or sectoral interest.

65. The representative of Mexico believed that there ought to be no objection to the fact that certain groups of countries adopted particular decisions for their common benefit. Nor could there be any opposition to temporary arrangements arising out of special circumstances or to arrangements providing for a system of concessions more favourable than that proposed in the experts' report. Objections should, however, be made to groups whose structures were likely to place greater difficulties in the way of the establishment of the common market than those inherent in the current situation in Latin America. The countries of Latin America should be free to choose whether they wished to take part in a common market whose establishment had been freely discussed and approved by all.

66. The Chairman of the Committee recalled that the Working Group's report outlined the bases which were an important step in the preliminary work for the establishment of the common market but that it did not provide definitive formulae which could be used as a basis for final decisions by Governments. In addition, the preparation of the possible bases for the common market should include certain aspects that had not so far been elucidated. They included the co-ordination of monetary, fiscal and foreign capital investment policies.

67. The secretariat stressed that Mr. Garrido Torres had made the same observations at the time when work on the preparation of the Mexico report was drawing to a close, in which he had taken part in a private capacity as a member of the Working Group. At its meeting in Mexico the Group had

/stated that

stated that it was in agreement with those observations but by accident had failed to include any words to that effect in its report. In order to rectify that omission the secretariat had proposed - and the Committee had agreed - that note should be made of the observations in the text of the Committee's report.

68. The representative of Guatemala said that bilateral and multilateral agreements on Central American economic integration should not be considered as a precedent for laying down principles in the matter under discussion as the case of Central America was a special one. The first steps had already been taken towards such integration before the idea of a common market for the whole of Latin America had come to the fore. In view of their size and degree of economic advancement, the countries of Central America could not take part individually in a Latin American common market while they could do so in time if they formed a single unit.

69. The representative of Costa Rica agreed with the views of the representative of Guatemala and announced that in June 1959 an equalization agreement for certain customs duties levied in Central America on imports from the rest of the world would be signed.

70. He added that it should be laid down in the agreement setting up the Latin American common market that such an agreement would not affect the rights and obligations which the Central American countries had assumed or might assume with a view to the integration of their economies. That exception would cover the entire agreement.

71. The United States representative recognized that sub-regional arrangements might raise certain difficulties but that the formation of such groups was perhaps necessary in the light of facts. Whatever the course adopted - whether sub-regional or regional - the final results would be the same, provided that the formulae adopted in either case were conducive to the formation of a competitive market which put no obstacles in the way of Latin America's external trade in general.

(h) Specific agreements on complementarity and specialization^{13/}

72. The representative of Cuba did not agree that general clauses authorizing the conclusion of agreements on complementarity and specialization should be included. He admitted that certain special situations had to be recognized,

^{13/} Cp.cit., page 47, VIII.

/but thought

but thought it preferable that they should be regarded as exceptions. The privileges and arrangements provided for in such agreements would tend to create such a powerful network of bilateral interests that plans for regional integration would be severely hampered.

3. Project for a free-trade zone

73. In response to a request by various representatives, the Chairman invited the delegations of the countries whose experts had attended the consultative meetings on trade policy, held at Santiago, Chile, in April 1959, to inform the Committee of the scope of the work carried out at that meeting with respect to the preparation of a draft agreement on a free-trade zone.^{14/}

74. Speaking on behalf of these delegations (Argentina, Brazil, Chile and Uruguay), the Argentine representative^{15/} described the scope, operation and machinery of the free-trade zone as envisaged in the instrument prepared by the consultants.

75. The Argentine consultant and representatives who had participated in the consultative meetings had not done so to formulate a draft agreement on a free-trade zone for the four southern countries but to prepare such an agreement as a step towards the creation of the Latin American common market, without either specifically excluding any Latin American country or ruling out the consideration of an alternative means of attaining the same objective.

76. In his opinion, the consultants had prepared a working paper whose fundamental contribution was to place at the disposal of the Latin American countries a group of instruments which would enable them to increase the liberalization of their intra-regional trade and to put it on a definitely multilateral basis. The document in question did not yet warrant any decision by Governments, or at least by that of Argentina. In view of its structure, the document was a clear indication of the lines along which the work relating to the establishment of the Latin American common market should be directed and was in no way in opposition to its establishment.

^{14/} The record containing the results of this series of meetings is to be found in Consultations on trade policy. II. Meetings held at Santiago, Chile (April 1959) (E/CN.12/C.1/11/Add.1).

^{15/} For the full text of this statement see Information Document N° 9.

77. Lastly, he made it clear that he was ready to consider any alternative solution which might be put forward in relation to the establishment of the Latin American common market that might expedite its formation and provide a more effective approach to the complex problems involved in such an undertaking.

78. The representatives of Brazil, Chile and Uruguay supported the statement made by the Argentine representative and supplied some additional information.

79. The representative of Cuba pointed out that, when there were possibilities of extensive collaboration in Latin America, the sub-regional arrangements would not prove an impediment to their realization. Every group acquired exclusive interests and provoked economic reactions which were hampering the desired reconciliation and collaboration of different forces throughout the region. Moreover, the negotiatory position of a country which, following the implementation of a sub-regional agreement, wished or was obliged to accede to such an agreement, might be jeopardized by the necessity to negotiate by itself with a bloc that was already in existence. Such a situation might also arouse political misgivings.

80. He added that those remarks were equally applicable to the sectoral agreements visualized in the Mexico report. The conclusion of such agreements should not constitute a right for the countries participating in the market, but a qualified exception.

81. He pointed out that there was a discrepancy between the Mexico document and the report of the consultative meeting at Santiago. The first had emerged from a sustained effort on the part of the Latin American countries as a whole to devise ways and means of giving equitable treatment to the interests of each of them, while the second took into account only the interests of the countries which had sponsored it. Moreover, it did not seem just to place the other Latin American countries in the position of having to consider their accession to an agreement in the negotiation of which they had taken no part.

82. The representative of Mexico pointed out, among other matters, that the project prepared by the consultants at the Santiago session could not be criticised as regards the sovereignty of the respective Governments

/concluding it,

concluding it, especially since three of them were Contracting Parties of GATT, whose regulations provided for the formation of free-trade zones among its members.

83. The representative of Cuba further considered that there were two possibilities open to the Committee, namely, to take note of the information presented or to submit the draft instrument for discussion, in order to ascertain whether or not the free-trade zone might constitute an intermediate stage on the path leading to a Latin American common market. If the Santiago agreement were regarded as a project and not yet as an international instrument, there would still be time to incorporate in it the fundamental points of the Mexico report and to insert in the text a statement to the effect that it was an interim measure prior to the formation of the general common market which would be covered in the said instrument. He added that the indications given in the Mexico report, particularly with respect to the treatment to be accorded to less developed countries, should be followed at other stages, such as that of the accession of additional countries to the Santiago agreement.

84. In order to dissipate certain misgivings that had been voiced, the secretariat explained that it had deemed it advisable that contact with the Latin American Governments should be maintained not through large-scale meetings, but through groups which would be better suited to the discussion of certain specific problems. As had been evident at the first series of consultative meetings on trade policy (Santiago, August 1958),^{16/} the participants were clearly concerned about the possible repercussions of the recent tariff and exchange reforms on trade among the southern-zone countries of South America. In studying the relevant problems and their solutions, the group had discussed whether bilateral agreements which were about to expire could be transformed into a multilateral system concurrently with a reduction in customs duties and other restrictions.

85. From the contact maintained between the secretariat and the Governments concerned after the Santiago meeting, it appeared that the desired objective

^{16/} See Consultations on trade policy (E/CN.12/C.1/11), pages 5 et seq.

was to prepare the bases of a draft agreement, which would also be submitted to GATT in order to secure its recognition of the exception to the most-favoured-nation clause prior to reducing customs duties in the countries beset by urgent foreign-trade problems. It should be pointed out that the secretariat, while extending its technical co-operation to the countries concerned, had been at the same time preparing the necessary background studies for the session of the Working Group at Mexico City in February 1959 which had met to formulate the possible bases for the general common market.

86. The work had been divided in accordance with a clear-cut criterion. The studies relating to the Mexico session, which had far-reaching implications, had facilitated the search for solutions that would be acceptable to all Latin American countries. Conversely, the preparatory work on the draft agreement for the southern-zone countries had been of a restricted and circumstantial nature. Hence, the consultants who met for the second time at Santiago in April 1959 had not for a moment considered that the future negotiation of the common market might be founded on that latter agreement, instead of on the bases recently considered by the Working Group in Mexico.

87. The preamble to the Santiago agreement was quite explicit; it stressed the provisional nature of the document, which would disappear once the establishment of the common market had been negotiated on the basis of the principles formulated at Mexico, and recorded the intention of the consultants to recommend their Governments to undertake new negotiations once the bases of the common market had been approved in accordance with the Mexico report. The opinion was also expressed during the Santiago meeting that, pending such new negotiations, the southern-zone countries should refrain from taking any measures which might jeopardize their current trade with the rest of Latin America.

88. The secretariat further pointed out that, in confirmation of those aims, the group of consultants at Santiago had decided unanimously to bring the document to the attention of the Trade Committee - thereby demonstrating the great value of the Committee as the mainspring of international co-operation -, before the Governments directly concerned had made any comments on it. In that way, the other Governments were duly informed of its content. For all those reasons, the interim arrangements envisaged for

/the southern-zone

the southern-zone countries did not imply the formation of an exclusive sub-regional group which would impede the subsequent establishment of the common market.

89. The representative of Argentina pointed out that the four southern-zone countries had, like Bolivia, Paraguay and Peru, maintained bilateral trade agreements for many years, by which they were accorded preferential exchange and tariff treatment. Hence, the establishment of a free-trade area would not be an unexpected innovation, since it would mean no more than making existing bilateral agreements and the consolidation of benefits already granted on a broader and more rational basis. Moreover, the agreement had been prepared with an eye to the future adaptation of the free-trade zone to the common market.

