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
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 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 is 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
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 party on the common market, with its distinguished member-
ship under the energetic chairmanship of Dr. Calo 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 to 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 the region. 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 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 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 recognize 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
It was none the less greeted as a major contribution to the policy of eliminating customs barriers.

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