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STATEMENT BY HIS EXCELLENCY HAROLD M. RANDALL,  
REPRESENTATIVE OF THE UNITED  
STATES OF AMERICA,  
ON 13 MAY 1959  

The United States delegation has refrained from participating on other than a minor scale in the debate on the Mexico City report. It preferred first to hear the points of view of the other delegations. For the sake of the record, however, and because of its sincere interest in the proposed undertaking to establish the Latin American regional market I ask your indulgence to express some of the views we hold and, in the light of the discussions held in the last few days, are, we feel, shared at least in degree by other delegations.

The report advocates the establishment of a preferential system and suggests an initial period of ten years as the first stage. It expresses the intent that this first stage of preference will eventually lead to a free trade area and still later to a customs union. Governments would not, however, be committed even to the establishment of a free trade area. Obviously, preferential treatment of intra area trade is inherent to any regional market. My Delegation feels strongly, however, that to launch a 10 year program designed only to
reach an undetermined level of duty preference without a concrete commitment to continue thereafter until a full free trade area be established, would leave a most disturbing degree of uncertainty. We further feel that the establishment only of a preferential area could not assure the attainment of the free trade area or customs union and, indeed, might create new obstacles to the realization of the objective. To repeat, the recommendation provides for an undertaking to form a preferential system but no commitments to form a free trade area or customs union.

Again, there are provisions which could result in limiting competition within the area. Among them is that which provides for an average level of reductions in duties and other restrictions. The expressed purpose underlying this provision is, to be sure, to allow flexibility sufficient to give special treatment to the lesser developed countries. As drafted, nevertheless, it would seem that this provision could be employed advantageously by special interests seeking continued protection within each country.

The recommendation that countries initiate negotiations with third countries to obtain recognition of the regional preference is, of course, understandable. It is difficult to see, however, how this could be effected pending a firm commitment by the future members of the Latin American regional market to establish a free trade zone or a customs union.

/My delegation
My delegation is not convinced that a payments union, with automatic credit facilities, is either a necessary or desirable adjunct to the common market. Major balance of payments disequilibria of individual countries of Latin America have in the past and will in the foreseeable future arise as a result of factors other than those connected with intra-Latin American trade. We all hope that the common market will lead to a rapid expansion of trade among the Latin American countries. But it is safe to assume that, even with this stimulus, the commerce of Latin American countries will continue to be conducted largely with the outside world. The fundamental factor that any country must take into account in its payments and trade relations is its over-all position, not the position vis-a-vis any particular country or group of countries. Neither the common market nor the payments union – as these have been proposed – contain measures designed to deal with fundamental causes of balance-of-payments disequilibria. Moreover, the operation of a payments union would undoubtedly involve the use of exchange controls to ensure that the proceeds of all trade between members of the union is channeled into the official accounts; this would constitute a retrogressive step for the majority of L. A. countries, whose currencies are now fully or substantially convertible. It would be contrary to the existing world wide trend toward a fully multilateral trade and payments system based on convertibility of currencies, a trend which has been generally welcomed on every hand.

The U. S. Delegation is also concerned lest the suggested complex system of classification of countries and products lead to uncertainties in trade relations.
Businessmen and investors are not interested in general levels of duties so much as they are in the particular rates of duties on the commodities they buy and sell. To conduct their affairs efficiently they need to know, for example, not only current tariff rates but also those likely to apply in the future.

I would add that many of the suggestions are meritorious and that the United States observation is not given in the sense of destructive criticism but rather to point the problem. It is given, likewise, with the full recognition that the Secretariat and the Group of Experts, as they have expressed clearly, are fully aware of these complexities, of the difficulties to be encountered in the functioning of a system designed to allow adaptation to the particular conditions existing in Latin America. It might be worthwhile, however, to call attention to the value of maintaining the highest degree of simplicity possible.

I am sure, likewise, that the various delegations appreciate the difficulty that might be anticipated in trade relations with outside countries as long as the definite commitment is limited to the establishment only of a preferential area.

Finally, endorsement of the regional preference proposal alone, without the commitment above mentioned and a viable plan for its fulfillment would, I sincerely believe, be contrary to the long-run interests of the Latin American countries as well as those of the world trading community.

/Mr. President,
Mr. President, it seems clear to the United States delegation that the Mexico City report, the result of intense study by the Secretariat and by the Group of Experts whose efforts are recognized and fully appreciated, nevertheless contains a fundamental weakness. This weakness arises, in our opinion, for the sincere attempt to find ways and means to protect the wide range of legitimate interests of all prospective members of a regional market agreement. In doing so, however, it has lost definition and, if you will permit me to say so, the challenge of the problem faced. A great deal depends upon the firmness of the recommendations which this Committee may make to the Latin American governments. The United States delegation is convinced that the establishment of a preferential system alone would not bring forth greater and more diversified production, expansion both of intra-regional trade and of trade with the rest of the world, and adequate growth in all lines of economic undertaking essential to the production of more and better goods and services so economically as to place them within the reach of a constantly increasing number of consumers. It firmly believes that preferences alone without a commitment to form a true regional market through the establishment of a free trade area or customs union would make no worthwhile contribution to the realization of an improved standard of living for a respective population of the various countries. From some of the views expressed at this meeting and others, such as that of the Committee of 21 of the OAS recently held in Buenos Aires, the United States Delegation believes this
believes this conclusion is shared by numerous Latin American countries. Hence it ventures respectfully to suggest that, instead of concentrating its recommendations upon the establishment of a certain degree of preference, this body should boldly declare the primary goal. I submit that should this Committee elect to make an inconclusive recommendation to the respective governments, the doubts as to the feasibility of establishing a true, mutually beneficial Latin American common market would be in calculably multiplied.

In closing, I would reiterate that the United States government supports firmly the common market concept and believes that such a market or markets in Latin America would be a constructive and useful instrument leading to an increase in the rate of economic growth in the area. Given the obvious complexity of the problem and the doubts expressed in our current sessions regarding the recommendations of the Mexico City Report, my delegation believes that further study and analysis are essential.

As the United States representative to the Committee of 21 stated on February 28, 1959, "Within this principle of increased international trade, the United States also supports the efforts of Latin American governments to create, in cooperation with ECLA, one or more regional markets designed to increase trade within the area, to provide larger international markets, and to improve efficiency of production through competition so that more goods may be made available to the public at cheaper prices."
We are not taking sides on the question of whether Latin American governments prefer to form one or more than one regional market. We consider that either alternative could be followed with benefit provided that the market or markets formed were organized on competitive lines so as to promote a more efficient allocation of resources and greater productivity. Any regional market or regional markets formed in Latin America would, we hope, be so established in multilateral and competitive form and be so designed as (1) gradually to eliminate barriers to trade in the area concerned and (2) to create no new general obstacles to trade with other countries in Latin America or elsewhere.