90. It was not the intention of the Argentine Government to set up regional blocs which would impede an over-all agreement. The project of a free-trade zone was perfectly compatible with a common market, and there did not appear to be any discrepancies between the Mexico report and that of the series of consultative meetings at Santiago to justify the reactions that had been revealed in the course of the discussions.

91. In the Argentine representative's opinion, it would appear from the recommendations of the Santiago session that the consultants had made provision for the participation in the possible agreement of countries which had not been represented at the session at the following stages: (a) initial participation in the signing of the agreement; (b) renegotiation of the agreement already in force as a result of the participation of one or more countries which had not deemed it opportune or advisable to accede to it when it was first signed; and (c) transformation of the agreement on the free-trade zone into a general agreement, in conformity with the bases accepted by the Latin American Governments for the establishment of the common market.

92. The representatives of Brazil, Chile and Uruguay endorsed the secretariat's views, which they considered to be a faithful interpretation of the tenor of events and objectives pursued at the Santiago session.

93. The Chairman of the Committee said that the idea of the common market was an attempt to introduce into economic affairs the same esprit de corps which pervaded the political and juridical life of Latin America, in other words, to give pan-Americanism an economic connotation. From the political standpoint, such solidarity implied the application of three principles: (a) equality of opportunity for all countries to utilize their resources efficiently and economically; (b) freedom of choice, since it was incompatible with national sovereignty for a country to be obliged to enter a specific group unless it wished to do so at a given moment; and (c) non-exclusiveness. Any measures that were liable to lead to the formation of antagonistic groups should be shunned.

94. As regards economic affairs, esprit de corps involved the fulfilment of three other principles: (a) productivity, i.e. the maximum utilization of resources; (b) the principle of free competition, which was opposed to the creation of monopolies on the part of any enterprise, country or group of countries; and (c) specialization. In the last respect, Latin America should aspire to the international division of labour and promote the specialization of production in order to achieve optimum employment of available resources, a rise in the real income of its population and an expansion of its trade with the rest of the world.

95. The fulfilment of those objectives implied an acceleration of the rate of economic growth for Latin America as a whole, which could only be achieved through the common market. The fact that the target was not immediately attainable should not prevent attempts from being made to reach objectives of lesser scope. When a group of countries was faced with urgent problems of mutual interest, solutions had to be found of such a kind that they would constitute an intermediate stage on the road to a final common target. The agreements reached by such groups should be open for the accession of other countries and also subject to revision. The Trade Committee might fulfil a useful purpose in reviewing, criticising and directing the activities of groups of countries so as to ensure that they did not conflict with those designed to reach the general goal of the common market. Each group would have to set up its own co-ordinating body under the supervision of the Trade Committee.

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96. The debate on this subject was closed after the Committee agreed to take note of the information provided on the project for a free-trade zone.

4. Most-favoured-nation treatment^{17/}

97. The representative of Brazil indicated that the exceptions to the most-favoured-nation clause considered in the Mexico report might, to a certain extent, give rise to semi-preferential areas, and therefore to incompatibilities for countries that were both members of the common market and of GATT. He suggested that, when the studies were continued, the exceptions provided for in paragraphs (a), (b), (c) and (d) of that document ^{18/} should be studied.

98. The representative of Venezuela stated that Basis X as well as Bases VIII and IX were necessary for Latin America to build up its common market. They were exceptions to orthodox principles, and might be helpful in establishing the common market by means of the gradual application of a preferential system, which he believed to be the only practical way of attaining the desired objective. In the absence of such exceptions, the common market might slow down the growth of the less developed countries, since the latter would lack the protection which they would need for some time for their industrialization. The application of strictly orthodox bases would be tantamount to making it impossible to set up a common market.

5. Basic principles for the common market^{19/}

99. The Committee took note of the basic principles formulated in the Mexico report for the operation of the common market.

100. The representative of Brazil made some observations on basic principle VIII^{20/} relating to measures for remedying balance-of-payments disequilibria in countries participating in the common market. If the productivity of a country enabled it to expand its exports to the common market territory, and thereby placed it in a creditor position, there was

^{17/} See again E/CN.12/C.1/9, op. cit., page 47, X.

^{18/} Ibid., page 48.

^{19/} Ibid., pages 48, et. seq.

^{20/} Op. cit., page 51.

no reason why that country should assume the main responsibility for rectifying the resulting imbalance.

101. The representative of Chile referred to basic principle X^{21/} on Latin American co-ordination in respect of the customs tariff and statistics, and indicated that such co-ordination was important for the operation of the market, since current customs nomenclature and methods were at present very varied as were these relating to foreign trade statistics. In making those observations, he pointed out that the requisite co-ordination and standardization would require extensive preparatory work, and submitted a draft resolution requesting the secretariat to undertake the relevant studies.^{22/}

102. The representative of the Netherlands stressed that it was important to have a precise definition of the future functions of the committee responsible for directing and administering the agreement.

103. The representative of Brazil pointed out that the basic principles set forth in the Mexico report contained substantive points for the operation of the common market. They would serve, so to speak, as a guide for regulating the behaviour of the Latin American countries participating in the market. The lack of adequate experience in inter-Latin American trade, the diverse systems used by each country to carry out its trade and monetary policies would make it a highly complicated matter to arrive at a general common market agreement which would take into account all the interests involved, without containing an infinite number of safeguards and exceptions which might in the end become more numerous than the operative provisions.

104. In view of that and other considerations, he suggested that the secretariat should take note of what he thought to be a practical and realistic position, namely, that the basic principles to be henceforth observed by the Latin American countries in all their trade agreements, would co-ordinate and guide the partial efforts conducing to the establishment of the common market. He felt that such a procedure would be somewhat

^{21/} Ibid., page 52.

^{22/} See Part II of this report, resolution 7(II) which was later adopted by the Committee.

different from that of immediately formulating a general draft agreement on the structural bases for the market. The conclusion of partial agreements within the framework of the above-mentioned code of principles would perhaps be preferable and more practical.

105. The secretariat inquired whether the representative of Brazil considered that the reciprocal benefits to be granted by countries participating in sub-regional agreements in accordance with the code of principles might or might not be extensible to other Latin American countries.

106. The representative of Brazil considered that it was possible and, up to a certain point, desirable, to include among those principles some criterion with respect to the most-favoured-nation clause in Latin America, once reciprocity of treatment had been ensured, and to provide for conformity with international commitments, as established in the regulations of GATT. A Latin American most-favoured-nation clause might become a link between sub-regional agreements concluded in Latin America.

107. The representative of Mexico stated that he had definite instructions from his Government to endorse and support the idea of the common market as envisaged in the bases and principles suggested in the report of the Working Group. He hoped that the Commission would carry out its work in such a way as to reach a decision on the establishment of the common market within a short time. His delegation and that of Cuba had prepared a draft resolution intended to speed up the preparation of a draft treaty for a common market covering the whole Latin American region. Even if the preparation of such a draft was thought to be a little premature, it would be very useful, since Governments would then know exactly what commitments they would be assuming when the time came.

108. The representative of Argentina said that his Government had received the recommendations of the Working Group with pleasure, since they would help the region to reach the objective of a common market. It had considered particularly apposite those referring to the juridical form of the projected agreement, to the classification of products and to differential treatment for the different countries. The last two provisions should be modified as trade was gradually liberalized. Although it was hoped in general that all the Latin American countries would

/participate in

participate in the common market from its inception, the structure and bases of the market project would have to adapt themselves to circumstances. 109. The secretariat and Trade Committee, in their preparations for the common market, should give due importance to the principal objective - the expansion of inter-Latin American trade.

6. GATT and economic integration projects

110. Referring to the various observations made during the course of the debate on the General Agreement on Tariffs and Trade, the GATT observer stated that his organization recognized the right of countries to integrate their economies on the regional level. In trying to give its regulations the greatest possible flexibility, it had therefore given a favourable reception to the projects for Central American integration, and would consider further projects, both limited and general, adopted by other countries of Latin America, in the same spirit.

111. He also stated that he was glad to see from the debates of the Trade Committee that the views of the Latin American countries were very close to those held by GATT. In establishing preferential systems, it was necessary to ensure that the interests of third countries were not harmed and that such systems were only applied at an initial stage, since the final aim should always be a competitive market without restrictions. Within the free-trade zone there should be equality of treatment in practice. Care ought therefore to be taken to see that the most-favoured-nation clause continued to be the rule and not the exception, as might be supposed after reading the long list of exceptions suggested in the Mexico report.

112. He concluded by saying that the project which the southern-zone countries of South America were to submit to GATT would be received with understanding and sympathy. The same welcome would be extended to any concrete plan for economic integration submitted jointly to GATT by the countries of Latin America at a future date.

7. Payments

113. The secretariat reported to the Committee on the steps that were being taken, in pursuance of resolution 1 (I), gradually to establish a system for the multilateral compensation of bilateral balances, as a first /stage towards

stage towards a multilateral payments system in Latin America. The first step had been the preparation of a standard agreement by the Central Banks Working Group at its first session, held at Montevideo, Uruguay, April 1957.^{23/} As a result, almost all the existing bilateral payment systems in South America at the present time were based on agreements which reproduced the provisions of the standard agreement. That had made it possible to begin transfers of bilateral balances although in a sporadic way. To make such transfers systematic, the Central Banks Working Group, at its second session, held at Rio de Janeiro, Brazil, December 1958,^{24/} had prepared a draft protocol designed to institute a system for the multilateral compensation of bilateral balances, under which transfers would be made periodically, in some cases automatically, and on the understanding that the system was merely a transition stage to wider and expanding forms of multilateralism.

