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LATIN AMERICAN FREE-TRADE AREA

Statement by the Leader of the Chilean delegation to the sixteenth session, Mr. F. Garcia Oldini, delivered at the plenary meeting of the CONTRACTING PARTIES on 27 May 1960.

I have the honour to take the floor on behalf of my Government and of the Governments of the other signatories to the Montevideo Treaty present at this meeting to submit to the consideration of the CONTRACTING PARTIES to the General Agreement the Treaty establishing a free-trade area and instituting the Latin American Free-Trade Association.

During the fourteenth and sixteenth sessions of the CONTRACTING PARTIES, the representatives of the Latin American countries had occasion to give detailed explanations regarding the negotiations which they had been conducting for some time with a view to the establishment of a free-trade area in Latin America. At these two sessions, they submitted common statements on the subject, and at Tokyo they even laid before the meeting a preliminary draft of the Treaty. On both occasions, and also more recently, they had the satisfaction of receiving marks of sympathetic encouragement from the CONTRACTING PARTIES on their initiative.

The efforts exerted for over a year to devise ways and means of promoting trade expansion and of enabling the countries concerned to complement each other in the economic sector have come to fruition in the promising shape of the Montevideo Treaty, signed on 18 February 1960 by the representatives of Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay. In addition, it is hoped that Bolivia, who co-operated actively in the drafting of the Treaty, will sign it in the near future.

In compliance with the prescriptions referring to notification under paragraph 7(a) of Article XXIV of the General Agreement, the official text of the Treaty was forwarded in due time by the Minister for Foreign Affairs of Uruguay to the Executive Secretary of the GATT, who had it distributed to the CONTRACTING PARTIES.

The provisional Committee instituted under a protocol signed at the same time as the Treaty, for the purpose of taking action to facilitate the implementation of the Treaty, was established in Montevideo on 20 April 1960. In its first resolution, this Committee recommended to the signatory States that they take the necessary steps to have the Montevideo Treaty submitted for examination during the sixteenth session of the GATT.

With a view to arranging for this analysis to take place during the present session, the Executive Secretary established a working schedule whereby, among other things, the questions which might be raised by the CONTRACTING PARTIES concerning the Treaty would be referred to Montevideo.

The replies to the questions received within the prescribed time limit have already been forwarded by the provisional Committee to the secretariat. With regard to the questionnaires dated between 5 and 11 May, the signatory States have arranged for the replies to be despatched to Geneva in the immediate future. Owing to the large volume of information requested in three questionnaires containing 229 enquiries - often dealing with the same subject although from different angles - and because of the fact that these documents were received by the Montevideo Committee at various intervals, the replies may have to be based on the first questionnaire, especially those dealing with items on which the greatest number of requests were received in the three questionnaires taken together. Without prejudice to this fact, we are prepared, however, to reply verbally, during the course of this meeting, to any request for information submitted by the CONTRACTING PARTIES.

As an outcome of the various steps I have just outlined, the signatory countries are now privileged to submit the Montevideo Treaty to the CONTRACTING PARTIES, so that it may, during the present session, be taken under consideration in accordance with the provisions under paragraphs 5 to 9 of Article XXIV of the General Agreement. To that effect, the signatory nations are prepared to give you all the information and explanations which might be required for a complete understanding of its contents.

The signatory States are convinced that the favourable economic conditions which are bound to result from the implementation of the Treaty will contribute to an appreciable extent to the expansion of world trade. The increased income which, from all indications, will proceed from a better utilization of resources, from an expansion of production and of intra-regional trade, will undoubtedly bring about a substantial enhancement in the demand for goods from outside the Area. The Treaty, therefore, represents a positive contribution to the development of trade with third countries, which it is in our interest to safeguard and to intensify, since our economies are to a large extent dependent on this trade, accounting as it does for 90 per cent of the total trade of the Area.

I would like to stress the fact that, when drawing up the Treaty, we constantly kept in mind the obligations assumed by the signatory countries and that we invariably endeavoured to reconcile individual or regional interests with international commitments. Particular care was taken to abide by the rules established by the General Agreement, so as to ensure that the Treaty would be consistent with the provisions of Article XXIV.

