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TRANSPORT PROBLEMS IN LATIN AMERICA

Possible studies bearing on the common market

CONTENTS

	<u>Paragraphs</u>	<u>Pages</u>
I. <u>Introduction</u>	1 - 8	1
II. <u>General transport problems</u>	9 -12	5
III. <u>Maritime transport problems</u>	13 -19	7
1. Level and incidence of freight tariffs.....	14	8
2. Port facilities.....	15	9
3. Present condition and modernization of Latin American fleets.....	16	10
4. Industries allied to maritime transport.....	17	12
5. Agreements on distribution of cargo.....	18	12
6. Trade routes inadequately served.....	19	13
IV. <u>Railway transport problems</u>	20 -25	14
1. Present condition and utilization of main international railway lines.....	21	14
2. Promotion of technical and trade co-operation among Latin American railways.....	22 -24	15
3. Industries allied to rail transport.....	25	16
V. <u>River transport problems</u>	26 -29	18
1. Study of navigation in the Plate river basin	27 -28	19
2. Industries allied to river transport.....	29	20
VI. <u>Problems relating to roads and motor transport</u> ..	30 -35	20
1. International Conventions and recommendations on road traffic.....	31	21
2. Measures to facilitate international motor traffic on the main Latin American highways.	32	22
3. Regional technical and financial co-ordination with respect to international highways.....	33 -34	23
4. Industries allied to motor transport and to road construction and maintenance.....	35	24
VII. <u>Air transport problems</u>	36 -39	25
VIII. <u>Summary of the principal inter-Latin American transport problems and possible aspects for study</u>	40	27
Annex: <u>International Latin American railways</u>		29

I. INTRODUCTION

1. The purpose of this document is to sketch in broad outline, for consideration by the Trade Committee at its second session, the main intra-regional transport problems currently arising in the Latin American countries, and also to formulate suggestions regarding the relevant studies which might be carried out by the secretariat of the Commission, if this is deemed advisable. In the present document special attention is focused on the problems deriving from the formation of a Latin American common market, as well as from the economic development and the expansion of foreign trade to which such a market would give rise.
2. Among the series of problems arising out of the creation of a Latin American common market, those relating to transport are undoubtedly of primary importance. The attainment of this final goal is inconceivable without a system of communications and means of transport which would link up member countries and areas with maximum efficiency, and would enable all of them to take their share in the development of the market and in the advantages which it would bring in its train.
3. It seems opportune, in the first place, to recall the general features of the transport system as it exists at present in those countries which would form the common market.

In the Study of inter-Latin American Trade^{1/} prepared by the secretariat a few years ago, stress was laid on the pre-eminence of maritime transport in the intra-regional and, in fact, in all the foreign trade of the Latin American countries. A warning was issued in that study, and must be repeated here, regarding the limitations imposed by the fragmentary nature of statistical and other data and the provisional and exploratory character of many of the conclusions reached. It would therefore seem advisable to resume the study of maritime transport problems, approaching them from the standpoint of common-market objectives.

The over-all structure of transport in Latin America's foreign trade has undergone little change in recent years. According to the data given in the study referred to, in 1950-52 about 92 per cent of inter-South American

^{1/} E/CN.12/369/Rev.1, United Nations publication, Sales N°: 1956.II.G.3.

trade was carried on by sea, the remainder was covered by inland waterway traffic, especially along the river Paraguay-Paraná, and by overland transport, particularly between the Argentine Republic and some of the neighbouring countries, and between Colombia and Ecuador. More up-to-date information on the means of transport used in Argentina's foreign trade goes to confirm the insignificance of the role played by overland transport (including railways and lorries) in trade within the territorial range of the common market.^{2/}

4. The deficiencies of several sectors of the transport system in most of the Latin American countries are all too familiar. Attention has been called to them in the secretariat studies on inter-Latin American trade, as well as in others on the over-all economic development of Argentina, Bolivia, Brazil and Colombia. When these problems are viewed from the standpoint of regional trade, the inadequacy and the shortcomings of international means of communication for the transport of goods become even more striking, especially if maritime services are excluded. The appendix to the present study presents data on the very few international rail communications existing in Latin America, almost all of which, moreover, are concentrated in the Southern Zone, between Argentina and its neighbours; and even there the volume of traffic is very small. Broadly speaking, the position as regards international road links may be said to resemble the railway situation, despite the unquestionable potential importance of the Panamerican Highway and of certain other international roads, most of which are also concentrated in the Southern Zone. In the area constituted by Mexico and Central America, however, the road system is being developed much more satisfactorily, and the volume of international traffic is becoming relatively heavy.

5. Despite the special importance of international communication problems for the development of the common market, it would be neither

^{2/} Of the total of 13.7 million tons of goods imported by Argentina in 1957, the volume carried by road and lorry amounted to only 21,600 and 27,600 tons respectively. With regard to exports out of a total of 7.7 million tons, only 68,600 and 3,600 tons, respectively, were transported by those means.

possible nor appropriate to keep them strictly apart from those relating to internal transport. Apart from the question of ports, the great significance of which will clearly emerge when maritime transport is under discussion, it is obvious that the state of internal communications - railways, roads and navigable rivers - and the degree of efficiency with which they are utilized, as means of connecting maritime services with the interior, are also of vital importance for the operation and development of the common market. An analysis of the formation and development of transport networks - especially railways - in the Latin American countries would be out of place here. A thorough study of the subject would reveal that several aspects of their current layout and administration - sometimes even in the case of road networks - fail to meet the requirements of a new phase of economic development, the trends of which will become more marked as the common market progresses. The present constitution of the region's transport system, which covers maritime services and the corresponding overland communications, is partly responsible for the markedly marginal geographic character of the Latin American economy, including its intra-regional trade.

