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ECONOMIC COMMISSION FOR LATIN AMERICA
Trade Committee
Second Session

SUMMARY RECORD OF THE TWELFTH MEETING

Held at Panama City, on Tuesday, 19 May 1959, at 9.40 a.m.

CONTENTS:

Consideration of draft resolutions presented (Conference Room Papers Nos. 1 and 1/Rev. 1, 2, 4 and Rev. 1, 6/Rev. 1., 7 (Rev. 1, 8)

Closure of the session.

/PRESENT:

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. MUSICH	Argentina
	Mr. HAUS SOLIZ	Bolivia
	Mr. da SILVA	Brazil
	Mr. VALDIVIESO	Chile
	Mr. MENDEZ	Colombia
	Mr. MORERA BATRES	Costa Rica
	Mr. VARGAS GOMEZ)	Cuba
	Mr. BROWN)	
	Mr. GINEBRA	Dominican Republic
	Mr. ICAZA	Ecuador
	Mr. SANCHEZ ACUILLON	El Salvador
	Mr. LETONDOT	France
	Mr. FUENTES MOHR	Guatemala
	Mr. ORDÓÑEZ	Honduras
	Mr. GARCIA REYNOSO))	Mexico
	Mr. URQUIDI)	
	Mr. KAUFMANN)	Netherlands
	Mr. FERRIER)	
	Mr. GUERRERO	Nicaragua
		/Mr. GALILEO SOLIS

Mr. GALILEO SOLIS	Panama
Mr. BRAIN	United Kingdom of Great Britain and Northern Ireland
Mr. RANDALL	United States of America
Mr. PONS	Uruguay
Mr. D'ASCOLI	Venezuela

ALSO PRESENT:

Observers from States
not members of the
Committee:

Mr. RICHARDSON	Canada
Mr. HOLLAT	Hungary
Mr. BARBOSI	Italy
Mr. KANEDA	Japan
Mr. JELEN	Poland
Mr. SANCHEZ BELLA	Spain
Mr. BAZIKIN	Union of Soviet Socialist Republics
Mr. EL TAHRI	United Arab Republic

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

Mr. ENGELS	Federal Republic of Germany
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Representatives of
specialized agencies:

Mr. AQUINO) Food and Agriculture Organization
Mr. KALKKINEN	
Mr. PERRY	International Bank for Reconstruction and Development

/Mr. del CANTO

Mr. del CANTO

International Monetary
Fund

Representatives of inter-
governmental organizations:

Mr. de GERMAIN

European Coal and
Steel Community

Mr. FANIEL

European Economic
Community

Mrs. KYBAL

Organization of
American States

Secretariat:

Mr. PREBISCH

Executive Secretary,
Economic Commission
for Latin America

Mr. SWENSON

Deputy Executive
Secretary, Economic
Commission for Latin
America

Mr. MALINOWSKI

Director, Regional
Commissions Section,
Department of Economic
and Social Affairs

Mr. POWER)

Mr. SOLA)

Advisers

Mr. IVOVICH

Secretary of the
Committee

/CONSIDERATION

CONSIDERATIONS OF DRAFT RESOLUTIONS PRESENTED (Conference Room Papers Nos. 1 and 1/Rev.1, 2, 4 and 4/Rev.1, 6/Rev.1, 7/Rev.1, 8)

Conference Room Paper No. 1

Mr. PUENTES MOHR (Guatemala) said that, while he was in full agreement with the Chilean draft resolution appearing in Conference Room Paper No. 1, he thought it should contain some mention, in both the preamble and the operative part, of the fact that the Central American countries had already adopted standard tariff nomenclature based on the Standard International Trade Classification.

Mr. MORERA BATRES (Costa Rica) supported the Guatemalan representative's proposal.

Mr. D'ASCOLI (Venezuela) suggested that some reference should also be made to the assistance that ECLA had given the Central American countries in working out their standard nomenclature.

Mr. da SILVA (Brazil) said that if any reference was to be made to international standard tariff nomenclature, his delegation would prefer it to be made to the nomenclature of the Brussels International Convention. Indeed, efforts should be made to prepare for standardization for the common market on that basis.

Mr. LETONDOT (France) supported the views expressed by the representative of Brazil.

