

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
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## LATIN AMERICAN FREE TRADE ASSOCIATION

### Information Furnished by Contracting Parties Belonging to the Association

#### INSTITUTIONAL ASPECTS

##### Meeting of Ministers of Foreign Affairs of the Contracting Parties to the Montevideo Treaty

During the period covered by this report, the interest of governments in the integration process of the area was confirmed, following the first meeting of the Ministers of Foreign Affairs of the Contracting Parties to the Montevideo Treaty, held at Montevideo from 5 to 6 November 1965.

The main object of the ministerial meeting was to orientate continuing political support from the highest government authorities of the Contracting Parties towards the regional integration process in such a way that the decision, having been taken at the highest possible level would be given proper attention in the technical and administrative departments responsible for implementing in each national administration the practical directives and decisions of the Association.

As regards institutional matters, the meeting decided to create a Council of Ministers of the Latin American Free Trade Association (LAFTA). Pending its formal institution, the Council will meet at least once a year during the Conference and the latter will be convened in special session for this purpose.

The Ministers also agreed to establish a Technical Committee whose principal task will be to seek ways and means of speeding up the process of economic and social integration of the Contracting Parties, within the framework of the principles set forth in the Montevideo Treaty, by drawing up and presenting projects of interest to the area.

The ministerial meeting also adopted a resolution to associate the parliaments of the Contracting Parties with the work of the Association, in order to facilitate harmonization of the domestic legislation of the member States in all matters connected with LAFTA.

The ministers also agreed on the bases for establishing a mechanism for the settlement of any disputes which might arise between Contracting Parties in connexion with the implementation of the Treaty.

Lastly, among other resolutions, the ministerial meeting adopted one designed to facilitate transit of persons through the territory of countries in the area; another recommending the establishment of a regional fund to finance pre-investment studies proposed by the Association, and another in which the LAFTA member States declared their intention of giving joint support to action in the international field.

#### LIBERALIZATION PROGRAMME

31 December 1964 marked the end of the first three years of operation of the LAFTA liberalization programme. In 1964, trade between the LAFTA countries reached \$1,204 million, representing an increase of \$545 million over the figure for 1961, the year before the mechanisms of the Montevideo Treaty were put into operation.

Over the same period, trade between the nine LAFTA countries and the rest of the world increased by \$395 million, so that 65 per cent of the total foreign trade expansion of this group of countries can be attributed to LAFTA.

Trade between the LAFTA member countries has traditionally been small in relation to the area's total trade. Over the three-year period 1953-55 regional external trade in relation to the member countries' total trade was more than 10 per cent. After 1955, this proportion dwindled, to 6 per cent in 1961. There was some improvement in 1964 when it again reached more than 10 per cent.

Year	Area Exports	Area Imports	Total Area Trade	Index 1961 = 100	Share of Total Trade by Member States (%)
1961	299	360	659	100.0	6.0
1964	558	646	1,204	182.7	10.2

In the negotiations that took place during the fifth regular session of the Conference the liberalization programme was extended by the addition of an appreciable number of concessions on various products; 75 per cent of the new concessions relate to products which were not previously included in the liberalization programme. (Out of 765 concessions negotiated at the last session, 530 were entirely new concessions and 185 were renegotiated.)

Considered as a whole, the tariff reductions granted by each Contracting Party to all the others amounted to 9,054 concessions by the end of the fifth session of the Conference.

In many cases the concessions relate to complete headings or sub-headings of the NABALALC (the tariff nomenclature of LAFTA), covering a wide variety of products. To these should be added the specialization in tariff headings which results in a larger number of articles being included in the concessions.

