

ECONOMIC AND SOCIAL COUNCIL



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ECONOMIC COMMISSION FOR LATIN AMERICA
Trade Committee
Second Session

SUMMARY RECORD OF THE FIFTH MEETING

Held at Panama City, on Monday, 11 May 1959, at 3.45 p.m.

CONTENTS:

Common market (E/CN.12/C.1/9)

PRESENT:

<u>Chairman:</u>	Mr. GARRIDO TORRES	(Brazil)
<u>Vice-Chairman:</u>	Mr. CHAMORRO	Paraguay
<u>Rapporteur:</u>	Mr. SALGADO	Ecuador
<u>Members:</u>	Mr. MUSICH	Argentina
	Mr. LA FAYE	Bolivia
	Mr. da SILVA	Brazil
	Mr. MARTY	Chile
	Mr. FRANCO.	Colombia
	Mr. MORERA BATRES	Costa Rica
	Mr. VARGAS GOMEZ	Cuba
	Mr. YEROVI	Ecuador
	Mr. MORALES RODRIGUEZ	El Salvador
	Mr. CABOUAT	France
	Mr. FUENNES MOHR	Guatemala
	Mr. ORDOÑEZ	Honduras
	Mr. GARCIA REYNOSO	Mexico
	Mr. KAUFMANN	Netherlands
	Mr. CASTILLO	Nicaragua
	Mr. CARLES	Panama
	Mr. CHAMORRO	Paraguay
	Mr. CERRO CEBRIAN	Peru
	Mr. BRAIN	United Kingdom of Great Britain and Northern Ireland
	Mr. RANDALL	United States of Amer.

/Mr. PONS

Mr. PONS	Uruguay
Mr. D'ASCOLI	Venezuela

ALSO PRESENT:

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

Mr. HOLLAI	Hungary
Mr. BARBOSI	Italy
Mr. JELEN	Poland
Mr. SANCHEZ BELLA	Spain
Mr. BAZIKIN	Union of Soviet Socialist Republics

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

Count PAPPENHEIM	Federal Republic of Germany
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Representatives of
specialized agencies:

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

Representatives of inter-
governmental organizations:

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

/Secretariat

Secretariat:

Mr. de SEINES

Under-Secretary for
Economic and Social
Affairs

Mr. PREBISCH

Executive Secretary,
Economic Commission for
Latin America

Mr. IVOVICH

Secretary of the Committee

General Statements

Mr. GARCIA REYES (Mexico) made a statement.^{1/}

Mr. LERIO (Ecuador) said that the idea of establishing a common market was one which Ecuador, as a country with a limited domestic market, had wholeheartedly supported during previous administrations and would continue to support until that goal had been attained. As far as the recommendations in the Mexico report E/CN.12/C.1/9, part two, section II) were concerned, the averages system was a formula which might prove useful and should be carefully studied. The proposal to establish a special regime for the relatively less developed countries, which included Ecuador, was particularly interesting to his delegation, for without it such countries would simply continue to play the role of suppliers of raw materials. At the same time he thought that the possibility that it would necessitate a prolongation of the first stage should be taken into account. The broader opportunities which the establishment of the common market would open up would help to discourage the trend towards economic autarchy, with all its negative consequences. Ecuador was particularly interested in the exchange of technical information and the investment of foreign capital; it anticipated that both would expand when the common market had been set up.

Mr. DIASCOLI (Venezuela) observed that the establishment of a Latin American common market, by helping to raise levels of living in the member countries and enabling them to conserve their foreign exchange resources, would contribute to the expansion of world trade. While his Government was not opposed to the efforts of smaller groupings to increase trade among themselves,

^{1/} The full text of this statement has been circulated as Information Document No. 6.

as its participation in the recent meeting of the three-member Gran Colombiana group demonstrated, it considered that the concept of the Latin American common market with more than 180 million customers superseded the concept of a series of markets within Latin America as envisaged at the Havana Conference of 1948. The factor of complementarity was a particularly important argument in favour of the establishment of as broad a market as possible. His delegation thought that on the basis of the study made in Mexico an inter-governmental committee should now begin, in collaboration with the Commission, the initial drafting of an agreement to be submitted to Governments with the least possible delay.