Mr. URQUIDI (Mexico) said that many countries, including Mexico, which had recently made progress in working out standard tariff nomenclature had found the Brussels Convention nomenclature to be inadequate. The draft resolution

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before the Committee could and should take account of the progress recently made in Central America, in which ECLA had played a considerable part.

Mr. FUENTES MOHR (Guatemala) supported the Mexican representative. The nomenclature of the Brussels Convention had been used until recently by his country and El Salvador and had been found inadequate in that it laid too much stress on purely European items of trade. His sole concern was that the experience gained in Central America should be taken into account; it need not necessarily be used as a basis for standardization in the case of the common market.

Mr. da SILVA (Brazil) said that his country's experience had been different from that of Guatemala. The nomenclature of the Brussels Convention had been found entirely adequate and it would undoubtedly provide a suitable basis for standardizing the tariff nomenclature of the Latin American countries as a whole.

Mr. MUSICH (Argentina) wholeheartedly supported the Brazilian representative's views.

The CHAIRMAN suggested that the representatives of Brazil, Chile and Guatemala should meet informally and try to produce a compromise version of the Chilean draft resolution.

It was so agreed,

Conference Room Paper No. 6/Rev. 1

Mr. VARGAS GOMEZ (Cuba) pointed out that in the Spanish text of paragraph II(1) of the draft resolution, the comma after the word

/'Comisión' should

'Comisión' should be deleted and a comma inserted after the word 'latinoamericanos'. It had been agreed at the previous day's meeting that that punctuation would make it clear that Latin American Governments were under an obligation to appoint the experts in question, whereas other member Governments need only do so if they wished.

Mr. GARCIA REYNOSO (Mexico) agreed. Although it was understood that the expert group would not be prevented from meeting should some Latin American countries fail to appoint experts, it should be made clear that it was the duty of those countries to do so.

The CHAIRMAN said that the secretariat would make the necessary change.

Mr. BRAIN (United Kingdom) pointed out that in paragraph II(6) the phrase 'to the Latin American Governments' should read 'to the member Governments'.

Mr. RANDALL (United States of America) said that, similarly, in paragraph II(7), the phrase 'all Latin American Governments' should be replaced by 'the Governments of all member countries'.

Mr. PREBISCH (Executive Secretary) observed that if the United Kingdom representative's suggestion were adopted the final draft agreement would have to be submitted to non-Latin-American members for signature, which was not intended.

The CHAIRMAN suggested that in paragraph II(3) the words 'Latin American' should be replaced by the word 'member' and the last part should read 'to be submitted to the Latin American Governments for their
'signature', and

'signature', and that the United States representative's suggestion for paragraph II (7) should be adopted.

It was so decided

Mr. FUENTES MOHR (Guatemala), referring to paragraph I (1), said that some countries might be desirous of participating in the common market but unable to do so because of their special circumstances. The words 'desirous of participating' should therefore be replaced by the words 'which decide to participate'. In paragraph I (2), the word 'all' would then have to be replaced by the word 'other'.

It was so decided

Mr. URQUIDI (Mexico) proposed that in part III the phrase 'their possible future participation' should be amended to read 'the possible future participation of their respective countries'.

It was so decided

Mr. PONS (Uruguay) pointed out that parts II and IV contained recommendations to the secretariat, while part III made a recommendation to Governments. For the sake of good order, parts II and III should be re-numbered III and II respectively, the corresponding changes being made in any references to those parts in the text.

It was so decided

The draft resolution, as amended, was approved

Mr. D'ASCOLI (Venezuela) said that his Government was satisfied with some parts of the draft resolution, particularly the provisions of

/paragraph

paragraph II (1). It considered the studies proposed in paragraph II (3) especially valuable, for they would provide a solid basis for a common market adapted to the differences in economic structure and production costs and to other characteristics of the Latin American countries. The Mexico report already indicated progress in that direction and the new studies would undoubtedly show that the common market must have a flexible structure in order to allow for the less developed countries and those with special production cost features. His delegation would have preferred there to be a specific reference at the present stage, particularly in paragraph I (4), to the needs of those countries, especially his own. It had however accepted the argument that the draft resolution should deal only with the general principles of the common market, but it reserved the right to seek special provisions, at a later date, for the solution of Venezuela's problems, particularly with regard to production cost problems arising from structural distortions.