114. The United States representative asked the secretariat to take into account the remarks made by his delegation in its general statement^{25/} about the payments system as if they had been made at the present stage of the debate.

115. The observer for the International Monetary Fund stressed the real interest which his organization took in the trend towards the establishment of a common market in Latin America. He pointed out that one of the best ways of converting the idea into a fact was to introduce stabilization programmes so as to put finances in order, adopt realistic types of exchange and liberalize trade effectively. On the other hand, he doubted whether inter-Latin American trade could be stimulated by a payments union. Nor did he think that a payments union was, strictly speaking, an instrument necessary or desirable in the formation of the common market. It might prolong or perpetuate bilateralism unnecessarily. The idea of

^{23/} See Report submitted by the Central Banks Working Group on a Multilateral Payments System to the ECLA Trade Committee (E/CN.12/C.1/WG.1/5), incorporated with a note by the secretariat in document E/CN.12/484.

^{24/} See Report of the second session of the Central Banks Working Group (E/CN.12/C.1/WG.1/10/Rev.1), appended to a note by the secretariat in document E/CN.12/C.1/10.

^{25/} See summary in section 1, paragraphs 16-18. The full text of the statement is given in Information Document N° 12.

establishing it might arise at least in part from experience in Europe which was not necessarily applicable to Latin America, particularly as a result of the recent trend towards total convertibility in countries such as Argentina, Bolivia, Chile, Colombia, Paraguay and Peru. Convertibility would make the payments union unnecessary or render it very limited in scope. He pointed out also that convertibility recently put into effect by the countries of Western Europe removed the very bases on which discrimination in trade and world payments had been built.

116. On being requested by the secretariat to expound his views in greater detail, the observer of the International Monetary Fund continued that a payments union would increase bilateralism in Latin America as it would require the keeping of bilateral accounts. It would also entail the need to maintain or establish exchange controls. Originally, the Fund had not agreed in principle with the creation of the European Payments Union but had recognized that the economic situation in the countries of Europe was sufficient explanation of its creation. With regard to the countries of Latin America whose currencies were for the most part convertible there were at the present time no reasons for setting up a mechanism which had never been anything more than a temporary institution in Europe.

117. The secretariat said that a multilateral payments union could operate without bilateral agreements between its members. The very purpose of such a union was to overcome bilateralism because it would set up a system which, contrary to the purpose of the latter, would not seek to balance payments between each pair of countries. It sought to co-ordinate payments between each member country and all other members considered as a whole. The Fund had originally disagreed with the creation of the European Payments Union, not because it had considered that it would perpetuate bilateralism but simply because it was to be regional and not worldwide. The European Payments Union had made it possible to advance gradually towards convertibility among the countries of Europe as a first step towards convertibility with the rest of the world, as had occurred recently.

118. Various Latin American currencies were convertible at the cost of subjecting the importation of goods to restrictions of unprecedented severity. There were in South America countries whose currency was apparently

/convertible which

convertible which would, however, be unable to remove those restrictions; indeed, their removal would seriously jeopardize their international payments position, but a payments union would give them an opportunity to lift such restrictions on imports from other Latin American countries. The credits granted by the payments union would be of assistance to them in lifting restrictions through the mechanism it provided, until such time as the removal of restrictions in the other countries made it possible for them in turn to increase their exports. The payments union would contribute to the liberalization of trade and would bring about a certain measure of real convertibility within Latin America. The payments union would not entail increasing exchange control nor extending bilateralism, but it would on the contrary definitely contribute to the removal of both. As regards the registered ledger accounts kept in a payments union, it must be pointed out that in themselves they had no bilateral significance. They were not bilateral payments agreements. Moreover, under the terms of the European Monetary Agreement which came into force in January 1959, registered ledger accounts were kept and settled monthly on a basis of multilateralism and convertibility.

119. The observer of the International Monetary Fund said that his organization was in no way opposed to the Central Banks of Latin American countries' granting each other reciprocal credits with a view to promoting trade; there was, however, no need for bilateral agreements whose existence might lead to the accumulation of balances that could not be turned to account. Nor did the observations that had been made with regard to the payments union mean that the Fund would not view with sympathy temporary agreements that might be concluded between bilateral-account countries in order to solve specific problems. Such observations did not affect the Rio Protocol but expressed the Fund's doubts regarding whether a payments union was a necessary part of the common market without in any way signifying that the organization was taking up a definite position in advance.

Part II

RESOLUTIONS ADOPTED

120. The Trade Committee adopted the following resolutions at its second session:

- 6 (II)^{26/} Work for the establishment of the Latin American common market
- 7 (II) Standard tariff nomenclature
- 8 (II) Multilateral payments
- 9 (II) Study of the inter-Latin American payments problem within the common market

- 10 (II) Measures to publicize the objectives of the common market

121. At the time the resolutions were adopted, various delegations made statements which they asked to have included in the Committee's report (See Annex III).

122. The text of these resolutions is as follows:

Resolution 6 (II)

WORK FOR THE ESTABLISHMENT OF THE LATIN AMERICAN COMMON MARKET

The Trade Committee,

Considering that, at its first session, it approved, in resolution 3 (I), the setting up of a group of experts to define the characteristics of the Latin American common market and examine the possibilities of the establishment thereof,

Considering that the American republics stated, in resolution XL of the Inter-American Economic Conference of the Organization of American States, that it would be advisable to establish, gradually and progressively, in a multilateral and competitive form, a Latin American common market,

^{26/} The Arabic numbers continue the series of resolutions adopted at the Committee's first session. The figure "II" in parentheses indicates the second session.

/Considering that

Considering that the existence of the broadest possible market within the Latin American area will lead to a more rational organization of the productive system by means of which industry will attain more economic dimensions and will thereby be able to reduce its costs and utilize natural resources more effectively,

Considering that the putting into operation of the common market as speedily as possible will help to expand and diversify trade and to accelerate the economic development of each and all of the Latin American countries, with the consequent rise in the standard of living of its people,

Considering that the studies undertaken by the secretariat of the Economic Commission for Latin America, the documents prepared in Santiago (Chile) and in Mexico by the group of experts set up under resolution 3 (I) of the Trade Committee, and the discussions held during the present session of the Trade Committee constitute an important contribution to future progress towards Latin American economic integration,

Considering the advisability of accelerating as much as possible studies relating to the establishment of the Latin American common market,

Decides:

1. To intensify efforts conducing to the increase of economic co-operation among the countries of the region, with a view to constituting a Latin American common market, which shall:

(a) include all the Latin American countries which decide to participate in its formation;

(b) remain open to the accession of other Latin American countries;

(c) operate on competitive bases and comprise the largest possible number of products;

(d) take into consideration the inequalities that exist among the Latin American countries in so far as their economic development is concerned;

(e) be characterized by the progressive standardization of the customs tariffs and other instruments of trade policy of the Latin American countries, in their relations with other areas, due allowance being made for international commitments;

(f) depend, for

(f) depend, for its realization, on the widest possible collaboration on the part of private enterprise;

(g) promote increasing specialization in economic activities, in order to improve utilization of the production factors available in the region; and

(h) contribute to the expansion and diversification of trade among the Latin American countries, and between them and the rest of the world.

2. To recommend the Latin American Governments to set up working groups to co-ordinate all national activities that are related to the possible future participation of their respective countries in the Latin American common market. It shall also be the function of the said working groups to promote the studies alluded to in paragraph 3 (c) of the present resolution in close co-operation with the secretariat;

3. To request the secretariat of the Economic Commission for Latin America:

(a) in order to proceed with studies on the formation of the common market, to set up a group of high-ranking experts to be appointed by those Latin American Governments and other Governments members of the Commission which may desire to do so;

(b) to co-ordinate and arrange in systematic order the suggestions and observations made in the course of the discussions at the second session of the Trade Committee, with respect to recommendations relating to the structure and bases of the Latin American common market formulated at the Santiago and Mexico meetings by the group of experts set up under the terms of resolution 3 (I) of the above-mentioned Committee;

(c) to give priority to and complete studies on the tariff exchange and foreign trade systems, important factors influencing productivity different means of transport, foreign investment and other related subjects, as regards the aspects which it considers to have a fundamental bearing on the formation of a common market;

(d) to transmit to the experts, as well as to the member Governments, in the shortest possible time, the documentation referred to in point (b) and the studies mentioned in point (c), whether wholly or partly completed;

(e) as soon

(e) as soon as it considers practicable, and not later than February 1960, to invite the group of experts to hold their first session in order that they may prepare a preliminary draft agreement on the Latin American common market;

(f) to send the preliminary draft, after completion, to the Governments for their study and for any comments that they may deem advisable, which should be made within the time limit allotted by the secretariat;

(g) to reconvene, if any one of the observations on fundamental aspects indicates the desirability of making a new technical review of the subject, the group of experts in order to prepare the final preliminary draft, which shall immediately be transmitted by the secretariat to the Governments of all member countries;

(h) to convene, as soon as it considers this feasible, and by means of a prior communication to the member Governments, another session of the ECLA Trade Committee with a view to the discussion and preparation of the final draft agreement to be submitted to the Latin American Governments for their signature;

4. To recommend to the secretariat of the Commission that, as regards paragraph 3 (c) of the present resolution, it should co-ordinate its work on the respective studies with that of the secretariat of the Inter-American Economic and Social Council, under resolution XL of the Inter-American Economic Conference of the Organization of American States.