He endorsed the statement in the Mexico report concerning the need for a new pattern of trade and agreed that other types of grouping of countries -- with the exception of the Central American common market -- could be an obstacle to the establishment of the larger Latin American common market. The concept of reciprocity outlined by the Working Group, which took into account the different degrees of development attained by the various countries concerned, was realistic and would help to ensure the balance development of all. His own country was a case in point, for while it had one product which was a source of great wealth it had not been able to develop other branches of its economy. Hence it felt that the establishment of the common market should not be allowed to entail an excessively rapid elimination of existing protectionist measures.

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Mr. MARTY (Chile) made a statement.

Mr. CHAMORRO (Paraguay) noted that his country, like Ecuador, was one of the small, under-developed countries which stood to gain from the differential

^{1/} The full text of this statement has been circulated as Information Document No. 7.

treatment proposed by the Working Group. While he understood the concern expressed by the Executive Secretary that excessively favourable treatment of such countries might lead to the proliferation of non-competitive industries, he felt that careful study should be given to the situation of countries which were not yet in a position to compete with their more highly industrialized neighbours. Another aspect that should be thoroughly examined was the possible effect of a Latin American common market on trade with the rest of the world, for if other countries found it prejudicial to their interests they might adopt retaliatory measures which would be harmful to the development of the common market countries.

Mr. FANIEL (European Economic Community) said that as he intended to make a statement on behalf of the European Economic Community before the plenary he wished only to inform the Committee that he had arranged for the circulation of a number of documents concerning the work of the Community which might be of interest for purposes of comparison.

Bases for the establishment of the common market

Mr. da SILVA (Brazil) observed that until now there had been no opportunity for Governments to express their views with regard to the twelve bases laid down by the Working Group at Santiago (E/CN.12/C.1/9, part two, section I). He would therefore like to signify his Government's endorsement of those bases before the Committee proceeded to discuss the relevant recommendations made by the second session of the Working Group, held in Mexico.

Mr. DIASCOLI (Venezuela) thought that the matter raised by the Brazilian representative had been disposed of when the Committee had adopted the revised agenda. The basic document for the Committee's consideration was to be the

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report (E/CN.12/C.1/9, part two, section II) of the Working Group's second session, held at Mexico City, at which the structure established at Santiago had been duly expanded. A preliminary discussion of the Santiago document would only lead to a duplication of effort.

Mr. da SILVA (Brazil) said that in his view the Santiago and Mexico reports were complementary but nevertheless distinct. The Santiago report set forth a number of general and universally applicable principles, while the Mexico report already attempted to offer concrete solutions for the various problems involved. His Government, for one, had not had adequate time to study those proposed solutions and was accordingly in no position to express its acceptance of anything more than the original basic principles. In any event, the proper first step was to approve the Santiago report formally and thus to give the twelve principles enunciated therein some official status.

Mr. RANDALL (United States of America) agreed that a decision on the Santiago report was desirable. Formal approval, however, might be premature, for it would imply acceptance by governments of all the details, which only the experts at Mexico had had the opportunity to discuss in full. The simplest course, therefore, would be to take note of the Santiago report and to proceed to a detailed discussion of the more specific recommendations contained in the Mexico report.

After a further discussion between Mr. FRANCO (Colombia), Mr. da SILVA (Brazil), Mr. CERRO CEBRIAN (Peru) and Mr. VARGAS GOMEZ (Cuba), the CHAIRMAN proposed that the Committee should take note with satisfaction of the report of the Working Group's first session, held at Santiago in February 1958.

It was so decided.