Mr. VARGAS GOMEZ

Mr. VARGAS GOMEZ(Cuba) said that his delegation had agreed to the approval of the draft resolution in a spirit of compromise. Nevertheless is considered the resolution inadequate. It should have established a committee of government representatives to study the formation of the common market, instead of a group of experts as in paragraph II (2). No definite provision had been made for the procedure to be followed after the preparation of a preliminary draft agreement by the group of experts. Specific arrangements should have been made for the preparation of a final draft agreement, for procrastination had harmful political effects. That did not mean that over-hasty action should be taken; on the contrary, the common market, being more than a simple commercial arrangement, would have wide repercussions and required extended study. ECLA's studies, though excellent in themselves, were not enough. Each country which wanted to participate would have to send a group of experts to each of the other countries in order to study the market.

His delegation had co-sponsored a draft resolution (Conference Room Paper No.2) by which a committee of government representatives would prepare a draft agreement for the common market, but it had been objected that their conclusions would be to some extent binding on Governments. That had not been the intention, although political factors had to be recognized. The problems of Latin America were vast and its peoples expected a solution to them in the common market. Thus, by failing to take more decisive action the Committee was avoiding its responsibilities. Furthermore, the establishment of a free trade zone by four South American /countries was

countries was bound to prejudice the creation of the common market, since they were the most developed countries in the area. His Government could not recognize such an agreement when it had been unable to protect its own interests by participating in the preparation of the agreement. It supported however, the efforts of the Central American States towards economic integration, because those States were in special situation and their action would not prejudice the common market in any way.

Mr. GARCIA REYNOSO (Mexico) recalled that the draft resolution submitted by his delegation and that of Cuba (Conference Room Paper No. 2) had fixed dates for the meeting of a sub-committee of Government representatives and for the third session of the Trade Committee. It had been withdrawn in favour of the draft resolution in Conference Room Paper No.6/Rev.1 because the sponsors had felt that the secretariat was the best judge of when the various stages of preparation for the common market should be carried out and because it seemed that the group of experts mentioned in paragraph II (1) would be able to meet shortly.

Mr. SANCHEZ AGUILLON (El Salvador), speaking on behalf of the Central American countries, said that their state of economic development was such that they would be unable to participate in the common market individually. They were therefore trying to establish their own sub-regional market. It was essential that the common market agreement should state that its operation would not affect the responsibilities assumed by those countries in that respect.

Mr. HAUS SOLIZ (Bolivia) said that it must not be forgotten that the

/common market

common market was simply a means to promote the balanced economic development of Latin America in order to raise the level of living of its peoples. His delegation was therefore concerned over paragraph I (4), the terms of which were too general. The basic condition for an effective common market was equality, which could only be achieved by maintaining a balance between the economies of the participating countries. Free trade tended to accentuate the disparity between rich and poor countries, since the latter were obliged to offer their goods at abnormally low prices. The first problem, therefore, was to level out such differences. A second was to give financial aid to the less developed countries to enable them to diversify their economies and so be better able to withstand fluctuations in the economic situation. Thirdly, the primary commodities situation must be improved. Finally, there must be recognition of the principle of making exceptions for the less developed countries in the progressive reduction of customs tariffs and other such measures. In that way the less developed countries would be able to participate in the common market in the knowledge that their interests were safeguarded.

Mr. da SILVA

Mr. da SILVA (Brazil) said that the first steps towards the establishment of the common market were of particular importance. The problems to be solved were very complex and not all the answers could be found in the initial stages, but the Commission should from the very beginning show a real determination to achieve its final aim. The free trade zone, for instance, would be a transitional measure, but the objective of a common market must be taken into account in its establishment, at least as far as customs unification was concerned. It was most important that certain basic studies should be made as soon as possible and that the attitudes of Governments should be known. Since, however, Governments were liable to change for internal reasons, decisions must be based on a knowledge of the real economic strength of each country and the idea of the common market must be carried to all those involved in production. That was why Brazil advocated caution in the initial stages, whilst at the same time insisting on steady progress so as to convince the world that the common market would eventually be a reality.

Mr. MENDEZ (Colombia) said that his delegation had supported the resolution because it took into account the fact that there were circumstances peculiar to each different country and it constituted an important step towards the achievement of the common market goal.

Mr. GALILEO SOLIS (Panama) explained that he had voted in favour of the resolution because his delegation felt that at the present stage the only practical step that could be taken was to open the way for the further study which would be required before the common

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market could become a reality.