6. In this context, the future expansion and improvement of transport networks, in keeping with the demands of over-all economic development and of the common market, brings the problem of the less advanced countries of Latin America sharply to the fore, although the same remark is equally applicable to extensive areas in several of the more highly developed countries of the region. This does not, of course, mean that there is no need to improve and expand transport networks in the more advanced areas or countries. But unless the transport systems of the less advanced countries or parts of the region develop more rapidly, there will be a risk of still greater concentration of economic activities in the geographically marginal areas of Latin America.

7. These general remarks on the state of the transport system in the countries which are potential members of the common market would be incomplete without mention of the great importance of international civil aviation in passenger transport in Latin America. A statistical analysis of international passenger transport would undoubtedly show

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that here the airlines hold first place, especially if no account is taken of the passenger traffic, often practically confined to frontier zones, which the overland routes in some parts of the region. This is not surprising, since the specific advantages of air transport, both technical and economic, are considerably enhanced by the geographical features of the continent, the topographical characteristics of vast areas, the great distances involved and the very deficiencies of other means of transport. Apart from their leading role in passenger transport, international airlines also make a noteworthy contribution to the speed of postal communications, the economic and social importance of which is so obvious that it is often overlooked. Nor is the economic function of civil aviation negligible in respect of the transport of some kinds of freight, especially during the first phase of over-all economic development in areas which are difficult to reach by land. Attention must also be called to the serious problems created at the present time by the precarious economic and financial situation of many Latin American airlines, and the need to keep pace with the rapid technical progress of air transport.

8. Lastly, emphasis may be laid on the close interdependence of the deficiencies of the Latin American transport system and the comparatively low levels of trade. If, on the one hand, these transport deficiencies constitute one of the main obstacles to a substantial expansion of trade, on the other hand the very limited volume of the latter implies a situation which is hardly conducive to efficient and economic utilization of the transport system. This is one of the innumerable vicious circles of which so much has been said in connexion with under-developed countries or regions, and which it is imperative to break by dint of reciprocal and dynamic effort. The development of the common market itself, by promoting trade, will give rise to additional traffic, and will therefore increase the degree of efficiency with which existing communications and means of transport in Latin America are utilized.

Thus, the extent to which the transport systems used in regional trade must be improved and expanded is also conditional upon the effective increase which may be achieved in future trade, and upon the latter's

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characteristics. Hence specific projections of the possible expansion of Latin American trade are indispensable for an analysis of the development of transport systems.

From another point of view, transport conditions will gradually acquire increasing significance in the future with the operation and normal development of the common market. In fact, it should be borne in mind that the shortcomings of transport, its high cost and, broadly speaking, the economic barrier represented by distances in a vast continent, may prove a hindrance to the development of trade quite as serious as that represented by other restrictions, or even more so. As these other restrictions are gradually reduced or eliminated within the common market, the relative importance of the obstacle constituted by space and distance will become even greater.

II. GENERAL TRANSPORT PROBLEMS

9. If the Governments members of the Commission were to approve in principle the bases for the common market project prepared by the Working Group, together with the recommendations as to its structure and the guiding principles which should regulate its operation, it might perhaps be desirable to extend them to transport services, and this would entail a study of the special patterns to be followed by their application in that sector. It certainly seems logical to assume that the general common market bases and principles would be equally valid in respect of transport. Even if due allowance is made for the specific characteristics of the latter - certain aspects of which might warrant special treatment -, international transport activities and transactions do not in principle and essence differ from reciprocal services connected with other economic activities within the sphere of the common market. It would be hard to imagine a common market in which services - including transport - and other economic sectors were governed by divergent basic principles. The particular provisions relating to transport services which might eventually be included in a draft agreement on the common market would therefore have to be in harmony with the basic principles of the market in question.

10. A possible study of the general measures whereby a regional transport market might gradually be established would have to take into account the highly variable importance - present and future - of the different means of transport used in inter-Latin American trade, and the special characteristics of each. Unquestionably, within the foreseeable future, maritime transport will continue to handle a major share of intra-regional trade, so that the study of problems arising in this connexion should perhaps be given the highest priority.

Furthermore, maritime transport might be the subject of conventions or agreements to which at least the majority, if not all, of the Latin American countries might accede. In this connexion, problems relating to competition from third parties arise. Overland and inland waterway transport systems, on the other hand, are and in the predictable future will continue to be common only to limited groups of countries. As a rule, agreements on such systems might be concluded between two or more neighbouring countries of the region, care being taken that any such arrangements were compatible with general principles applicable throughout Latin America.

11. It seems likely that, with the formation and development of the regional market, overland transport and inland waterways will gradually become of greater importance in every kind of international freight. A study of existing conditions with respect to the utilization of such communications would perhaps reveal that many of them are not utilized to full capacity, and could carry a substantially heavier traffic load. Stress should also be laid on the great importance of such means of communication for the linking-up of countries and areas at different stages of development, as well as for the transport of the foreign trade of landlocked countries like Bolivia and Paraguay.

Several Latin American countries also maintain bilateral or multilateral intra-regional agreements on technical and legal aspects of the utilization of overland routes and inland waterways. An account of such agreements might perhaps be useful. As regards road traffic, there are several international conventions, signed under the auspices of the United Nations, accession to which might be commended to all the

/Latin American

Latin American countries.

Consequently, notwithstanding the high priority that should be accorded to maritime transport, consideration might be given to the desirability of carrying out a study of the problems arising in connexion with Latin America's principal overland communications and inland waterways, in their bearing on the development of the region's trade. Additional and more specific suggestions will later be formulated in this context.