/The meeting

The meeting was suspended at 5.30 p.m. and resumed at 5.45 p.m.

(b) Study of the possible structure (E/CN.12/C.1/9, part two, section II A)

I. Objectives

Mr. FRANCO (Colombia) asked why subparagraph 1 (b) of the Mexico report drew a distinction between the "expansion" of industrial exports and the "promotion" of exports of agricultural and other primary commodities. It might be more logical to speak merely of the "expansion of industrial, agricultural and other exports".

Mr. DIASCOLE (Venezuela) explained that the experts at Mexico had been determined to lay the primary emphasis on industrialization. The safeguarding of existing export markets for agricultural and other primary products should, in their view, be only a secondary objective of the common market.

Mr. PRETEISCH (Executive Secretary) agreed that the wording was designed to stress the desirability of transforming the Latin American countries into industrial exporters. Such a transformation was not only one of the primary objectives of the common market but also something which could not be attained unless the common market was set up.

Mr. da SILVA (Brazil) thought that the statement of objectives might need substantial revision. A growth of foreign trade was a desirable aim rather than a means of achieving results. Furthermore, sub-paragraph 1 (a) seemed to lay undue stress on one of the least positive aspects of the proposed common market. It would be preferable to give a fuller indication of the efforts which should be exerted in order to expedite balanced economic development.

/Mr. CARLES

Mr. CARLES (Panama) said that the Executive Secretary's statement seemed to imply that the principal aim of the common market would be industrialization and that the promotion of non-industrial exports would be regarded as of only secondary importance. Intensive industrialization, however, was only possible in the more advanced countries and consequently such a system might tend to differentiate against the less developed ones. The common market might thus, from the very outset, carry the seeds of its own destruction.

Mr. YEROVI (Ecuador) agreed with the Brazilian representative that it would be better to speak of an atmosphere conducive to the expansion of trade rather than of preferences. The introduction of a preferential system could hardly be considered an objective.

Mr. FRANCO (Colombia) also agreed that the reference to the preferential system could be misinterpreted. It might be better to speak of a "trade zone".

Mr. DIASCOLI (Venezuela) thought that the best solution would be to expand the statement of positive desiderata and not to dwell on purely instrumental devices.

Mr. da SILVA (Brazil) hoped that there could be some mention of the desirability of removing domestic obstacles, such as tariffs and transport difficulties, and of the need to increase Latin American trade with the rest of the world.

Mr. PREMISCH (Executive Secretary) thought that the Brazilian representative's views seemed fully in accord with those of the Working Group, which had concluded that a preferential system would contribute to the solution of inter-difficulties and to an increase in overseas trade.

/With reference

With reference to the point raised by the Panamanian representative, he firmly believed that there were no grounds for fearing any differentiation which would benefit some members of the common market at the expense of others.

After a further discussion, in which Mr. FRANCO (Colombia), Mr. LA PAYE (Bolivia) and Mr. PONS (Uruguay) took part, the CHAIRMAN announced that the Secretariat would prepare a revised draft statement of objectives, taking into account all the views expressed.

II. Juridical form

Mr. da SILVA (Brazil) thought that an immediate definition of the juridical form of the common market might prove premature. That opinion seemed to be borne out by the Working Group's own text, which made express provision for possible adaptation. A careful analysis might well show that the common market should possess some of the features of a free-trade zone and others more often associated with a customs union. An advance definition would only tend to restrict subsequent freedom of action.

Mr. DIASCOLI (Venezuela) agreed that a definition might be unnecessary. The common market's juridical form would be ascertainable by implication from the general liberalization regime.

Mr. PONS (Uruguay) suggested that the text might merely state that the juridical form would be adapted to the actual requirements of Latin America.

Mr. MUSTICH (Argentina) proposed that the question of juridical form should be deferred until all the other aspects of the common market had been considered.

It was so decided.

The meeting rose at 6.50 p.m.