19 May 1959

/Resolution 7 (II)

Resolution 7 (II)

STANDARD TARIFF NOMENCLATURE

The Trade Committee,

Considering that, in order to attain the objectives for the establishment of the Latin American common market, it is necessary to standardize the tariff nomenclature of the Latin American countries,

Considering that the Central American countries have already adopted a standard tariff nomenclature based on the Standard International Trade Classification,

Decides:

1. To recommend to the secretariat of the Commission that it should prepare, for consideration by the Trade Committee, suitable bases and procedures for the adoption of a standard tariff nomenclature in the Latin American countries;
2. To suggest to the secretariat that it should organize seminars on customs questions, for the purpose of clarifying customs problems common to the Latin American countries, especially those relating to the desired standardization of tariff nomenclatures;
3. To request the secretariat that it should bring to the attention of member Governments the background data and studies on the Standard Central American tariff nomenclature and all other matters which it deems of interest for the purpose in view.

19 May 1959

/Resolution 8 (II)

Resolution 8 (II)

MULTILATERAL PAYMENTS

The Trade Committee,

Having considered secretariat document E/CN.12/C.1/10, in which the results achieved at the second session of the Central Banks Working Group, set a pursuant to resolution 1 (I) on multilateral payments, adopted at the first session of the Trade Committee, are recorded,

Taking note of resolution 5, adopted at the same session, by virtue of which the Central Banks Working Group requests the ECLA secretariat diligently to pursue its studies on the possibility of gradually establishing a multilateral payments system in Latin America,

Decides:

1. To note with satisfaction the results of the second session of the Central Banks Working Group; and

2. To suggest to the ECLA secretariat that all Latin American central banks or equivalent institutions, as well as the central banks of other States members of the Commission attending in the capacity of observers, should be invited to participate in the future activities of the Working Group.

19 May 1959

/Resolution 9 (II)

Resolution 9 (II)

STUDY OF THE INTER-LATIN AMERICAN PAYMENTS
PROBLEM WITHIN THE COMMON MARKET

The Trade Committee,

Considering that, at its second session, it discussed the question of inter-Latin American payments with reference to the establishment of the Latin American common market and to the suggestions put forward by the Working Group on the Latin American Regional Market (E/CN.12/C.1/9),

Whereas the said Group is in favour of the organization of a payments and credits system to facilitate the multilateral settlement of balances among the member countries as one of the aspects of the common market,

Considering that the views expressed at the aforementioned session show that opinions vary as to the best method of approach to the problem in question, and that, moreover, the States members of the United Nations Economic Commission for Latin America are likewise members of the International Monetary Fund, the United Nations specialized agency dealing with international payments and monetary affairs, and that it is desirable that this agency should study the payments system in a Latin American market, and

Being convinced of the benefits that would result from a study of the problem by the staff of experts of ECLA and IMF,

Decides:

1. To request the secretariat of the Economic Commission for Latin America and the International Monetary Fund to collaborate in the preparation of a report on the best way of tackling the problem of inter-Latin American payments in a regional common market, which will in due course be submitted to the member countries for their consideration;
2. That the reports which were previously requested will not interfere with the further execution of the work assigned to the Central Banks Working Group under Trade Committee resolution 1 (I).

19 May 1959

/Resolution 10 (II)

Resolution 10 (II)

MEASURES TO PUBLICIZE THE OBJECTIVES OF THE COMMON MARKET

The Trade Committee,

Considering that, during the discussions held at its second session, it was made clearly evident that the Governments were interested in the establishment of a Latin American common market as one of the necessary steps towards the achievement of a more rapid rate of economic development and the better utilization of resources,

Considering that these ideas should be made known to all economic sectors and to the general public,

Decides:

To request the secretariat of the Commission, through its own information services and those of the United Nations, to disseminate as widely as possible information on the reasons underlying the proposal to establish the common market and thus to achieve Latin American economic integration;

To recommend that member Governments which collaborate in this work at the national level should inform public opinion, and particularly representative bodies in the economic, agricultural and trade sectors, of the beneficial effects on the expansion of trade, the development of industry and the improvement of the standard of living of the Latin American peoples which would result from the establishment of the common market.

19 May 1959

Annex I

LIST OF REPRESENTATIVES

1. Representatives of States members of the Committee

Argentina

Arnoldo Tomás Musich, Representative
Elvio Baldinelli
Fernando Lerena
Rodolfo Korenjak
Jorge A. Livingston

Bolivia

Juan Haus Solíz, Representative
César Lafaye Borda

Brazil

Jorge Latour, Representative	Genival de Almeida Santos
José Garrido Torres, Alternate	Henrique de Oliveira D.
Gerson Augusto da Silva	Marcel Tarris da Fontoura
Eduardo García Rossi	Benedito Fonseca Moreira
Guilherme Pegurier	Jacy Montenegro Magalhaes
Helio Schlittler Silva	Fredeiro O. Buys
Joao Paulo de Almeida Magalhaes	Violeta Gómez
Paulo Cabral de Melo	Doralice García
Murillo Valente Gurgel	

Colombia

Aurelio Correa, Representative	Alberto Díaz
Jorge Franco	Jorge Méndez
Augusto Hannaberges	

Costa Rica

Porfirio Morera Batres

Cuba

Regino Boti, Representative
Rafael Eric Aguero Montoro, Alternate
Andrés Vargas Gómez
Ricardo Riaño Jauma
Gerardo Brown
Salvador Vilaseca
René Monserrat
Ignacio Bastillo

/Chile

Chile

Luis Marty, Representative
Gustavo Valdivieso, Alternate
Ives Morizon
Enrique Carvallo

Dominican Republic

Oscar Ginebra Henríquez

Ecuador

Clemente Yerovi
Gustavo Icaza
Walter Pitarque
Angel Murriagui
Germánico Salgado

El Salvador

Alberto Morales Rodríguez, Representative
Salvador Sánchez Aguillón, Jr.

France

Guillaume Georges-Picot, Representative
René Letondot
Jean Pierre Cabouat
Pierre Gudin Du Pavillon
Sra. Bezsonoff

Guatemala

Eduardo Rodríguez Genis, Representative
Alberto Fuentes Mohr
J. Antonio Palacios
Roberto Mazariegos
Carlos Humberto de León
Rafael David

Honduras

Salomón Ordóñez, Representative
Francisco Safont Tria
Valentín Mendoza

/ México

Mexico

Plácido García Reynoso, Representative
Octaviano campos Salas
Victor L. Urquidi
Forna de Rosenblusth
Emilio Alanis Patiño
Julio Ocadiz
Roberto Gatica Aponte
Herminio Pérez Flores

Netherlands

P.A.M. van Philips, Representative	H.S. Radhakishun
F. de Castro, Alternate	L.A.M. Lichtveld
J. Kaufmann, Alternate	
R.A. Ferrier	
E.O. van Suchtelen	
H.E. Rijsdijk	

Nicaragua

José María Castillo, Representative
Gustavo Guerrero
Oscar Danilo Darreto Terán

Panama

Fernando Eleta A., Representative
Alberto A. Boyd, Alternate
Roberto López Fábrega, Alternate
Inocencio Galindo V., Alternate
Diógenes de la Rosa, Henrique Obarrio, Mario de Diego, Louis Martinz,
Jaime de la Guardia Jr., Eduardo McCullough, Alfonso Tejeira, Ismael
Olivares, María I. Mendoza, Luisa E. Quesada, Jevenal A. Castrellón A.,
Jorge R. Paredes, Emilio Clare, Julio Quijano, Rubén Darío Carles Jr.,
Gaspar Estribi, David Turner Morales, Rubén D. Herrera, Hernan R.
Rodríguez, Menalco Solís, Jorge Guillermo Aispú, José Riba, Guillermo
Jurado Selles, Juan M. Ruiz, Gilberto Ferrari, Carlos A. Velarde,
Gustavo González, Bernardo Ocaña, Manuel Varela Jr., José María Sánchez
V., Fernando Amado, Virginia Escala, José I. Navas, Ricardo
Arsemena B., Víctor Cruz Urrutia, Jorge I. Quiroz, Pedro Comas Calvet,
Bernardo Lombardo, Marcos Obaldia, Renato Ozores, Guillermo de Roux,
Eucaris Espino, Antonio Moscoso B., M. Everardo Duque, Eduardo Lanuza,
Erasmo Escobar, Alejandro Ferrerd S., Pedro E. Albarado A., Amelia
Goursac C., Galileo Solís, Alejandro de la Guardia Jr., Joel Medina

/Paraguay

Paraguay

Pedro Chamorro, Representative
Marcial Valiente

Peru

Juan Pardo Heeren, Representative	Rodolfo León
Vicente Cerro Cebrián	Alejandro Busalieu

United Kingdom of Great Britain and Northern Ireland

Sir Ian Henderson, Representative
H.N. Brain, Alternate
R.C. Barnes, Alternate
E.R. Hargreaves
G.G. Simpson
R.A. Farquharson
E.A. Arnoux
V.G. Huntrods

United States of America

Harold M. Randall, Representative
Walter Kotschnig, Alternate
Ralph Korp
Albert Power
Herbert F. Propps
Marie Richardson
Alexander M. Rosensen
Robert L. Sammons
Joseph B. Tisinger
William Turnage

Uruguay

Julio E. Pons, Representative
Félix Polleri Carrio

Venezuela

Carlos D'Ascoli, Representative
Braulio Jatar Doti
Valmoré Acevedo
Francois Moanack
Horacio Guillermo Villalobos
Miguel Angel Benzo
Antonio José Aveledo
Ernesto Peltzer

2. Representatives of States Members of the United Nations, not members
of the Committee, attending in a consultative capacity

Austria

Louis Martinz

Belgium

Conde de Borchgrave d'Altena

Canada

Howard W. Richardson

Czechoslovakia

Josef Hokes
Jaroslav Valenta

Hungary

Imre Hollai
Iván S's

Italy

Mario Majoli
Giulio Barbesi

Japan

Ken Ninomiya
Harushige Kaneda

Poland

Boleslaw Jelen
Stanislaw Strus

Spain

Alfredo Sánchez Bella, Representative
Francisco Javier Mateos Alvarez
Eduardo de Laiglesia González