12. Lastly, as regards general transport questions, it should be pointed out that many Latin American Governments are now finding themselves faced with the problems raised by the economic co-ordination of the various means of transport, especially those used on overland routes (rail and motor transport) and on inland waterways. Such questions have been and still are the subject of numerous studies undertaken by the Economic Commission for Europe and the Economic Commission for Asia and the Far East. A first step towards thorough analysis of this complex and delicate set of problems might be a survey of the prevailing situation and of the relevant legislative and other provisions in force in Latin America, together with the difficulties and obstacles hindering their application. A survey of this kind might at the same time constitute a valuable exchange of information on the experiences of the countries concerned. The problem referred to seems exceptionally important in view of the heavy investment in the transport sector entailed by a more rapid rate of economic development.

III. MARITIME TRANSPORT PROBLEMS

13. A summary of the secretariat's first analysis of maritime transport in South America would be out of place here.^{3/} Suffice it to reaffirm the usefulness of continued and more thorough study of several of the questions touched upon in that survey. The considerations set forth below will be based partly upon its provisional conclusions with respect to several factors responsible for deficiencies in the region's maritime transport, and therefore constituting obstacles to trade. It also

^{3/} E/CN.12/369/Rev.1, chapter VI.

indicates the main aspects that might be taken as points of departure for specific supplementary studies. Although from several points of view it is difficult and even impossible to draw a precise distinction between strictly inter-Latin American and partly extra-regional maritime transport, it would seem wise, on practical grounds and because of the magnitude and complexity of the problem, to begin with those aspects that relate to intra-regional traffic.^{4/}

1. Level and incidence of freight tariffs

14. According to the secretariat's earlier study, based on the situation prevailing in 1950-53, the level of freight tariffs in Latin America's maritime traffic was relatively high, in comparison with similar charges on other routes or in other parts of the world. It should be noted that, for a variety of reasons, comparisons of this kind are extremely hazardous; in any case, the problem would have to be re-examined in the light of the present situation. For the moment there is a lack of accurate information as to the existing system of fixing ocean freight tariffs for the region's trade, since there are maritime conferences and their member companies, independent companies, regular and sporadic services, tramps, etc., all of which take part in the traffic under discussion. Nor are precise data available as to the burden or incidence of freight tariffs on trade; this subject would also have to be studied from the aspect of the expansion of the regional market and the new trade flows that might be developed. Clearly, this incidence may vary considerably according to the branch of traffic concerned. At the present time, moreover, the extent to which the volumes of inter-Latin American trade and traffic are affected by freight tariffs is often obscured by the effect of other restrictions on trade; but when the latter are gradually abolished, the incidence of freight charges may become decisive.

^{4/} In the whole of this field, close co-ordination with the studies and research on maritime transport, freight and port facilities carried out by the Organization of American States would also be desirable (see ECLA resolution 120(VII), in E/2998, p.30).

It would seem appropriate to confine future studies on the maritime freight problem to some of the most important items in the chief lines of intra-regional trade, i.e., (a) primary commodities; (b) current consumer manufactures; and (c) capital goods and other durable goods and intermediate products. Perhaps it would be especially useful to consider maritime freight tariffs for capital and other durable goods. As was emphasized by the Working Group on the Latin American Regional Market in the report of its second session (Mexico, 16-27 February 1959),^{5/} the development of these dynamic industries, as well as of specialization and intra-regional trade in this field, is of decisive importance for the common market. Presumably, great importance may in several cases attach to maritime freight tariffs, both for the goods referred to and the raw materials needed by the industries in question, as factors helping to determine the site of the latter and the possibility of their rational development. If the analysis of maritime freight tariffs were concentrated on some of the staple inter-Latin American trade items, it would be possible to reduce the studies to manageable proportions, at once practical and clearly-defined.

2. Port facilities ^{6/}

15. Outstanding among the shortcomings of the Latin American maritime services are those of the facilities available at most sea-ports. This point is at least equally important for the region's ocean traffic as a whole, including its trade with the rest of the world. The high proportion (approximately 40 per cent) of total maritime service costs which may be represented by the various port dues and expenditure at terminals is a matter of common knowledge.^{7/} As in intra-regional

^{5/} Recommendations concerning the structure and basic principles of the Latin American common market (E/CN.12/C.1/WG.2/10/Rev.1), pp.22-23.

^{6/} E/CN.12/369/Rev.1, pp.171-172.

^{7/} The corresponding percentage is lower in the case of tankers and tramps carrying goods in bulk, on the assumption, of course, that port facilities are available to ensure the boats a rapid turn-round.

maritime services the distances covered are often relatively short, this percentage may in their case be even higher. The real incidence of port conditions on regional services is aggravated by the length of time that boats stay in port, which means that what may properly be termed the expenditure they incur while berthed is abnormally high for a given volume of traffic.

These brief indications suffice to underline the considerable importance of the port problem.^{8/} There is plenty of room in this field for the application of a co-ordinated regional programme of technical assistance.^{9/} Interchange of full information, as well as consultations and agreements, among Latin American port authorities might also be desirable. These contacts and consultations would be of great value for the study and co-ordinated application of improvements in port organization, administration and operation methods. Extremely useful co-operation in the pursuit of these ends might also be secured from the shipping companies concerned and from bodies representing importers and exporters.^{10/}

3. Present condition and modernization of Latin American fleets

16. Another aspect deserving of emphasis is the condition of the shipping used in regional traffic. At the moment, accurate data are available only for Argentina's long-distance coastal fleet used in trade with Brazil, Chile and Peru. In the secretariat study on the economic

^{8/} In preliminary papers which were used as a basis for the secretariat study referred to, it was pointed out that "unquestionably, in so far as this primordial factor - maritime transport - is perfected, important sectors will gradually emerge from their present isolation, and new inter-Latin American trade possibilities will thereby be opened up. This opinion is shared by the authorities in various Latin American countries".

^{9/} See ECLA resolution 104(VI) (E/2796/Rev.1, p.29) on training of personnel for ports.

