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ECONOMIC COMMISSION FOR LATIN AMERICA
Trade Committee
Second Session

SUMMARY RECORD OF THE SIXTH MEETING

Held at Panama City, on Tuesday, 12 May 1959, at 9.45 a.m.

CONTENTS:

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

PRESENT:

<u>Chairman:</u>	Mr. GARRIDO TORRES	(Brazil)
<u>Vice-Chairmen:</u>	Mr. PARDO HEEREN	Peru
	Mr. CHAMORRO	Paraguay
<u>Rapporteur:</u>	Mr. SALGADO	Ecuador
<u>Members:</u>	Mr. MUBICH	Argentina
	Mr. HAUS SOLIZ	Bolivia
	Mr. da SILVA	Brazil
	Mr. MARTY	Chile
	Mr. FRANCO	Colombia
	Mr. MOREIRA BATRES	Costa Rica
	Mr. VARGAS GOMEZ	Cuba
	Mr. MONSEFRAT	
	Mr. YEROVI	Ecuador
	Mr. MORALES RODRIGUEZ	El Salvador
	Mr. CABOUAT	France
	Mr. RODRIGUEZ GENIS	Guatemala
	Mr. ORDOÑEZ	Honduras
	Mr. GARCIA REYNOSO	Mexico
	Mr. CALFOS SALAS	
	Mr. DE CASTRO	Netherlands
	Mr. CASTILLO	Nicaragua
	Mr. CARLES	Panama
	Mr. CERRO CEBRIAN	Peru
	Mr. BRAIN	United Kingdom of Great Britain and Northern Ireland

/Mr. RANDALL

Mr. RANDALL	United States of America
Mr. PONS	Uruguay
Mr. D'ASCOLI	Venezuela

ALSO PRESENT:

Observers from States 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. PREBISCH

Executive Secretary, Economic
Commission for Latin America

Mr. IVOVICH

Secretary of the Committee

/COMMON MARKET

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

Mr. PYBLOCH (Executive Secretary, Economic Commission for Latin America) suggested that in continuing its discussion of the bases for a possible agreement setting up the Latin American common market (E/CN.12/C.1/9, part two, section II.II) members should refrain from attempting to redraft the text itself, but should rather make comments which might give guidance for the continuance of the work either in the Working Group or in some other body set up for the purpose.

It was so agreed.

A.III. Customs and liberalization regime.

Mr. SIENA (Brazil) thought that some distinction should be made, in the methods applied, between customs duties and other taxes similar in their effect, which were susceptible of progressive reduction, and other restrictions of an administrative kind - the prohibition of imports, for instance - which by their nature could not be progressively reduced.

Mr. RODRIGUEZ GENES (Guatemala) entirely agreed with the representative of Brazil; he would even suggest that the second paragraph of section III.3 should be redrafted to indicate that non-tariff restrictions ought to be entirely eliminated, or converted into customs duties, before the initiation of the proposed process of reduction.

Mr. GARCIA REYNOSO (Mexico) suggested that in its further work on the subject the secretariat might take into account the practice followed in the matter in the setting up of the European common market.

/Mr. HAUS SOLIS

Mr. HAUS SOLIS (Bolivia) pointed out that some non-tariff restrictions, as for instance import quotas, were susceptible of gradual reduction.

Mr. DIASCOLI (Venezuela) thought that there might be some conflict between the provisions of paragraph (b) in section III.3 and the second paragraph of section III.3 if the latter were amended in the way suggested by the representative of Guatemala; the two provisions should be brought into line.

The point the Brazilian representative had in mind was perhaps not entirely covered by the text as it stood; some provision ought to be made for such cases, as had been done in the General Agreement on Tariffs and Trade and the Havana Charter. The question only arose, of course, during the initial stages; it would resolve itself automatically before the final stage.

Mr. DE CASTRO (Netherlands) thought that the practical procedure would be to suspend non-tariff restrictions with a view ultimately to abolishing them.

A.IV. Classification of products

Mr. FRANCO (Colombia) suggested that it might be wiser to divide products into five or six categories rather than three; that could be done by sub-dividing the first and second categories into two. The sub-division of the first category was particularly important, since foodstuffs and industrial raw materials warranted entirely different treatment.