/Union of

Union of Soviet Socialist Republics

Vladimir I. Bazikin
L. T. Mikhailov
Victor Ivanovich Koryakin

United Arab Republic

Hamdy El Tahri
Monamed Rifky Osman
Mohamed El Tabey

3. Representatives of a State not a member of the United Nations,
attending in a consultative capacity

Republic of Germany

Conde von Pappenheim
Josef Engels

4. Representatives of specialized agencies

Food and Agriculture Organization of the United Nations (FAO)

Francisco Aquino
Jean Moser
Jorge d'Alarcao
Eero Kalkkinen

United Nations Educational, Scientific and Cultural Organization (UNESCO)

Carlos Victor Penna

International Bank for Reconstruction and Development (BANK) and
International Finance Corporation (IFC)

G. Neil Perry
Borden Grayson

International Monetary Fund (IMF)

Jorge del Canto
Eduardo Laso

World Meteorological Organization (WMO)

Rudolf Schroeder

/5. Representatives

5. Representatives of the International Atomic Energy Agency

A. I. Galagan
Sr. Goswami

6. Representatives of inter-governmental organizations

Inter-governmental Committee for European Migration

Barthelémy Georges Epinat
E.K. Rahardt
Luigi Guida

Organization of American States (OAS)

Cecilio Morales
Elba Gómez del Rey de Kybal
Carlos Arosemena Arias
Armando Araúz

Inter-American Economic and Social Council (IA-ECOSOC)

Rafael Glower Valdivieso

European Economic Community (EEC)

Guillaume Georges-Picot
Robert H. Faniel

European Coal and Steel Community (ECSC)

Christaki de Germain

International Statistical Institute (ISI)

Tulo H. Montenegro

General Agreement on Tariffs and Trade (GATT)

Jean Royer

7. Representatives of Non-Governmental Organizations

Category A

International Confederation of Free Trade Unions (ICFTU)

Ary Campista
Aristides Wilson

/ International Federation

International Federation of Christian Trade Unions (IFCTU)

Emilio Maspero

World Federation of Trade Unions (WFTU)

Vicente Lombardo Toledano
Antonio García Moreno Grassi

Category B

Inter-American Council of Commerce and Production

Carlos Ons Cotelo

International Federation of Women Lawyers

Clara González de Behringer

8. Special observers

Panamanian Industrialists Syndicate

Jorge I. Conte
Jorge M. Arias
Edmundo Molino
Vicente Pascual
Manuel Solís P.

Food Wholesalers' Association of Panama

Mariano Arosemena
René Miró

Panamanian Chamber of Commerce, Industries and Agriculture

Pablo Abad
Gustavo Trius
Jorge Velásquez

United States Chamber of Commerce

Forrest D. Murden

FEDECAME

Manuel Varela Jr.

Federación Iberoamericana del Instituto de Cultura Hispánica

José M. Reverte

Annex II

OPENING ADDRESSES AND STATEMENTS

1

Address delivered by his excellency Alberto A. Boyd,
Minister of Agriculture, Trade and
Industry, on 11 May 1959

It is both a great honour and a source of justifiable satisfaction for me to inaugurate, on behalf of the Government of Panama, as Minister of Agriculture, Trade and Industry, the second session of the Trade Committee of the United Nations Economic Commission for Latin America. It is hardly necessary for me to stress the exceptional importance of the work which is now beginning. The second session of the Trade Committee, which is organically related to the eighth session of the Economic Commission for Latin America, is a milestone on the path towards a continental concept of Latin America's economic development problems which constitutes the basis of a regional policy for their solution.

Indeed we may say, without any risk of exaggeration, that those two sessions represent the culmination of a period of intensive preparatory work prior to the adoption and implementation, in the immediate future and in each of the Latin American countries, of local programmes inter-connected on a regional scale, which will radically transform the living conditions of our peoples.

It is sufficient to consider, in this connexion, the fundamental issues involved in the Latin American common market and intra-regional payments, which are intrinsically two closely related aspects of the primary question of the region's economic development. The work of exploration, research and analysis undertaken by ECLA through its different agencies in this field is indeed remarkable not only because of its significance but also because of the brief space of time in which it has been carried out. This work derived particular impetus from the establishment of the Trade Committee, which was set up at the end of 1955 to study ways and means of expanding inter-Latin American trade and freeing it from all the impediments inherent in the adoption of unilateral practices by each country deriving from the need to protect

/their economies

their economies against certain trends and conditions in external markets.

A review of the work undertaken by the ECLA secretariat and by the Trade Committee shows that the analysis of specific inter-Latin American trade problems has repeatedly brought to light general problems of economic and social development and has produced new ideas which have shaped the preliminary concepts as to how the common markets should be formed.

It would be illogical to pretend that we already have in our possession all the means and instruments necessary for establishing this new trade relationship among the Latin American countries. It is enough to remember the difficulties and exploratory steps that have characterized similar efforts made in Europe for over ten years, efforts which have been reflected in no less than half a dozen different plans and organizations and which only in the past year were directed towards the formation of the common market which it should be stressed, still consists of only six Western European countries. In view of the stage of economic development reached by the majority of our countries, we can only admire what has so far been done in the way of research and the adoption of some general concepts for the co-ordination of our economies with a view to hastening their transformation.

We may rest assured that, in view of the events leading up to this session, its activities will be singularly fruitful and that, as I have said before, it will represent a decisive step towards the attainment of the objective which is dear to all of us, namely that of ensuring that Latin America's economic and social development advances at a steady and uninterrupted pace such that the aspirations of all our peoples for a better way of life are satisfied within the shortest possible time.

On behalf of the Government and people of Panama, I have the honour to extend to this assembly a most cordial welcome from His Excellency the President of the Republic, Ernesto de la Guardia Jr., to which I should like to add my own sincere wishes for the success of the session.

2

Address delivered by Mr. Philippe De Seynes, Under-Secretary
for Economic and Social Affairs of the
United Nations on 11 May 1959

With the study of the common market the Economic Commission for Latin America has entered upon a new phase. It has gone beyond the formative stage, characterized by the exchange of information and the common study of similar problems, and is now tackling the basic problems of regional co-operation, the problems of systematic and concerted action by neighbouring countries to overcome the obstacles which political frontiers, and all the administrative, customs and monetary machinery, for which they provide a pretext, have over the centuries put in the way of economic development.

I do not, of course, underestimate the scope of the work you have done so far; it represents a very valuable contribution to the elucidation of contemporary problems. It is easy, moreover, to see the underlying principles which have led you through your earlier work to the proposals now before you. But the work you are now undertaking relates to the fundamental purpose which the creators of the system of regional commissions had in mind ten years ago - the formation of a close and permanent association between countries linked by geography and, in the case of Latin America, by history, culture and tradition.

It is now two years since you took up the question of regional integration and in this short time you have already made great strides. It is, of course, necessary always to bear in mind the special characteristics of the situation with which you are concerned and not to confuse what you are doing with experiences elsewhere. But one cannot help noting certain striking points of resemblance between the procedures you have adopted and the course you have followed and what has been done in Europe during these last twelve years. Here, as in Europe, you are seeking both to liberalize trade by reducing tariffs and other obstacles to the flow of goods, and to establish a multilateral payments system by organizing systematic and periodic clearing arrangements for outstanding balances in bilateral transactions. As in Europe, some Governments are more disposed than others to take rapid action without waiting for the

/general structure

general structure to be completed. Regional integration is set in motion by a series of forces which must be allowed to develop and take shape without attempting to make the process conform to an over-simplified pattern in which all the stages have been determined in advance. At the same time, however, you have been careful, as in abundantly clear from the documents before you, to define the broad outline of the over-all scheme from the outset.

This, it seems to me, is a new and original feature of your experiment. The programme before you covers a sufficiently long period and provides for a sufficiently flexible and complex system to discourage no one. That is essential if the effort to achieve integration is to preserve and strengthen the fundamental unity of the continent and not to be directed along lines which might create dissension or division. That danger would be real if the smaller groups to which I have already referred had any tendency to become exclusive or if they lost sight of the over-all plan in which each of the twenty Republics should be able to find a place in the course of future years.

The Working Group on the Latin American Regional Market, with its distinguished membership under the energetic chairmanship of Mr. Galo Plaza, is to be congratulated on having been able, in two sessions, to work out a text which meets those conditions and which can be used as a framework for the pursuit of further objectives providing for the progressive reduction of tariffs and other customs barriers within the continent. An arrangement of this kind should give those Governments which are prepared to do so an opportunity to take the necessary steps in the near future so establish a limited free-trade area which other countries will be able to join at a later stage without the delays and complications of further diplomatic negotiation.

Some may perhaps be disturbed by the provisions which allow for differential or preferential systems within the regional system. Such systems are, however, made necessary by the conditions which prevail in Latin America. A regional association can succeed only if it is based on the principle that each of the participants must receive equal advantages. The notion of reciprocity is essential and it does not

/allow the

allow the uniform treatment of situations which are widely different.

Regional economic integration programmes are today a subject of lively and occasionally bitter debate. Their value, and even their legitimacy, are frequently disputed. Such programmes, in their present form, are a recent development and their theoretical foundations are not yet firmly established. Economic theory in general develops only in response to urgent social needs, and then not until some time after those needs have become apparent. One word may cover many things and the objectives sought may be widely different and sometimes not wholly compatible. For some the goal is the rational development of industry; for some, the reorganization of the exchange system and the protectionist apparatus, and for others, the development of markets for raw materials. Even the argument based on the size of the market, which seems to be the strongest basis for your action here, is perhaps not accepted by all. Although it is regarded as decisive by some, its relevance for others will always depend on developments in the world market; it applies essentially to situations marked by a level of development which some countries of Latin America have by no means yet attained. But there is, I think, one idea that is common to all the Governments, the conviction that the efforts to establish a common market, whatever their impact on a particular situation at a given moment in history, can contribute substantially to the consolidation of a stronger association, better able to play its part in dealing with the forces whose inter-relations affect conditions on the world market.