^{10/} Complaints are constantly heard in Latin American trade circles in connexion with the length of time that goods remain in port because of deficiencies in operational methods and material. Apart from the economic losses in respect of goods, raw materials and machinery deriving from the "dead time" attributable to the slowness of port operations, mention must also be made of those consequent upon damage, deterioration and even theft.

development of Argentina,^{11/} attention is called to the exceptional age and obsolescence of this fleet, which will inevitably have to be almost entirely replaced in the course of the next ten years, apart from the expansion called for by the increase in Argentina's foreign trade.

No similar data are available for other Latin American countries, but it is extremely likely that the Brazilian, Chilean and Peruvian fleets used in regional trade also contain a high percentage of vessels that are old and anti-economic, or are approaching the end of their useful life. In such circumstances, and especially when competition is weak, there is a tendency for the level of freight tariffs to be fixed at that of the companies or boats whose costs are highest.

The present condition of the various fleets taking part in inter-Latin American maritime traffic might therefore usefully be studied, as well as their replacement and expansion requirements, with due regard to the development of the common market.^{12/} The selection of types of shipping, with specifications adapted to the characteristics of present and future intra-regional trade, is also of special importance for the economic and rational operation of services.

As regards the development and modernization of fleets and services, closer economic and commercial co-operation among the Latin American shipping companies, with the backing of the common market agencies and the public authorities of the member countries, would be highly desirable. In order to make certain that all countries shared in the development and the benefits of the common market, steps might be taken to promote the creation of shipping companies on the basis of public and private capital

^{11/} El desarrollo económico de la Argentina (E/CN.12/429/Rev.1), Vol.V in the series Analyses and projections of economic development. (This volume has gone to press in Spanish only.) See also Los problemas del transporte en la Argentina y la orientación de sus soluciones (Ways and means of solving Argentina's transport problems (E/CN.12/491 and Add.1).

^{12/} If the Trade Committee did not consider a separate study on this subject worth while, it could be enlarged to cover the whole of the ocean-going fleets of the Latin American countries.

from several Latin American countries, thus at the same time ensuring that enterprises were built up on firm economic foundations and had the resources necessary for rational operation.^{13/}

4. Industries allied to maritime transport

17. Mention should also be made, even if only in passing, of the great interest attaching, for purposes of the formation and expansion of the common market, to a study of the co-ordinated development of the ship-building and dockyard repairs industries. These are among the most important of the dynamic industries in category II, as defined by the Working Group on the Latin American Regional Market, and offer a wide margin for import substitution. The replacement, expansion and modernization of intra-regional and overseas fleets would provide a solid basis for the progressive and co-ordinated development of these two kindred industries (ship-building and dockyard repairs).^{14/}

5. Agreements on distribution of cargo

18. As was pointed out in the secretariat's earlier study, "in most South American countries there is a tendency to conclude agreements with a view to ensuring the participation of their own shipping in the transport of cargo on given traffic lines, either through direct negotiation between enterprises or by means of clauses incorporated in trade treaties".^{15/} Measures relating to payments agreements and exchange controls operate in the same direction. In almost every case, the agreements, instruments or provisions in question are bilateral. Obviously, a system of cargo distribution set up on a bilateral basis may lead to inefficient or inadequate utilization of the hold or cargo

^{13/} Such solutions are by no means simple in practice, as can be seen, for example, from the case of the Flota Mercante Gran Colombiana.

^{14/} At present, the shortage or defective nature of dockyard repair facilities involves the Latin American countries in substantial foreign exchange expenditure.

^{15/} E/CN.12/369/Rev.1, p.170.

capacity of boats and services, especially since it implies the fragmentation of a volume of cargo which is often already intrinsically insufficient, or at best barely suffices, to permit of the economic operation of regular, frequent and reliable services. This situation is aggravated in the case of traffic flows where to-and-fro disequilibria exist between specific countries, and clearly helps to force up the costs and freight tariffs concerned.

Some degree of priority should be given to the study of this particular aspect of regional maritime transport services, with a view to the possibility that the bilateral pacts in force between Latin American countries might be progressively welded into multilateral agreements.

6. Trade routes inadequately served

19. Among the factors limiting inter-Latin American trade, the secretariat study quoted above ^{16/} called attention to the absence of direct and regular shipping lines between ports on several South American coastal routes, which were essentially those from one northern country to another and those linking the Northern with the Southern Zone. In this connexion it should be stressed that trade between the countries and areas mentioned is now a mere trickle, with the exception of the specialized traffic in liquid fuels. No pronouncement on this problem can appropriately be made here, particularly as regards the question of whether the absence of such shipping lines is mainly the consequence of the trifling size of current trade, or whether the lack of services militates to a substantial extent against the development of trade. In any event, it seems desirable that this aspect of the problem should also be studied.^{17/}

^{16/} Ibidem, pp.169 et seq.

^{17/} See again ECLA resolution 120(VII).

IV. RAILWAY TRANSPORT PROBLEMS

20. Emphasis has already been laid on the comparative unimportance of the role nowadays played by international rail traffic in inter-Latin American trade. However, to consider railway transport within the structure of the common market from this angle alone would be to adopt a narrow and unilateral criterion. It ought also to be envisaged as forming part of the means of access to ports, that is, as an important complement to maritime transport. If a still broader view is taken, railway networks, as a vital element in national economies and over-all economic development, are of considerable importance for the future establishment and growth of the common market. It would be impossible here to embark upon an analysis, however brief, of the condition of railway networks in the Latin American countries. In any case, their unsatisfactory, and even in many respects lamentable, state is all too well known. If the development of the individual economies of the members of the common market is to be expedited, a considerable effort will have to be made in the direction of the gradual renewal of the networks, and their ultimate replanning or expansion in accordance with the demands of economic and commercial progress.

The problems that will arise in the immediate and not too distant future from this broad aspect are on a vast scale, and the range of their repercussions is likely to be considerable. In this field it might be recommended, if the Trade Committee were to deem it appropriate, that Latin American Governments should give the maximum impetus compatible with their resources to the restoration and modernization of railway networks, and for the pertinent studies should draw upon the facilities provided by the United Nations Technical Assistance Programme.