Mr. PREBISCH (Executive Secretary) thanked the Committee for the confidence it had shown in the Secretariat in not insisting on a rigid time-table for the completion of the task assigned to it. While he understood the eagerness of certain delegations to see the common market established without delay, it should be realized that before the Secretariat could submit specific proposals to Governments it must discuss with their representatives the various aspects of the matter, a task which could not have been undertaken before the adoption of the resolution. The Governments, for their part, should have ample time to ascertain public opinion and to give full consideration to the problem, for their decisions would affect the destinies of their countries for years to come. The two months which had elapsed since the Working Group had submitted its report had not allowed sufficient time for Governments to adopt a definitive stand on the vital and complex issues involved.

Until the present session the common market had been only a vague aspiration. Thanks to the Committee's deliberations and the resolution it had adopted, the Secretariat now had the guidance it needed to enable it to draw up specific proposals; he could assure the delegations present that it would lose no time in doing so. The fact that the group of experts was to be composed of official representatives who would reflect their Governments' views rather than being appointed by the Commission, as in the past, was significant. Another important point which had been brought out during the debate was that even those delegations

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which were in favour of proceeding from the establishment of sub-regional markets to the achievement of the common market goal rather than vice versa had shown awareness of the need to avoid fragmentation into mutually exclusive groupings contrary to the spirit and purposes of the common market. Finally, he had been glad to learn that it was the intention of the Governments concerned that where agreements providing for most-favoured-nation treatment existed such treatment should be extended to all countries participating in sub-regional groupings, a circumstance which augured well for the establishment of the common market.

Conference Room Paper No. 1/Rev.1

Mr. VALDIVIESO (Chile) read out the text of the draft resolution appearing in Conference Room Paper No. 1/Rev.1, which was sponsored by Brazil, Chile and Guatemala and replaced the original Chilean draft resolution.

Mr. MORERA BATRES (Costa Rica) suggested that the word "Governments" in paragraph 3 should be replaced by the word "countries".

It was so decided.

The draft resolution, as amended, was approved.

Mr. MUSICH (Argentina) expresses the hope that the mention, in the second preambular paragraph and in paragraph 3, of already existing international systems would not be interpreted as implying that other countries should necessarily follow those precedents.

Conference Room Paper No. 4

Mr. KAUFMANN(Netherlands) proposed the addition of the words "as well as the central banks of other countries members of the Commission in the capacity of observers", after the word "institutions" in paragraph 2, an amendment which would be in accordance with the provisions of the resolution on the common market.

Mr. DIASCOLI (Venezuela) said that the two resolutions were not comparable, inasmuch as the group referred to in the resolution in Conference Room Paper No. 6/Rev.1 would be at least semi-official, whereas the working group proposed in the draft resolution under consideration was entirely non-official in character.

At the request of the CHAIRMAN, Mr. PREBISCH (Executive Secretary) explained that there was no established procedure to be followed in such cases, but that the Commission had in some cases invited member countries which were not directly interested in a particular topic of discussion to appoint representatives to attend such meetings.

Mr. LETONDOT (France) recalled that at the earlier sessions of the Central Banks Working Group the representatives of countries not directly concerned had attended as observers; he thought that precedent might be followed in the present instance.

After a brief discussion, in which the representatives of Venezuela, the Dominican Republic, the Netherlands, the United States of America, the United Kingdom, Mexico and Cuba took part, paragraph 2 was amended as proposed by the Netherlands representative.

Mr. DIASCOLI (VENEZUELA) said that while his delegation considered

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that a multilateral payments system such as that proposed in the document submitted by the Central Banks Working Group (E/CN.12/C.1/10) might be a useful adjunct to a common market, it was inclined, in view of its own peculiar payments position, to urge further study of the matter. It would therefore continue to co-operate with the Working Group in the effort to find a satisfactory solution of the payments problem. The aspect with which it was chiefly concerned was the way in which countries making payments in freely convertible currencies and on a multilateral basis could be associated with such a system.

The draft resolution, as amended, was approved.

Mr. RANDALL (United States of America) said that his acceptance of the resolution was not to be interpreted as signifying a change in his Government's view that a payments union was neither necessary nor desirable as an adjunct to a common market.