The following table shows the evolution of concessions granted by the countries belonging to the Association, showing for each year the concessions agreed upon during the negotiations completed at the end of the preceding year:

Country	1962	%	1963	%	1964	%	1965	%	1966	%
Argentina	414	12.7	1,072	14.1	1,280	15.5	1,363	16.1	1,537	17.0
Brazil	619	19.0	1,250	16.5	1,312	15.9	1,352	16.0	1,511	16.7
Colombia	268	8.3	619	8.1	704	8.5	714	8.4	745	8.2
Chile	343	10.6	833	11.0	864	10.5	872	10.3	894	9.9
Ecuador	-	-	1,714	22.6	1,677	20.3	1,680	19.8	1,685	18.6
Mexico	288	8.9	607	8.0	727	8.8	802	9.5	937	10.4
Paraguay	520	16.0	589	7.8	665	8.1	663	7.8	677	7.5
Peru	227	7.0	299	3.9	355	4.3	364	4.3	392	4.3
Uruguay	567	17.5	610	8.0	664	8.1	664	7.8	676	7.4
Total	3,246	100.0	7,593	100.0	8,248	100.0	8,474	100.0	9,054	100.0

As regards the nature of the products included in the liberalization programme, the tariff reductions granted during the fifth session of the Conference show that concessions on products of the chemical industry and related industries and on electrical machinery, apparatus and equipment make up more than 70 per cent of the new concessions incorporated in the liberalization programme. The largest increase is in respect of electrical machinery, apparatus and equipment.

In addition to the concessions included in the national schedules, certain advantages have been granted to Ecuador and Paraguay which are not extended to the other Contracting Parties, pursuant to Article 32(a) of the Treaty and as shown in the respective schedules. The following table shows the tariff reductions granted to these countries for the year 1966:

Country granting concessions	Ecuador	Paraguay
Argentina	153	1,007
Brazil	258	1,343
Colombia	101	253
Chile	105	301
Ecuador	-	302
Mexico	268	972
Paraguay	150	-
Peru	770	177
Uruguay	86	490
Total	1,891	4,845

The non-extendable advantages, granted by the Contracting Parties to countries considered as being relatively developed at present represent 6,736 concessions. The Study Group, established by Resolution-50 of the Committee to study the possible application of the provisions of Resolution 74(III), and in particular measures which could be adopted to promote the establishment of new producing industries in Ecuador and Paraguay, has been active during the period under reference and has drawn up preliminary draft studies on these countries.

## IMPLEMENTATION OF THE WORK PROGRAMME

### Customs tariff matters

The Advisory Committee on Commercial Policy examined the progress of the harmonization and co-ordination programme and decided what immediate steps should be taken with a view to harmonizing instruments used for the regulation of foreign trade.

In the early part of 1966 it is planned to complete the work of identifying charges and restrictions on imports so that comparative tables can be drawn up as a preliminary to practical proposals for tariff harmonization. Also, in the course of the year, a first draft will be drawn up of the common tariff nomenclature, which is to serve as a basis for the above-mentioned work.

The Committee on Commercial Policy has also fixed procedures and objectives with regard to special customs régimes. To this end, draft uniform regulations will be drawn up in the course of this year on drawback, temporary admission, warehousing under duty suspension, etc.

Likewise, the Committee recommended adoption of the Brussels definition of value and the interpretative notes thereto as a uniform criterion for the customs valuation of merchandise in LAFTA member countries, for imports from the area as well as from countries outside it; this recommendation was ratified by the Conference in late 1965. The Committee also established work methods and a work programme with a view to the standardization and unification of documents used in foreign trade transactions and of definitions of customs terms; in addition it drew up an outline draft for the preparation of a uniform customs tariff in Latin America. Also, within the same Committee, the commercial policy of the CONTRACTING PARTIES is being examined jointly with a view to better co-ordination of the use of the harmonized instruments which are to be established within LAFTA.