1. Present condition and utilization of main international railway lines

21. As regards the studies - primarily intended to promote regional trade - which the Trade Committee may consider advisable to instruct the secretariat to carry out for practical reasons and in order to fix limited and specific targets, it would seem desirable that they should concentrate

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on the utilization and improvement of some of the main international railway lines and links in Latin America. The factors responsible for the small amount of traffic on these lines and suitable measures to facilitate and promote their utilization should also be considered. As the common market gradually develops, a substantial expansion of international rail transport may be anticipated. Furthermore in spite of the unsatisfactory physical and technical state of most international lines, the present reduced amount of traffic indicates that they are being under-utilized and that traffic could be increased without much investment. Moreover, an intensification of trade and traffic would lead to a financial - and consequently, to a technical and physical - improvement in these lines.

2. Promotion of technical and trade co-operation among Latin American railways

22. Similarly, appropriate measures should be considered for promoting technical, administrative and trade co-operation among railway companies operating international services, with the collaboration of the Association of the Pan American Railway Congress (Asociación del Congreso Panamericano de Ferrocarriles) in which all Latin American railways are represented.

This is one of the oldest forms of international co-operation. In Europe, it dates back, for obvious reasons, to the nineteenth century and it developed considerably after the war. Although the time required for such co-operation among the Latin American railways to attain the scope and scale it has achieved in Europe cannot be predicted, the potential benefits to be derived from its intensification are by no means negligible. Some co-operation agreements have already been signed among railway enterprises in neighbouring countries, but no details concerning their purport, scope and degree of practical application are yet available.

23. Technical and trade co-operation among the railway enterprises concerned would facilitate international traffic in many respects. Apart from improving the quality of service, it would help to reduce operational costs. Such co-operation is concerned, inter alia, with the following aspects:

/(a) Technical

(a) Technical co-operation: A liberal system for the exchange of goods wagons to ensure that there are no empty turn-rounds; unification and standardization of the rolling stock and its principal components used in international traffic; formation of a goods wagon "pool" for the exclusive use of international traffic, to be available to all interested railways; standardization of permanent way characteristics and operational conditions for rolling stock; standards of inspection and maintenance of rolling stock on international lines; instructions for the loading and unloading of goods wagons; co-ordination of train timetables and service schedules; and the speeding-up of frontier formalities, which also involves customs aspects, etc.

(b) Trade and administrative co-operation: Financial and administrative arrangements concerning technical co-operation; standardization of transport conditions and general regulations and of rates for the international transport of goods and passengers, without prejudice to the complete independence of the different administrations as regards their own tariffs; standardization of the legislation applying to international transport, and of the rights and obligations of railway administrations and of users, etc.

24. It would also be necessary to study railway tariffs for some of the staple items of regional trade and the effects of such tariffs on the development of trade among the Latin American countries concerned. In this respect, special attention should be paid to the railway tariffs for new dynamic industries, with regard to their products and the raw materials they use, as well as to other important items of intra-regional trade. Consideration might also be given to the possibility of adopting international rates for some staple items.

3. Industries allied to railway transport

25. In addition to these suggestions regarding the problems of railway transport that seem to require study, stress should be laid on the great importance, as regards both industrial development and railway re-equipment

/and modernization,

and modernization, of the co-ordinated development of industries connected with railway transport, such as those manufacturing rolling stock (locomotives, goods wagons and passenger coaches); miscellaneous equipment and spare parts, etc. for the maintenance and repair of rolling stock; permanent way equipment (sleepers, rails and various metal accessories); signalling equipment and so forth. If those industries, which have a large import substitution potential develop, they could play a leading and dynamic role in the gradual formation of a common market. The secretariat has already begun to study this aspect, bearing in mind the need to promote production and intra-regional trade in railway equipment of all kinds that could be supplied by existing Latin American factories or other projected plants.

/V. RIVER

V. RIVER TRANSPORT PROBLEMS

26. In view of the extensive navigational possibilities offered by inland waterways, it is clear that the principal rivers which cross or link various Latin American countries have not been utilized as intensively as they might have been.

International river traffic is at present concentrated mainly on the waterways of the Plate river basin, and on the Paraná-Paraguay in particular, which is known to be very important for Paraguay's foreign trade. In a report submitted by the Government of Paraguay to the Economic Conference of the Organization of American States (Buenos Aires, 1957), it was stated that the riparian States on the river Plate and its international tributaries should join in making a continuous and determined effort to solve all the problems involved in the use of such waterways, in a spirit of inter-American understanding and co-operation. To this end, the Government proposed that a zonal or regional agreement should be concluded among the following countries: Argentina, Bolivia, Brazil, Paraguay and Uruguay, and should cover every aspect of the utilization of these rivers, of which transport was only one, although the most important.^{18/}

There is also a certain amount of international traffic, although of scant importance, in the Amazon river basin between Brazil and Peru, and on the rivers of the Amazon basin and the Beni region adjacent to Bolivia, Brazil and Peru. In March 1958, a preliminary protocol was signed between Bolivia and Brazil regarding navigation on some of these waterways.

18/ Fundamentos a las ponencias presentadas por la delegación del Paraguay, relativas a los temas: transporte y comercio (Organization of American States, Economic Conference, document 73, p. 4). An agreement such as that proposed might be tantamount to the establishment of an international régime for the rivers in question similar to that in force for some European rivers.

/Within the

Within the framework of the common market, emphasis should therefore be placed on the great significance of the development of river navigation for some of the less advanced countries and zones of Latin America.

1. Study of international navigation in the Plate river basin

27. The foregoing observations underline the advisability of studying problems of international navigation in the Plate river basin, and particularly on the Paraná-Paraguay.