Mr. BRAIN (United Kingdom) said that as his delegation had stated in plenary session, the proposals set forth in the Rio de Janeiro Protocol were unlikely in the view of the United Kingdom Government to have the desired results. His delegation was therefore unable to associate itself with the expression of approval implicit in the resolution. If that Protocol was accepted as the basis for a regional payments system, it hoped that a definite term would be set to the operation of the agreement and that provision would be included for the replacement of the agreement by a fully automatic system.

Conference Room Paper N° 7/Rev.1

Mr. MUSICH (Argentina), introducing the draft resolution in Conference Room Paper N°7/Rev.1, pointed out that its adoption would not commit delegations to any particular course of action with regard to payments but would simply provide for collaboration between the Commission and the International Monetary Fund in the study of a problem which was of importance to all.

Mr. PARDO HERRERA (Peru) said that his delegation would support the draft resolution, which was fully consistent with the spirit of the resolution on the establishment of the common market.

Mr. da SILVA (Brazil) also supported the draft resolution, and added that his Government would shortly give the Commission official notification of its accession to the Rio de Janeiro Protocol, which it regarded as a considerable improvement over the present bilateral payments system.

Mr. VARGAS GOMEZ (Cuba) and Mr. VALDIVIESO (Chile) expressed support for the draft resolution.

Mr. del CANTO (International Monetary Fund) thanked the various representatives who had supported the draft resolution, because in doing so, they had expressed their confidence in the Fund, the specialized agency dealing with payments problems. He suggested that the words "joint report" in paragraphs 1 and 2 should be changed to read "reports" in order to overcome the difficulties inherent in the Fund's procedures. An official report of the Fund would have to be referred to the Executive Board of Directors, and the Board could not, properly speaking, consider a report from another body like ECLA. He offered full co-operation, however, at the secretariat level in an examination designed to ascertain

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whether the reports could lead to the same conclusions. He finally indicated - not in his personal capacity - but on the instructions of the Managing Director of the Fund, that the Fund's willingness to undertake the study in no way implied a change of the present Fund policy towards bilateralism, or a change in the present commitments that countries had undertaken to eliminate bilateralism.

Mr. PREBISCH (Executive Secretary) suggested adding the words "the secretariat of" before the words "the Economic Commission" in paragraph 1.

The draft resolution, as amended, was approved.

Conference Room Paper N° 8

Mr. PARDO HEEREN (Peru), introducing the resolution in Conference Room Paper N° 8, explained that its purpose was to ensure that the widest possible public should be acquainted with the benefits to be derived from the establishment of a common market and the problems which it would entail.

Mr. MUSICH (Argentina), Mr. CHAMORRO (Paraguay), Mr. da SILVA (Brazil), Mr. BROWN (Cuba), and Mr. VALDIVIESO (Chile) expressed their delegations' support of the draft resolution.

Mr. D'ASCOLI (Venezuela) also supported the draft resolution, but asked for some explanation of the sense of the phrase in the second operative paragraph, "to inform public opinion, and particularly private associations in the industrial, agricultural and trade sectors", which might be taken to imply a restrictive meaning.

Mr. PARDO HEEREN (Peru) said that the intention of his draft resolution was that information should be disseminated as widely as possible.

Mr. PONS (Uruguay) suggested that some reference should also be made to labour organizations.

Mr. GALILEO SOLIS (Panama) said the dissemination of information

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on the Latin American common market was of paramount importance to his country, which had tended to live somewhat isolated from the rest of the continent. The common market would have far better chances of success if all sectors of public opinion were fully informed about it.

The CHAIRMAN suggested that the Committee might be prepared to approve the following wording: "to recommend member Governments which collaborate in this task at the national level to inform public opinion, and particularly representative sectors of the population, of the beneficial effects....."

The draft resolution, as thus amended, was approved.

CLOSURE OF THE SESSION

The CHAIRMAN warmly thanked all delegations for their diligence and generous spirit of co-operation. He thanked the observers for the valuable part they had taken in the discussions and the ECLA secretariat for the work it had done in preparing and servicing the session.

Mr. PONS (Uruguay) and Mr. CHAMORRO (Paraguay), speaking on behalf of all delegations, paid a warm tribute to the Chairman for his able guidance of the debates.

The CHAIRMAN declared the session closed.

The meeting rose at 12.50 p.m.