Regional integration is often even more bitterly attacked when it is judged, not in the light of the needs and conditions of the region concerned, but according to the criteria of a world policy, in the light of the efforts made towards the progressive construction of a better integrated international system, or even of the hope of achieving such a system. In this connexion, we have to consider not only an analysis of comparative advantages, but also a whole body of doctrine, at least a series of principles, painstakingly evolved during the post-war period. This is a point which must necessarily receive the attention of this Committee, which forms part of the regional instrument of a world

/organization. And

organization. And it cannot be denied that arrangements of the kind envisaged might possibly develop into a new war machine in the service of a protectionist policy, in complete disregard of the requirements of the world economy. It is for this reason particularly gratifying that your Governments should from the outset have decided to ensure and maintain contact with GATT, whose system and principles, however inadequate some may find them, have nevertheless introduced a minimum of rationality in a very substantial area of world trade. There is every reason to believe that it will be possible to deal with the problem of the regional integration of the Latin American countries in accordance with the rules of reason and common sense, avoiding the hazards of excessive dogmatism.

First of all, it should be easy to recognise that, although the development of a common market will entail a certain amount of protectionist machinery, that is due not so much to the regional approach as to the need of the Latin American countries for industrial development. There might be a danger of confusion if new tariffs on imports from the outside world coincide with the first stage of liberalization inside the Latin American area. The alternative here is not less external protection, but the protection of a less rationally organized industrial system.

It would seem also that some of the objections raised in the past with regard to preferential tariff systems have lost some of their relevance. A tendency has gradually emerged to give them at least the benefit of the doubt, to regard them as a useful if not inevitable stage in development towards a more nearly universal system. We cannot in this context forget the experience of Europe and the welcome given a few years ago, in the name of the universalist principle, to the European Payments Union. The benefits of that Union have since become evident. Similarly, the liberalization of trade within OEEC was formerly based on a policy of systematic discrimination with regard to the dollar zone.

It was none the less greeted as a major contribution to the policy of eliminating customs barriers.

/There is

There is also an increasing degree of speculation as to whether the world would not be easier to organize economically if the game was played by fewer and less unequal partners. There is some reason to believe, for instance, that negotiations on tariffs would receive fresh impetus if the concerted action of certain groups of Governments reduced the risks now inherent in the most-favoured-nation clause. Thus a new, more discerning and more tolerant, dialectic of ends and means is taking shape, and may provide the framework within which the projects you are examining today can find their legitimate place.

I am stressing, perhaps indeed labouring, questions to which you have already doubtless found an answer. But I am forced to do so by my position in the United Nations. An organization like ours, which from the outset has endeavoured to combine the regional approach with the endeavour to achieve a world order, must necessarily be alert to the latent conflicts which may set the one against the other. That is why it is, in my view, so important that regional integration projects should have taken shape within the United Nations, and I should like to express the hope that they may continue to be developed in association with it. That, it seems to me, is a strong safeguard that the interests of the region will be brought into harmony with those of the world as a whole.

There is another reason why the United Nations is continuing to help the American States to establish a regional market. As an institution, the Organization has proved itself perfectly adapted to the needs of such an undertaking. It has provided studies and analyses to Governments, in other words, the necessary theoretical basis for action. It has also provided a centre for consultations, thus reproducing on the economic plane a process which has been developed in recent years in the political field. Your Executive Secretary has been able to gather around him both independent experts and persons responsible for Government policy. He has been able to bring them together empirically, as need required, so that the various aspects of the problem could be considered successively and separately without losing sight of the needs of the over-all plan. This form of

/inter-governmental

inter-governmental co-operation is in many respects more constructive and fruitful than the routine work of the United Nations often proves to be, based as it is entirely on public debate. It makes for an easier and speedier passage through certain stages, and lays the foundations for a really informed and constructive public debate. Such opportunities have always been provided by the Organization. But they have hitherto been used only sporadically and the experience gathered here may serve as an example to the entire Organization. In any case, it gives us an assurance that the United Nations can continue to render increasingly effective service to Governments in a venture which promises so much.

3
Statement made by Mr. Raul Prebisch, Executive Secretary
of the Economic Commission for Latin America,
on 11 May 1959

First and foremost, I should like to add my expressions of gratitude to the Government of Panama to those already voiced on behalf of the United Nations by the Under-Secretary for Economic and Social Affairs, Mr. De Seynes; and also wish to thank the Minister of Agriculture, Trade and Industry of Panama very sincerely for his words of encouragement to the ECLA secretariat.

Nor could I fail to take this opportunity of offering my grateful thanks to the Head of the delegation of Argentina for his heartening remarks about our work, and to you, Mr. Chairman, my very great appreciation of all that you have been kind enough to say of ECLA's activities. And, although I may perhaps be slightly exceeding my functions as an official of the secretariat, I should also like to express my deep satisfaction at seeing you take the chair at a session of the Trade Committee which will indubitably be of far-reaching significance for Latin America. The chairmanship of Mr. Garrido Torres might be described as a happy instance of historical continuity. It was he who, in company with other economists, launched, when the right moment came, the idea of the Latin American common market. He, among others, expounded it brilliantly not only in his own country, but in other circles on which the future of the idea would to some extent depend. I am confident that, as on previous occasions, Mr. Garrido Torres

/will discharge

will discharge his responsibilities at this session with wisdom agreeably salted with wit.

Since the first session of the Trade Committee, a series of important meetings have been held, the results of which will be considered on the present occasion. The Working Group on the Latin American Regional Market has met twice; the Central Banks Working Group held its second session at Rio de Janeiro to discuss the payments problem; and, under the auspices of ECLA, four series of consultations on trade policy have taken place, two with experts from the southern zone of South America and two with consultants from Colombia, Ecuador and Venezuela. All these meetings served the single purpose of clearing the way for definitive proposals in connexion with a multilateral payments mechanism and with the common market of which such a mechanism is an essential part.

The consultants on trade policy from the southern-zone countries, at their second session, held recently in Santiago, Chile, drew up a draft agreement on a free-trade zone which, in my view, is technically excellent. The Governments concerned will no doubt take the opportunity afforded by the present contact with other Governments members of ECLA to explain the scope of this draft agreement. I only want to mention here one fact to which the secretariat attaches considerable importance in connexion with the work that is being done in this field. The draft agreement was dictated by the pressure of circumstances and the need to prevent trade among the southern-zone countries from being seriously affected by the repercussions of tariff and exchange reforms. Even so, the high technical quality to which I have pleasure in calling attention may perhaps make this instrument the initial step in a much more far-reaching course of action.

In this connexion, the trade policy consultants who studied the draft agreement seem to me to have adopted a very happy decision when they resolved to suggest that their respective Governments should pronounce themselves convinced of the absolute need for this instrument to remain open to other countries which might desire to accede to it. Nor was this all. They also recommended - and this is a supremely important point - that

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the Governments in question should declare their willingness to renegotiate the instrument, in such a way as to afford ample scope for all the other Latin American countries to participate in this new negotiation, once their Governments had reached agreement on the bases for the common market. And in taking this line, the consultants clearly demonstrated their conviction that such an instrument ought at no time to assume the character of a closed shop.

Similar considerations were put forward a very few days ago at the consultations on trade policy held at Caracas. This series of meetings, like those held by the southern-zone countries, also resulted from the need to devote immediate attention to certain trade problems. The consultants submitted a number of recommendations to their Governments, not only in relation to trade policy, but also with regard to the need for co-ordinating their economic programming efforts, as well as certain activities such as those connected with maritime and air transport. But, again like the southern-zone consultants, they placed on record their opinion that the results of whatever common market agreement might be concerted should be incorporated into any temporary arrangements that circumstances might induce the authorities in their countries to decide upon, and submitted a recommendation to their Governments to that effect.

All this represents a full and satisfactory response to one of the major preoccupations evinced by the Working Group on the Latin American Regional Market, both recently at Mexico and at its first session in Santiago; namely, that the aim should be for the Latin American common market to include the largest possible number of countries within the geographical orbit of Latin America. And I stress this point, because I consider it to be of supreme significance. It is not - happily for Latin America - that I have observed the slightest tendency towards exclusiveness. But what I have noted, on the other hand, is a certain doubt, a persistent doubt in some cases, as to whether the common market could or should be extended to the whole of Latin America. Such misgivings are engendered by a static conception of the common market problem. What is the point, it is often asked, of forming a common market in which the southern-zone countries join with
/others like

others like Mexico, when there is no trade between them? But the very reason why there is little or no such trade is that in Latin America the outmoded patterns of the nineteenth century still prevail. The creation of a common market at the present stage of energetic industrialization, so necessary to the countries of Latin America, would aim precisely at breaking up those outmoded patterns so that existing intra-regional commerce might be supplemented by trade in industrial products.

Consequently, if a dynamic approach is adopted to the common market problem it seems patent that, given the need to accelerate Latin America's industrialization process, all the countries, large, medium-sized and small, ought to join the market in order to endow it with the breadth, depth and efficacy which it would otherwise lack, if the Latin American countries continued to be grouped in a series of isolated sub-divisions.

The second report of the Working Group, drawn up in Mexico, is a sequel to the first, and can only be interpreted in close relation to it, since for obvious reasons it was felt desirable not to revive at the second session topics which had already been dealt with at that held in Santiago. The idea of discussing both documents together therefore seems to me very sound.