The rivers forming this basin have been the subject of several international conventions and agreements, among which those adopted at the Regional Conference of the River Plate Countries (Montevideo, 1941) are worthy of special mention. No data are available at the moment on which to judge the content of these agreements and conventions and the degree or range of their practical application, especially with respect to international river traffic.^{19/}

In the proposed study special attention would have to be paid to problems such as how to improve the navigability of the rivers in question, the rehabilitation and modernization of river fleets and ports,^{20/} the part played by river freight in Paraguay's external trade and the measures which should be adopted to ensure that all countries interested in international river navigation took part on an equitable basis. It would also be necessary to establish close co-ordination with the Organization of American States in this connexion.^{21/}

^{19/} At the present time, various technical aspects of river navigation in Paraguay are being studied by an expert of the United Nations Technical Assistance Administration.

^{20/} Latin American river transport is characterized today by a great deficiency of river ports and the extreme old age of most craft.

^{21/} A resolution on the utilization of river systems and facilities in landlocked states, adopted at the Economic Conference of the Organization of American States (Buenos Aires, 1957), recommended to the States members participating in each river system that, in order to facilitate international traffic and stimulate their economic development, they should conclude agreements for the purpose of studying the international rivers within their respective jurisdictions with regard to technical aspects of navigability, industrial and agricultural utilization and the improvement of transport systems. See also ECLA resolutions 122 (VII) and 131 (VII) (E/2998, pp. 31 and 35).

28. Although first priority should apparently be given to the study of navigation on the waterways of the Plate river basin, the Trade Committee might also recommend that as much attention as possible should be accorded to the development of river navigation in other zones of the common market. In several cases, the energetic promotion of this type of transport, in conjunction with the construction of a simple road network leading to the river ports, could be an essential and preliminary step towards the more rapid economic development of some of the less-developed areas of Latin America.

2. Industries allied to river transport

29. As in the case of maritime transport, stress should be laid on the considerable importance of industries connected with river transport, such as those for the building and repair of river boats and craft of all kinds. If, in addition to maritime transport requirements, those relating to the re-equipment and expansion of river fleets are taken into account, a better understanding will be obtained of the favourable outlook which the co-ordinated - and dynamic - development of these industries holds out within the framework of the projected common market.

VI. PROBLEMS RELATING TO ROADS AND MOTOR TRANSPORT

30. The studies undertaken by the secretariat on the over-all economic development of Argentina, Bolivia, Brazil and Colombia have underlined the importance of the motor transport of goods and passengers in these countries to-day. The situation is much the same in other Latin American countries, i.e. the volume of motor transport traffic is frequently comparable to that of rail transport and is even greater in some cases. Although this is partly because of the railways' technical backwardness, decline and disinvestment, the boom in motor transport is also attributable to all its inherent advantages and to the extension of road networks in every Latin American country during the last 25 years.

The great strides made by internal lorry traffic contrast with its insignificance in international traffic, except in Central America and a few frontier zones of countries bordering on South America, such as Ecuador,

/Colombia and

Colombia and Venezuela; its volume is small in absolute terms, however, even in these countries. The virtually negligible volume of international lorry traffic may be explained by the extremely small number and shortcomings of existing international roads and highways. In addition, international traffic in Latin America is often obliged to cover long distances. The present international highways frequently cross areas that are extremely under-developed. Lastly, the incipient state of trade and the probable lack of suitable measures for facilitating international motor transport are also no doubt responsible for the small volume of traffic.

As in the case of the railways, several of the existing international highways are probably not fully utilized, and their traffic may well be increased without much additional investment. Moreover, in many cases the increment in traffic which would follow an expansion in trade would justify further investment in international roads, which might now appear both unnecessary and risky.

1. International conventions and recommendations on road traffic

31. Reference has already been made (paragraph 11) to international conventions on road traffic concluded under United Nations auspices. In this respect, it might be timely to consider, in collaboration with United Nations Headquarters, measures to ensure that the Latin American Governments which have not yet ratified the Road Traffic Convention,^{22/} adopted at the United Nations Conference on Road and Motor Transport at Geneva in 1949, proceed to do so. Since the main purpose of the Convention is to facilitate, promote and guarantee international road traffic, it lay down standards and uniform conditions for road traffic of all kinds, and its technical requirements, weight and dimensions, and for the drivers of motor vehicles in international traffic. Similar conventions were

^{22/} This Convention came into force on 26 March 1952. By December 1958 it had been ratified by 39 Governments including four from Latin America (Cuba, the Dominican Republic, Haiti and Peru).

/signed for

signed for the same purpose on customs facilities for touring and for the temporary importation of private road motor vehicles,^{23/} and recommendations were made by the United Nations with reference to the insurance of driving licenses for motor vehicles and a uniform system of road signs and signals, etc.

Mention should be made of the striking progress achieved in this field by the Central American countries whose Governments adopted, in June 1958, three agreements of road traffic, uniform road signs and signals^{24/} and the temporary importation of motor vehicles.

2. Measures to facilitate international motor traffic on the main Latin American highways

32. Apart from the general problems involved in the development of international road traffic, a study might be made of the present utilization of some of the main international highways and of ways and means of facilitating traffic on them.

Customs, administrative and other facilities connected with frontier formalities, the entry and operation of commercial road vehicles

^{23/} The Convention on customs facilities for touring entered into effect on 11 September 1957 and by December of the following year had been ratified by 29 Governments, including three from Latin America (El Salvador, Haiti and Mexico). The Convention on the temporary importation of private road motor vehicles entered into force on 5 December 1957, and by December 1958 had been ratified by 27 Governments, including the three quoted above.