It is our earnest conviction that the process of gradual liberalization of international trade identifies itself closely with the provisions of the General Agreement and is well adapted to the general character of the economy of the various Latin American countries and to the specific nature of the internal trade of the Area. In view of the fact that the economic development of our countries is still at its inception and that our intra-regional trade, at this early stage, lacks diversity and is subject to sudden changes, we had to formulate our plans for the establishment of the Free-Trade Area with a sufficient degree of flexibility to provide for a margin of safety in its initial phase of operation. As a result of a thorough study of the subject matter at various international meetings, we finally came to adopt a system calling for National Schedules and a Common Schedule as the method best suited to meet both the realistic needs of the Latin American economies and the requirements of international commitments.

The plans and programmes drawn up along these lines, as detailed in Chapter II of the Treaty, are expected to bring us, progressively but surely, to the attainment of the final objective. The intra-regional trade will gradually be released from existing charges and hindrances of all sorts, and within a period of twelve years, we will have liberalized a substantial portion of the trade between the countries of the Area.

A few comments on the saving clauses and on the special provisions concerning agriculture appear to be indicated for a proper understanding of the relevant articles of the Treaty.

In the chapters under reference, we have endeavoured to take due account of certain conditions peculiar to the region and to comply with the fundamental obligations in respect of non-discrimination and progressive trade liberalization as provided in Chapters II, IV and V of the Treaty. There is nothing in these clauses likely to interfere with the attainment of the ultimate objectives of the Treaty within the time limits prescribed. Their object is to preclude the possibility of serious harm being inflicted upon the economy of each partner country as a result of the gradual accomplishment of the Treaty's objectives, thereby jeopardizing the free flow, within the Area, of goods produced in each partner country, which is the ultimate goal of the signatory States. When proceeding to the examination of these provisions, the CONTRACTING PARTIES should not lose sight of the fact that they apply to countries in process of economic development, whose special situation is duly acknowledged in the General Agreement. A close analysis will disclose the fact that they have been formulated in conformity with the General Agreement and that, accordingly, they comply with its requirements by virtue of their non-discriminatory nature, their transitory character and their non-interference with a substantial liberalization of trade.

The saving clauses are motivated by the necessity of taking due account of two special situations resulting from the policy of trade liberalization, namely: (1) the danger of harmful effects upon specific productive activities of primary importance to the economy of Member States; (2) balance-of-payments difficulties. Except in the cases duly stipulated, the measures provided under the saving clauses for either of the two above reasons can

only be applied upon prior approval by the Member States. Such restrictions are in the nature of a temporary emergency; should they be prolonged for over one year, steps would be taken by the Member States to eliminate them.

As for the special provisions concerning agriculture contained in Chapter VII, they are designed to provide a safeguard against a possible lack of co-ordination in the production activities of the Member States and to facilitate a gradual adaptation to the liberal policy initiated by the Treaty. They are also of a temporary and non-discriminatory nature and can only be resorted to during the period terminating on the date when the Free-Trade Area becomes fully operative. Moreover, these measures are not to be applied with a view to bringing about a lowering of the customary consumption of the commodities affected by the restrictions or an increase of anti-economic production within the Area. It is important to stress, in this connexion, that agricultural products are likewise included, as all other products, in the trade liberalization programme sponsored by the Treaty. The clauses under Chapter VII are not intended to limit the participation of agricultural products in the intra-Area trade. On the contrary, they are framed so as to allow the trade in the agricultural sector to expand under sound competitive conditions.

Before concluding, I would like to call attention to the importance we attach to the chapter dealing with countries at a relatively less-advanced stage of economic development. It involves the application, on a regional basis, of the principles upheld on the international level by the less-developed countries - and already incorporated in the General Agreement - aimed at affording to such countries a fair treatment consistent with their relatively less favoured circumstances. In accordance with the spirit of the Treaty, the application of the measures envisaged in this chapter is also limited to a transitory period and subject to prior authorization by the Member States.

The establishment of the Latin American Free-Trade Area has no other purpose but to undertake a positive programme of action, based on the realistic economic and social conditions of our countries, which shall enable us to participate, to a greater and more equitable extent, in the world's economic community, whilst contributing to the expansion of international trade.

We are hopeful that the document which we are submitting to you today will meet with the comprehension and support of the CONTRACTING PARTIES. We aspire to nothing more than to attain the very same objectives which have led to the signature of the General Agreement, namely to shape the pattern of commercial and economic relations so as to achieve higher standards of living, a steady growth of actual demand and real income, a full utilization of the world's resources and a sound expansion of production and trade activities between nations.