I do not regard the proposals made at Mexico as in any way final, and I should like to recall the terms in which the Chairman himself, as a member of the Working Group, stressed at the closing meeting that they represented a step forward, but not yet the decisive step. That would be impossible, in so intricate and complex a field as will be studied at the present session. The greater the knowledge acquired concerning Latin America's real situation, and the more the common market problem is discussed with those qualified to express representative and authoritative opinions, the stronger does the conviction become that ideas which formerly might have seemed very well-grounded may lack foundation, or at least require adaptation to circumstances that at the moment when they were formulated could not be clearly described. These two reports seem to me to provide sufficient data to afford the Governments assembled here an opportunity for thorough discussion of the problem, so that the secretariat may be given an indication of the lines on which it should proceed with

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the work. Not only will it be possible to establish guiding principles, but also to decide upon the form to be assumed by the task that lies ahead. Perhaps the Governments represented on this Committee, after the next few days' discussions, will decide to maintain the working groups in which distinguished experts participate in a personal capacity. Or, again, they will perhaps consider that the time has already come to operate at governmental level and to appoint a committee of Government experts, so that the work may be pursued in close contact with the authorities and with the representative economic forces of each of the countries concerned.

The foregoing is a question which I should like to take this opportunity of submitting to the Committee for its consideration. In my opinion the Mexico bases are of considerable merit because of their lucidity and because of their concrete approach to the problem, while at the same time they make no claim to establish solutions too inflexible to be adapted to the unequal stages of economic development reached by the countries of Latin America. The point of departure is a simple and feasible idea. What Latin America needs during the first phase of its common market is a substantial reduction of tariff duties and, within a reasonable time-limit, the total abolition of all such restrictions as hamper the flow of trade.

It is therefore recommended that Governments should engage to reduce and abolish restrictions, over a period of ten years, in such a way that the average level of customs duties should not exceed a certain figure, in relation to the total value of each country's imports. Thus, the system of averages is the proposed means of determining the commitment to be undertaken by the contracting parties. This is no mere arithmetical device. It is, in my opinion, a happily-conceived formula whereby a series of difficulties that were cited as motives of concern at the sessions of the Working Group can be circumvented. The foremost of these is the problem of how to establish specific and clearly-defined inter-governmental commitments while at the same time ensuring that, during this formative phase of the common market, the Governments concerned should be allowed all the freedom of movement they required not only to make
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the requisite adjustments to the changing features of the real situation, but also to safeguard certain industries and activities from the disastrous consequences which sudden competition from imports might otherwise produce. Thus, under the system of average, a Government could abolish or reduce duties on imports of certain goods of which the manufacture is not at present developed or established. This would cover the whole immense range of capital goods, intermediate products, motor-vehicles and other items which as yet are not produced or manufacture of which is barely beginning in Latin America. Those are the fields in which the Governments would be able, with great freedom of movement, to adopt extremely progressive decisions, while in respect of other goods, current production of which would be placed in a vulnerable position, the authorities could act with caution, leaving certain duties almost or entirely untouched, so as to prevent the common market from distorting the development of existing activities.

In other words, I believe that with the system of averages a solution has been found for a problem of vital importance - that of resolving upon a specific and clearly-defined commitment which at the same time would impart to Government action a great measure of flexibility in the application, through successive negotiations with other Governments, of the reductions which each one might deem it expedient to introduce, always providing that such reductions would ultimately bring duties down to the average agreed upon by the end of the period. A possible subject of discussion would be whether a single duty average in relation to the value of imports should be adopted for all trade items, or whether it would be better to establish three groups of goods, as recommended by the Working Group. I offer this suggestion not in a dogmatic spirit, but simply as a basis for discussion and a means of channeling or organizing it. Other variants might of course be introduced to improve upon or modify the Working Group's proposals, but the fundamental idea of a specific commitment seems to me of decisive importance for the success of the common market, since if such a commitment, however modest, did not exist from the outset, negotiations might be jeopardized, inasmuch as they would be conducted at random, in pursuit of no definite course. The system of averages, on the

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other hand, would make it possible for such negotiations to follow a clearly-marked path, towards a quantitative objective duly defined in the agreement signed by the Governments.

Another of the advantages of the procedure of reduction to an average is that it allows a differentiation to be established between those Latin American countries which are in the initial stage of development and those which have advanced somewhat farther. In this connexion, the meetings of experts at Santiago and Mexico did admirable work, in that they had the resolution and temerity to establish a principle entirely new in Latin America, namely, that equal treatment cannot be accorded where inequalities in trade and industrialization situations exist. Guided by this consideration, the members of the Group are submitting to the Governments a proposal to the effect that the average level of duties which would constitute the target for the first ten years might be higher in countries at the initial stages of industrial development.

The question might be asked, however, whether from the industrial standpoint such a procedure might not encourage the less developed countries to repeat the same mistakes that have been made by the larger countries of Latin America, and attempt to establish all industries in their own territory, regardless of considerations of specialization and economic dimensions. If the smaller countries were accorded a higher level of protection than their bigger neighbours, would they not be led into undesirable industrialization practices? Would not this encourage them to extend their production plans to all consumer goods and later to the anti-economic manufacture of capital goods? If the Working Group's recommendation had stopped short here, zeal for the welfare of the less developed countries would unquestionably have precipitated them into forms of economic autarky which are nowadays unacceptable; but the Group has wisely supplemented its first recommendation with another to which substantive importance must also be attributed. The aim of this second formula is to offer countries at the initial stages of development a further possibility, consisting in the special concessions granted by the larger to the less developed countries to stimulate the latter's industrialization process. As a result, the industrialization effort of

a less advanced country, instead of being circumscribed by its own frontiers, would be able to take full advantage of the scope and opportunities offered by the markets of the bigger countries in order to sell such industrial exports as its lines of specialization permitted. In this way, every country in the initial stages of development would be in a position to choose between two alternatives, one bad and the other good. It could either endeavour to establish industries at any cost and in any order; or it could base its industrialization effort on a broadly selective criterion, so that, instead of attempting to produce all it consumed, it would consume part of other countries' production in exchange for such agricultural and industrial goods as it could send to those at a more advanced stage.

I should like to emphasize the term "agricultural and industrial". One of the points stressed by all the members of the Working Group has been the concept that the industrialization of the less advanced countries is as important as that of the larger countries, or even more so, at the present stage of economic development, inasmuch as Latin America could not now contemplate a recurrence of the traditional phenomenon of the international division of labour which we were taught in our youth, and which relegated certain countries to the category of primary producers and assigned to others the privileged role of industrial manufacturers.

This arbitrary casting of roles should on no account be repeated in Latin America, and the common market would constitute the only means whereby the less advanced countries could develop their industries along rational lines. Of course, the differential treatments suggested deprive the project of the charm of simplicity; but, as matters really stand, such simplicity would be purchased at too high a cost. It would imply the reduction to a common denominator of differences which at the present moment cannot be reconciled. Such inter-country distinctions will necessarily have to be drawn in any common market programme if it is to work well in practice once it has become a reality. Nor does this apply only to the countries at the initial stages of development. There are undoubtedly other Latin American countries whose industrial sector is destined to develop vigorously in the course of the next few years; I have

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noted in their case, however, the existence of very grave apprehensions lest the common market might frustrate their industrial development plans. In the countries concerned, owing to a particular set of circumstances, the high wage levels registered do not represent a high level of productivity, and, furthermore, are accompanied by a high cost of living. All this is the result of special circumstances. If the countries in question were to join the common market on the same terms as the rest, they would almost certainly be unable to avoid distortion of their industrial development plans or to take due advantage of the opportunity of specialization in industrial exports which the market in question would afford them. Why? Precisely, because of their heavy costs, deriving from high wages and the high cost of living.

For such countries to be enabled to join the common market, I believe it would also be necessary to devise formulae calculated to permit and encourage their accession. Obviously, the more distinctions are drawn, the more intricate the apparatus will become and the less simple the operation. An effort will have to be made to introduce as few complications as possible, but some are bound to be entailed by the adaptation of the common market project to the widely differing circumstances characterizing the real state of affairs in Latin America. However, there is one overriding principle to which absorption in these partial aspects should never be allowed to blind us. It is a general principle which should pervade every common market programme, and to which Mr. De Seynes referred in his address this morning - the principle of reciprocity. It was given clear expression by the Mexico Working Group in the declaration that no Latin American country ought to be able to derive more advantages from the common market than the rest. And it was reflected in the following specific formula: any country which, by virtue of the common market, and irrespective of situations previously existing, tended to show a persistent excess of exports over imports should adopt additional measures to reduce or abolish duties and restrictions, in order to allow the other Latin American countries a foothold in its own market for their primary or industrial exports.

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This is not a principle of equilibrium. Numerous arguments might be adduced to show how absurd it would be to attempt to break down the concept of the international balance of payments into two sub-divisions, i.e., equilibrium among the Latin American countries on the one hand, and between them and the rest of the world on the other. There are elementary reasons for shunning such a procedure. It is not concern for the balance of payments that is implied in allusions to reciprocity, but anxiety to ensure all countries equal and positive opportunities of sharing in the benefits of the common market.

It should not be forgotten that the operation of the common market will be mainly evidenced - especially during its early days - in a transformation of the traditional import substitution policy pursued in Latin America during the last thirty years. The common market will offer any given country a choice between continuing to substitute domestic production for imports within a watertight compartment, or sharing with other countries the task of industrial import substitution. And if this division of an arduous and increasingly difficult labour were not effected on bases of reciprocity, the common market would hamper the growth of those countries which were unable to contribute to its development through their own industrial export trade. If a country failed to find an outlet for its industrial production in the common market, it would be better advised to continue its industrialization process in a watertight compartment than to forego that essential reciprocity. I therefore hope it will be possible to devise adequate formulae, thanks to which this principle will not be a mere abstract theory, but will be operative in practice, since otherwise the common market could not function satisfactorily.