^{24/} See E/CN.12/492, pages 45-72. In the preamble to the Central American agreements, the Signatory States recognized that in signing the agreement they were facilitating their accession to the Convention on Road Traffic (Geneva, 1949). The temporary importation of road vehicles without payment of customs duties or other taxes was laid down in article IV of the Multilateral Treaty on Free Trade and Central American Economic Integration signed by the Governments of Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica (Tegucigalpa, 10 June 1958), as may be seen in the document quoted, pages 32-42.

/in international

in international traffic and international lorry transport are of special importance as regards the international transport of both freight and passengers. In this respect, it might be appropriate to study the numerous measures which have been adopted and treaties concluded within the Economic Commission for Europe. The particular conditions peculiar to Latin America would naturally have to be taken into account, as well as the fact that such traffic would be restricted for quite a long time to groups of two or more adjacent countries and border zones, particularly in South America. Hence motor transport might be the subject of zonal agreements and arrangements so long as these conformed to principles which were standard for all Latin America.

3. Regional technical and financial co-ordination with respect to international highways

33. It might be worth while to undertake a study, in close collaboration with the Governments concerned, of possible measures designed to increase their joint technical and financial co-ordination so that existing international highways might be modernized and adapted to the requirements of growing regional traffic and new roads constructed to carry traffic that has a rapid potential development. Agreements have already been signed or drafted among certain Governments with regard to the construction of international highways of mutual interest. It should also be pointed out that it would be advisable to complete and improve the Panamerican Highway, which is still in many respects the backbone of a future international road network in Latin America - a long-term target for the common market countries.

34. The work and studies referred to in these paragraphs should be closely co-ordinated with the activities of the Organization of American States secretariat and above all with those of the Pan American Road Congress (Congreso Panamericano de Carreteras).^{25/}

^{25/} The Congress has prepared a draft agreement on international commercial road traffic on the Panamerican highway system.

4. Industries allied to motor transport and to road construction and maintenance

35. It should also be mentioned, however briefly, that the coordinated development of the dynamic industries which assemble and manufacture motor vehicles of all kinds - motor cars, buses, vans and lorries - and of the industries that manufacture machinery for highway construction and maintenance is of great importance for the projected common market.

Industries in the first category are already being developed in some Latin American countries, but those in the second have barely reached the incipient stage. For this reason, a study should be made of problems arising from the co-ordinated development of all these industries.

VII. AIR TRANSPORT PROBLEMS

36. In this general outline of the main regional problems in Latin American transport, attention has been focused almost exclusively on freight transport. It may easily be assumed, in fact, that this aspect is far more important than that of passenger traffic, particularly with respect to the development of inter-Latin American trade. However, from a broader standpoint, the sound and rational development of air transport within the framework of the projected common market is undoubtedly of tremendous importance. This means of transport obviously plays a leading role in national and international passenger traffic, in postal transport and occasionally even in certain kinds of freight traffic.

37. In paragraph 7 it is pointed out that the economic and financial situation of Latin American air transport is rather unsatisfactory at present and is often a heavy burden, either directly or indirectly, on the national economy of some countries. A veritable tariff war is being waged between several companies which the International Air Transport Association (IATA), of which most of the world's airlines except for a few in Latin America are members, is trying to bring to an end.

Moreover, at present a great many Latin American companies have to deal with the critical problem of the new investment required for rapid technical advances in civil aviation. Such investment, which includes airports and air navigation services, is so immense that it would be advantageous from every point of view if the countries and enterprises concerned were to co-ordinate their investment needs carefully. It should also be realized that, within the common market area, greater technical and trade co-operation among airlines and even, in some cases, integration, might be of considerable help in overhauling and strengthening the economic situation of Latin American air transport.^{26/}

^{26/} For information on the various forms and advantages of technical and commercial co-operation among airline companies, see the Institut Français de Transport Aérien, Existing forms of commercial and technical co-operation between European Airlines in regional air services, ICAO, Montreal, 1952.

The operation of international airlines inside Latin America is hampered at present by various arrangements and agreements of a rigidly bilateral nature. It might be worth while to examine the possibilities of concluding one or more multilateral agreements on regional air services among the countries concerned, within the orbit of the common market.

38. In this respect, it should be pointed out that, during a conference at Strasbourg, France, in 1954, which was convened by the International Civil Aviation Organization, in agreement with the Council of Europe, the European countries ^{27/} set up a standing regional body known as the European Civil Aviation Conference. Its main purpose is to foster inter-governmental collaboration for the development of regional air transport and to promote economic and technical co-operation among European airlines. In close co-operation with ICAO, this Conference studied, among other matters, the possibility of a multilateral agreement among European countries on the administration and operation of intra-regional services.

39. In view of these considerations, it might be discussed whether it would be timely to undertake a study of the main economic problems arising from the present situation of Latin American air transport. If a study of this kind is to be carried out, ICAO, which is the United Nations specialized agency in this field, would first have to be consulted, and close collaboration and co-ordination maintained with it thereafter.^{28/}

^{27/} Seventeen European countries took part in the conference.

^{28/} By virtue of article 55 of the Chicago International Civil Aviation Convention, the ICAO Council may set up subsidiary air transport commissions, on a regional or other basis.

VIII. SUMMARY OF THE PRINCIPAL INTER-LATIN AMERICAN
TRANSPORT PROBLEMS AND POSSIBLE ASPECTS FOR STUDY

40. The main regional problems facing inter-Latin American transport at the present time, particularly as regards the proposed common market which is an aspect that might well be studied, are summarized below.