/Mr. PREBISCH

Mr. PREBISCH (Executive Secretary, Economic Commission for Latin America) reminded the Committee, that the greater the number of specific reduction targets laid down, the less latitude Governments would have in applying them. The intention behind the broad grouping into three categories had been to allow the maximum flexibility in the application of reductions.

A.V. Programme for the first stage

Mr. D'ASCOOLI (Venezuela) believed that during the first stage an attempt should be made to devise a special system for agricultural products in the light of actual conditions, as had been done in the case of the Benelux arrangements. Agricultural goods could not be dealt with in the same way as capital goods, since conditions for their production were not uniform throughout Latin America. For instance, although maize could be produced in all countries, the temperate zone countries had the advantage in wheat production. There was some justification, therefore, for varying the treatment to be applied with regard to the reduction of tariff barriers.

Mr. da SILVA (Brazil) observed that customs duties afforded a more stable form of protection for a country's balance of payments than did exchange restrictions. A progressive reduction in customs duties effected pari passu with a reduction in exchange restrictions might prove less beneficial than was expected; the changeable nature of exchange and fiscal policies made reductions in trade barriers based on exchange restrictions comparatively unreliable. The Committee should therefore

/ recommend that

recommend that, where possible, customs duties should gradually replace other forms of restrictions.

He opposed the idea of reducing customs duties on particular categories of imports by a fixed percentage for a definite period, because the extent to which different countries stood to benefit from any such concessions varied very widely. Latin American countries which placed severe restrictions on imports did so for two reasons: to protect domestic industry and to resolve their balance of payments difficulties. Those which most needed such restrictions - namely, countries in the early stages of industrialization - would have to grant a generous margin of preference, whereas countries with greater import-purchasing power and a sound balance of payments did not need tariff or equivalent barriers, and the margin of preference which they would grant would be much narrower. What was needed was a margin of preference which would induce importers to purchase within, instead of outside, the region covered by the scheme. It was essential, therefore, that the tariffs imposed on goods entering the region from outside should be relatively stable; without such stability, it would be difficult to keep margins of preference on a more or less equal footing within a given system of production.

He doubted whether the first-stage reductions in customs duties and the like outlined in section V, paragraph 6 would result in the free-trade zone referred to in paragraph 2; or, at any rate, in a free-trade zone as defined in article XXIV of the General Agreement on Tariffs and Trade (GATT). According to paragraph 6, only the first category of

/products - primary

products - primary goods - would be completely freed from customs duties; yet the dynamic element in the development of trade within the region was that covered by the second and third categories of products. The problem called for further investigation before the relevant provision was put in final form.

Mr. DIASCOLI (Venezuela) observed that the Brazilian representative's remarks demonstrated the need for consultation when a country's balance of payments difficulties compelled it to impose exchange restrictions as a temporary measure. He could not, however, subscribe to the view that exchange restrictions should be applied only to goods from outside the region, and never to those moving within it. The alternatives - high customs duties and devaluation - were drastic measures which should be reserved for severe difficulties and not employed as solutions to transitory problems. The organization administering the free-trade zone should sanction the use of exchange restrictions in circumstances which it recognised as warranting them, subject to their rescission when the balance of payments of the country concerned improved.

In his opinion, margins of preference would be inappropriate to a free-trade zone; the proper procedure was to effect differential reductions in customs duties, applying them with sufficient flexibility to suit the varying economic conditions obtaining in the various countries. Furthermore, it was by no means a foregone conclusion that countries with a favourable balance of payments and high import-purchasing power would be required to make fewer concessions than countries less favourable situated. When the

/system of

system of uniform tariff levels was brought into operation in the region, countries of the former type would have to make substantial concessions.

The abolition of customs duties on goods in categories II and III, which the Brazilian representative approved to be advocating, would be dangerous. The scheme outlined in paragraph 6 of section V had been designed to safeguard the economic development of the less developed countries.

Mr. CAMPOS SALAS (Mexico) felt that the chief merit of the Working Group's recommendations was that they took into account the manifest inequalities in industrial development among the different Latin American countries. Hence an orthodox, inflexible form of agreement would be entirely inappropriate; the introduction of a complete free-trade zone ab initio would merely render the existing inequalities more acute. The "dynamic element" of the common market scheme should lie in the relatively greater rate of progress to be attained by the less developed countries. The first objective was a free-trade zone and the second a customs union; but in order to afford the economies of the participating countries adequate protection, an intermediate stage was an essential preliminary to the full attainment of the former.