It is clear from the foregoing that a dividing-line must be drawn between this concern for reciprocity and the motives on account of which a multilateral payments agreement is regarded as an essential part of any common market system in Latin America. In this connexion, too, I believe that positive strides were made at the two sessions of the Central Banks Working Group which, in compliance with the instructions of the Trade Committee, the ECLA secretariat organized at Montevideo and Rio de

/Janeiro, respectively.

Janeiro, respectively. At the second of these sessions, mechanisms created at the first were perfected, with the result that a draft protocol was prepared, establishing, for the first time in Latin America, communication among the bilateral accounts of countries in the southern zone, so as to render balances transferable from one such account to another. We are well aware that the arrangement as it stands at present is modest in its scope, but, apart from solving certain problems, it will have considerable merit because of its experimental value. It may, I hope, serve to reveal the possibilities for the gradual loosening-up of the bilateral accounts régime and its ultimate transformation into a multilateral payments system, which will be the more efficient the greater the number of countries included and, therefore, the larger the volume of goods negotiated through such agreements. At the suggestion of the Central Banks Working Group, the secretariat has continued to study the prospects for the gradual evolution of the southern-zone bilateral régime towards a Latin American multilateral payments system in harmony with common market objectives. If the market is to develop smoothly, the elimination of payments difficulties is an essential requisite, and there will be no means of facilitating payments or compensation among the Latin American countries until intra-regional trade is energetically promoted. Herein lie two aspects of one and the same problem.

I have more than once laid stress on the fact that there is no simple solution where the common market is concerned. Unfortunately, we are not confronted with a problem that could be settled once and for all by means of a felicitous formula. It is our conviction that such a formula is beyond our reach; the utmost we might achieve would be a series of instruments, including one of a preferential nature to be applied in inter-Latin American trade, which would enable the Governments to progress little by little towards the attainment of the basic objective, namely, the common market. The use of such instruments by those not fully convinced of the vital needs of the common market would be foredoomed to failure; hence their application would have to be subordinated to the implementation of a policy which, it must be confessed from the outset, is extremely difficult to pursue. It will not be easy to bring the common

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market into operation, nor to establish a multilateral payments system in Latin America, nor to adjust inter-Latin American trade relations to the region's trade relations with the rest of the world. This last is an essential requisite if trade with countries outside the region, far from being adversely affected, is actually to be expanded in consequence of the existence of the Latin American common market.

We are sure that this will be the case, but it would be a mistake to disregard one factor which is of fundamental importance at the present stage of Latin America's economic development, characterized as it is by a weakening of the external forces which formerly stimulated the region's spontaneous growth, so that much of the impetus thus given in the past has now been lost. Latin America will not be able to continue developing spontaneously at the rate called for by the social requirements of economic development, by the need to raise the standard of living of the population as a whole. Consequently, the common market question is part of a serious problem with which the region is faced - that of deliberately and intelligently mustering the vital forces of Latin America, with clearly-defined aims and tenacity of purpose, in a co-ordinated endeavour to bring about a state of affairs in which a flourishing economy will generate its own development, a consummation not to be expected within the next few decades.

Annex III

STATEMENTS BY DELEGATIONS IN CONNEXION WITH THE ADOPTION OF THE COMMITTEE'S RESOLUTIONS

When the resolutions of the Committee were adopted at the meeting held on 19 May 1959, some delegations requested the secretariat to ensure that their relevant statements were expressly placed on record in the present report. Accordingly, the declarations made to the secretariat, classified under the resolutions to which they refer, are summarized below.

Resolution 6 (II)

WORK FOR THE ESTABLISHMENT OF THE LATIN AMERICAN COMMON MARKET

1. The delegation of Bolivia expressed the view that the wording of paragraph 1(d) of the resolution was too general, and pointed out that the basic requisite for an effective common market was equality among member countries, so that equilibrium among their economies could be created and maintained. Free trade tended to aggravate the disparity between the more and less privileged countries, from the time when the latter found themselves compelled to offer their goods at abnormally low prices. Among the problems that would have to be solved were the following. In the first place, the level of the existing disparities would have to be defined; secondly, the less developed countries would have to be given the requisite financial assistance to enable them to diversify their economies and strengthen their position vis-à-vis economic fluctuations; and, thirdly, the raw material situation would have to be improved. Lastly, the principle of exceptions to the progressive reduction of tariff duties and other measures in the case of the less developed countries should be fully recognized. The countries in question would thus be able to join the common market in the knowledge that their interests would be duly safeguarded.
2. In the opinion of the representative of Brazil, the constitution of a free-trade zone might be regarded as an interim measure, since the final objective of a common market should be the establishment of a customs union at the earliest possible date. It was very important that certain basic studies should be carried out without delay, and, likewise, that the opinions of Governments should be ascertained in good time. Since Governments might be forced to change their attitude by force of internal
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circumstances, decisions should be established on the basis of an objective evaluation of each country's economic situation, and all the productive forces ought to be induced to accept the idea of the common market. He therefore advocated caution at the present initial stage, while at the same time stressing the need for progressive continuance of the pertinent studies.

3. The representative of Colombia spoke in favour of the resolution, on the grounds that it made allowance for the special circumstances of individual countries and constituted an important advance towards the establishment of the common market.

4. The representative of Cuba said that, while supporting the resolution, he would have preferred that, instead of a group of experts such as was specified in paragraph 3(a) of the operative part, a committee of Government representatives should be set up. He also noted that the resolution embodied no precise definition of the procedure to be followed once the group of experts had prepared a preliminary draft agreement, although the attainment of that stage did not mean that Governments had to take immediate action. On the contrary, the implications of accession to a common market agreement were so far-reaching that such a step would call for thorough study.

Again, with respect to the establishment of a free-trade area for the four South American countries, the Government of Cuba could not recognize the agreement concluded by the countries concerned, as it had not participated in the relevant discussions. He nevertheless supported the efforts of the Central American States in the direction of economic integration, since they were in a special position and action taken by them could in no way be prejudicial to the common market.

5. The representative of El Salvador, speaking on behalf of the Central American countries, said that at their present stage of economic development they would not be able to participate individually in the common market. They were trying to set up a sub-regional market of their own. It was essential that the common market agreement should take that situation into account, so that the pertinent commitments assumed by the countries concerned should not be affected.

6. The representative of Mexico declared that although the resolution adopted did not expressly fix the date for the meeting of the group of Government experts and for the third session of the Trade Committee, as had been done in the draft which had been presented by his delegation and that of Cuba and which had afterwards been withdrawn, he was nevertheless prepared to give it his support, because, like other delegations, he considered that the secretariat was best qualified to set the dates for the various phases in the preparations for the common market, and because he thought it would be possible for the group of experts referred to in paragraph 3(a) of the resolution to be convened very shortly.
7. The representative of Panama, explaining why his delegation was voting in favour of the resolution, stated that in his opinion the only practical step that could be taken for the time being was to prepare the ground for the requisite studies to be carried out, before the common market agreement was more specifically formulated.
8. The representative of Venezuela expressed his Government's satisfaction with those parts of the resolution that related to the setting-up of a group of experts, as indicated in paragraph 3(a). He also attached particular importance to the studies recommended to the secretariat in paragraph 3(b), since they would provide a firm foundation for the establishment of a common market adapted to the differences of economic structure, relative production costs and other features characterizing the Latin American countries.

In his opinion, the Mexico report formulated proposals with a view to adjustments of that kind, and the new studies to be made would show that the success of the agreement would depend fundamentally upon a market structure based on flexible principles, which would enable countries at the early or middle stages of development, or with a special composition of production costs, to adapt themselves to the system gradually. He would have liked to see included, in paragraph 1(d) of the resolution, some specific mention of the inequalities deriving from a particular composition of costs produced by structural distortions, as was the case in Venezuela.

/In conclusion,

In conclusion, he declared that he endorsed the resolution in the form adopted, because it indicated only the general principles of the common market, but that his Government would present Venezuela's points of view in due course, so that special norms might be established for a situation such as that of his country.

Resolution 8 (II)

MULTILATERAL PAYMENTS

The United Kingdom representative referred to the statement made by his delegation at the plenary meeting of the Commission on 16 May 1959,^{1/} to the effect that, in its view, the proposals in the Rio de Janeiro Protocol were unlikely to have the results hoped for. His delegation was therefore unable to associate itself with the expression of approval implicit in resolution 8 (II) of the Trade Committee. If the Protocol were accepted as the basis for a regional payments system, the United Kingdom delegation hoped that a definite term would be set to the operation of the agreement and that provision would be included for the replacement of the agreement by a fully automatic system.

Resolution 9 (II)

STUDY OF THE INTER-LATIN AMERICAN PAYMENTS PROBLEM WITHIN THE COMMON MARKET

1. The representative of the United States declared that his acceptance of the resolution should not be interpreted as implying any change in his Government's opinion that a payments union was not necessarily desirable as a complement to the common market agreement.
2. The representative of Venezuela informed the Committee of his Government's interest in the report submitted by the Central Banks Working Group (E/CN.12/C.1/10), and said that the working-out of such a system as was therein proposed might be a satisfactory instrument for the common market. However, he pointed out that his country's special position necessitated a more thorough study of the subject.

^{1/} See document E/CN.12/SR.74 (VIII), p. 6, and Information Document N°19 of the eighth session of the Commission.

He likewise added that his Government would continue to co-operate with the Working Group in its effort to devise a satisfactory solution of the payments problem.

On the other hand, he voiced some concern as to the methods of accession to the system that might be appropriate for countries which at present effected their payments in freely convertible currencies and on fully multilateral bases.

3. The representative of the International Monetary Fund said that his Organization was interested in the resolution adopted, and that he had received express instructions to support it and to offer the Fund's fullest co-operation in efforts to solve so vital a problem.