- (1) General transport problems bearing on the common market.
- (2) Co-ordination of transport
- (3) Maritime transport
 - (a) Level and incidence of maritime freight tariffs for some important items of regional trade;
 - (b) Port improvements;
 - (c) Maritime fleets;
 - (d) Co-ordinated development of industries allied to maritime transport;
 - (e) Agreements on the distribution of cargo and their multilateralization;
 - (f) Trade routes inadequately serviced in certain areas of Latin America
- (4) Rail transport
 - (a) Re-equipment and modernization of the railways;
 - (b) Present condition and utilization of main international lines;
 - (c) Promotion of technical and trade co-operation among Latin American railways;
 - (d) Level and incidence of rail freight tariffs for some important items of regional trade;
 - (e) Co-ordinated development of industries allied to rail transport
- (5) River transport
 - (a) International navigation on the waterways of the Plate river basin;
 - (b) International river navigation in other zones;
 - (c) Development of industries allied to river transport

/(6) Roads

- (6) Roads and motor transport
 - (a) Ratification and extension of international conventions and recommendations on road traffic;
 - (b) Measures and arrangements to facilitate international road traffic on the main Latin American international highways;
 - (c) Regional technical and financial co-operation with respect to the construction and maintenance of international highways;
 - (d) Co-ordinated development of industries allied to motor transport and to road construction and maintenance.
- (7) Economic situation of regional air transport and measures for increasing technical and trade co-operation among Latin American airlines.

Annex

INTERNATIONAL RAILWAYS IN LATIN AMERICA

Argentina 29/

(a) Bolivia

- (1) La Quiaca (Argentina, FC. Belgrano) - Villazón (Bolivia, as far as La Paz). One-metre gauge.
- (2) Yacuiba (Argentina, FC. Belgrano); junction with a line in Bolivia which extends almost as far as Santa Cruz. One-metre gauge.

(b) Chile

- (3) Salta (Argentina, FC. Belgrano) - Antofagasta (Chile, FF. CC. del Estado), junction at Socompa. One-metre gauge.
- (4) Transandino. Links Mendoza (Argentina, FC. Belgrano) with Los Andes (FF. CC. del Estado, Chile) via Caracoles-Las Cuevas. One-metre gauge. Junction with broad-gauge lines (1 676 metres) in both countries.

(c) Paraguay

- (5) Posadas (Argentina, FC. Urquiza) - Encarnación (Paraguay, FC. Central de Paraguay). Ferry connexion over the Paraná. Normal gauge track (1 435 metres) in both countries.

Bolivia

(a) Chile

- (6) Antofagasta (Chile) - Oruro (Bolivia), with junction at La Paz. Crosses Andes via Cllagüe. One-metre gauge.
- (7) Arica (Chile) - La Paz (Bolivia). One-metre gauge.

29/ The Argentine railways have carried the following traffic during the last few years:

	<u>(Thousands of tons)</u>	
	<u>Imports</u>	<u>Exports</u>
1950	50.0	57.8
1951	33.6	53.8
1952	13.7	46.3
1953	6.2	30.2
1954	11.9	17.3
1955	28.9	18.6
1956	20.6	45.1
1957	21.6	68.6

/(b) Peru

(b) Peru

- (8) Puno, Peru (Peruvian Corp. Railways) - Guaqui (Bolivia) including the crossing of Lake Titicaca by steamer. 1.435-metre gauge in Peru and one metre in Bolivia. Junction for the ports of Mollendo and Matarani in Peru, and for La Paz in Bolivia. There is a project for a direct line with no change.

(c) Brazil

- (9) Corumbá (Brazil, EF.Noreste do Brasil) - Santa Cruz (Bolivia). Junction as far as Santos in Brazil. One-metre gauge.
- (10) Guajará-Mirim-Porto Velho (EF.Madeira-Mamoré, in Brazilian territory). One-metre gauge. Linked with Bolivian and Brazilian river networks. In principle, it is planned to extend it as far as Hiberaltá (Bolivia).

Brazil

(a) Paraguay

- (11) Ponta Porá (Brazil, EF.Noroeste do Brasil) - Pedro Juan Caballero (Paraguay, FC.Central). Linked with Concepción (Paraguay). One-metre gauge.

(b) Uruguay

- (12) Livramento (Brazil, EF.do Rio Grando do Sul) - Rivera (Uruguay, FF.CC. del Estado). One-metre gauge in Brazil and normal gauge (1.435 metres) in Uruguay.
- (13) Quareim (Brazil, EF.do Rio Grando do Sul) - Santa Rosa (Uruguay, FF.CC. del Estado). One-metre and 1.435-metre gauges respectively.
- (14) Quarai (Brazil, EF.do Rio Grando do Sul) - Artigas (Uruguay, FF.CC. del Estado). One-metre and 1.435-metre gauges respectively. It is not known whether a rail link actually exists.
- (15) Jaguarao (Brazil, EF.do Rio Grando do Sul) - Rio Branco (Uruguay, FF.CC. del Estado). One-metre and 1.435-metre gauges respectively. It is not known whether a rail link actually exists.

(c) Argentina

- (16) Uruguaiana (Brazil, EF.do Rio Grando do Sul) - Paso de Los Libres (Argentina, FC.Urquiza). One-metre gauge in Brazil and 1.435-metre gauge in Argentina. There is no ferry connexion.

/Chile

Chile

(a) Peru

- (17) Arica (Chile) - Tacna (Peru). Isolated line of 60 kilometres.
1.435-metre gauge.

Colombia

(a) Venezuela

- (18) Cúcuta (Colombia) - Oropo (Venezuela). Isolated line.
One-metre gauge.

Guatemala

(a) El Salvador

- (19) Puerto Barrios (Guatemala) - San Salvador (El Salvador).
IRCA (International Railways of Central America). Three-foot gauge (0.914 metres). Junction for the Salvadorian port of Cutuco (La Unión) by IRCA line and for that of Acajutla, by the Ferrocarril de El Salvador.

(b) Mexico

- (20) Ayutla (Guatemala) - Suchiate (Mexico, FF.CC. Nacionales de México). Three-foot gauge (0.914 metres). Junction for Guatemala.

Uruguay

There seems to be no real link with Argentina, but if there is, the junction might be at Concordia. Both gauges are 1.435 metres.