Mr. YEROVI (Ecuador) agreed with the Mexican representative.

The Brazilian representative's criticism regarding the inequality of the concessions required from countries at different stages of development did not seem to him a vital matter; in the initial stage it was enough that the principle of reciprocity should prevail. Progress

/towards uniform

towards uniform tariff levels would of necessity be slow and the Brazilian suggestion with regard to margins of preference could be examined in the course of the transitional period. Meanwhile the treatment proposed for customs duties on goods in categories II and III was well designed to allow the countries concerned to develop their production.

Mr. da SILVA (Brazil), enlarging on his earlier remarks concerning margins of preference, pointed out that a free-trade zone was an area within which countries enjoyed a preference over countries outside it. He recognized, however, that countries in the area might, for the reasons advanced by the Venezuelan representative, be obliged to impose certain trade restrictions owing to balance-of-payments difficulties.

The Mexican representative had rightly drawn attention to the need to take into account differences in economic structure between different countries, as reflected in section A. VI of the Working Group's recommendations. His delegation welcomed any measure designed to counterbalance such differences and thought that the proposals in section A. IV and V for the differential treatment of different categories of goods - might if the classification was modified as suggested by the Colombian representative - prove an effective means to that end. That, however, was the case only as between countries at different levels of economic development; applied as between countries at the same level, such a plan would merely increase the difficulty of expanding the margin of liberalized products to be used within the free-trade zone.

/Mr. MONSEIRAT

Mr. MONSERRAT (Cuba) welcomed the differential treatment proposed by the Working Group for the several categories of goods and for countries in the early stages of industrialization.

A programme of economic integration for a region like Latin America should be designed to preserve, for a long time to come, the stability of the factors already operative in the productive activity of countries in the region. In such a programme it was inevitable that industry should be the main focus of attention. Where agricultural output had to be expanded, however, that goal had to be achieved by specialization; otherwise the countries which expanded their agricultural production would ultimately face a situation in which they could not export the increment and would have to turn to the development of local industries to supply their needs. It was a vital necessity for them that any increase in the output of a given agricultural commodity should be assigned to the traditional producers and exporters of that commodity. His delegation was concerned at the provision in paragraph 6 (a) concerning exceptions with reference to agricultural commodities. Cuba was traditionally opposed to any discrimination against agricultural products and felt that, if that exception was maintained, it should be carefully circumscribed so as to ensure that the increases in consumption would be mainly supplied by the traditional exporters of such agricultural products in the area. Countries like Cuba would have to pay more for their industrial imports when the free-trade zone came into being and they must be able to increase their earnings from agricultural exports in order to offset that increase in expenditure.

/The suggestion

The suggestion made by the Brazilian representative that the instrument should provide a formula of tariff adjustments designed essentially to ensure the creation of adequate and uniform margins of preference would place countries which were primarily exporters of agricultural products at an even greater disadvantage than would the proposal as formulated by the Working Group. The latter's recommended basis for agreement already contained provisions to the effect that, if the margins of preference in certain instances were not adequate, they could be adjusted by negotiation.

A.VI. Régime for relatively less developed countries

Mr. FRANCO (Colombia) stressed the importance to the less developed countries of measures to facilitate the movement of capital and persons. Such measures were perhaps rather advanced in nature; they would be difficult to apply and would require more time but they would undoubtedly help those countries to solve many of their present problems.

Mr. D'ASCOLI (Venezuela) stressed the need for genuine reciprocity. Countries, like his own, with high wage and cost levels were likely to wonder whether their participation in the common market might not hamper their own economic development. That situation would of course remedy itself as the common market evolved. In the initial stages, however, such countries were surely entitled to expect that in return for the benefits their participation would afford other countries as a result of their high import and payments capacities, they should be granted certain privileges, in view of their special circumstances, so that they should

/not be

not be compelled to reduce customs duties to an extent which would jeopardize their own economies. He was glad to note that the Secretariat recognized that situation (E/CN.12/C.1/9, part one, page 1).

Mr. VARGAS GOMEZ (Cuba) made a statement.^{1/}

The meeting rose at 12.20 p.m.

^{1/} The full text of this statement has been circulated as Information Document No.8.