### Industrial matters

The Advisory Committee on Industrial Development examined and improved working procedures and work programmes for the study groups established pursuant to Resolution 50 of the Committee on iron and steel, petro-chemicals, paper and cellulose. In addition, the Committee recommended the establishment of a new group on representative chemical industries in the area, pursuant to Resolution 59 of the Standing Executive Committee. Another group studied the possibility of setting up new industries in the relatively less-developed countries of the area, and it has drawn up preliminary reports on its investigations in Paraguay and Ecuador. The group dealing with prospects and methods for the integration of petro-chemical industries held two meetings in the period under reference and, like the group on

paper and cellulose, is now awaiting the results of investigations in each country which should make it possible early next year to draw up proposals for submission to governments. The group on iron and steel is postponing its meeting until the information contained in studies already made by the Latin American Iron and Steel Institute and ECLA has been brought up to date.

The new group on representative chemical industries in the area, except the petro-chemical industries, has classified the industrial branches to be studied, and after approval by the Advisory Committee on Industrial Development, it will draw up its final work programme. In addition, LAFTA participates in a multi-lateral group within the CIAP, together with IDB, ECLA, and FAO; the group's terms of reference are to examine the possibility of establishing a Latin American market for fertilizers.

#### Agricultural matters

The Advisory Committee on Agricultural Matters is responsible for carrying out the programme of work established in Resolution 100 (IV) of the Conference, with the object of co-ordinating and harmonizing the policies of the Contracting Parties as soon as possible, and of establishing rules to regulate trade in agricultural products.

For the attainment of these objectives, the Advisory Committee has drawn up a work programme to be undertaken early this year.

#### Financial and monetary matters

In the period under reference the Council on Financial and Monetary Policy, established pursuant to Resolution 101 (IV) of the Conference, gave the Advisory Committee on Monetary Matters an outline of a draft banking agreement. The draft was then examined by the Council and was approved in Mexico City on 22 September last. The agreement provides for a multilateral clearing system between the central banks in the area and for the establishment of reciprocal credit between them in relation to the volume and characteristics of trade among the principal countries concerned. Clearing will take place every sixty days and will be administered by the Central Reserve Bank of Peru, acting as paying agent, which is to be responsible for the necessary arrangements with the Federal Reserve Bank in New York, the latter acting as joint correspondent for the system.

#### Transport

Work has continued during the year on transport matters, following the governmental meeting which examined maritime and inland waterway transport, and the activities of the Advisory Committee on Transport which studied problems of overland transport by road or rail, and also air transport.

A Transport and Communications Council has recently been established with the specific task of presenting a draft agreement on maritime and inland waterway transport between the LAFTA countries to the Committee as soon as possible.

#### MEETINGS OF ENTREPRENEURS

Meetings of entrepreneurs from various sectors were held in 1964 and 1965 and they submitted for consideration by the governments of the Contracting Parties various recommendations for the reduction of duties on certain products, by including them either in the national schedules or in complementarity agreements. These recommendations were widely supported in the recent negotiations during the Fifth Regular Session of the Conference. The representatives of member governments noted 448 recommendations for tariff concessions that had been put forward by the above-mentioned meetings. The importance of the contribution of these meetings to the negotiations can be seen from the fact that approximately half of the products included in national schedules of the Contracting Parties have been so included following recommendations by these meetings.

#### FIFTH SESSION OF THE CONFERENCE

The Fifth Session of the Conference took place from 6 November to 31 December 1965, during which time the annual negotiations provided for in the Treaty took place.

The Conference adopted the resolutions approved by the meeting of Ministers of Foreign Affairs and referred the relevant tasks, with appropriate recommendations, to the competent bodies of the Association.

After the Conference, and alongside the Advisory Committee on Manpower and the Advisory Committee on Employers, the Committee established a Council on Transport and Communications and a Council on Agricultural Policy which, like the Council on Financial and Monetary Policy already established, comprise the persons responsible for the formulation and implementation of the policy of the Contracting Parties in the various sectors concerned.

Accession of Venezuela. Also during the Fifth Regular Session, the head of the delegation of Venezuela, who was present as an observer, officially announced his Government's decision to accede to the Montevideo Treaty and to carry out the necessary constitutional procedures. The Conference stated that it was the intention of the Contracting Parties to give full consideration to the particular problems of Venezuela, within the rules laid down by the Treaty and the resolutions of the Conference.