The Chilean Government has closely followed the work which, with exemplary resolution and speed, has led to the drawing up of the Common Market Treaty and its approval by the Governments of the Six. There were two reasons for our interest, each of a different nature but equally powerful.

Firstly it seemed to us, and it still seems to us, that the effort of integration on which the Treaty is based is a sign of the times, an effort to meet in a healthy, normal and positive way the economic and social requirements of our age, an indication of the path which the various regions of the world will have to follow in a similar way. A bold and consequently rather hazardous experiment which could give an indication of the possibilities and difficulties of an undertaking which seems to be destined to be merely the first of a series which could transform the economic and commercial geography of the world.

It was only natural that we should feel in this way. Even before GATT was established the Chilean Government has studied the possibility of setting up a regional market which, to begin with, was to have included a group of Latin American countries and which all those who wished could have joined. As a result of these ideas we fought during the 1947 Preparatory Conference on Trade and Employment for the acceptance of two proposals which in our opinion were complementary, one to enable the establishment of customs unions and the other which would have authorized the establishment of new preferences between two or more under-developed countries.

At the Havana Conference we renewed our attempts and it is mainly due to the understanding and ingenuity of the French delegation that it proved possible to draft the text which today constitutes Article XXIV of the General Agreement and which at that time seemed rather a concession made to the under-developed countries than the framework in which, some years later, the extensive and complicated machinery of the Rome Treaty was to be fitted.

Our attempt to give the under-developed countries permission to set up new preferences led, after tremendous discussion, to the drafting of Article 15 of the Havana Charter, which as I have already said should in our opinion have been complementary to the Article concerning customs.
unions. The Havana Charter however, was never ratified, and all the efforts we made later, the last being at the Ninth Session of the CONTRACTING PARTIES, to obtain the insertion in the Agreement of the text of Article 15 of the Charter, failed. All we managed to achieve was a statement that new preferences can be authorized through the provisions of Article XXV:5(a).

But we have not abandoned the idea of the economic integration of the Latin American countries and, especially through the Economic Commission for Latin America, which was established on Chilean initiative, we have continued to work to make a reality of our idea for a regional Latin American market.

We were therefore not only prepared to accept the idea of the European Common Market but willing to welcome its establishment as an important contribution to solving the economic and social problems of the world of today, as a stabilizing factor in the world economy and as an encouragement to the consumption of the primary commodities which form the basis of the export trade of the under-developed countries and their main sources of foreign currency.

The second reason for our interest in the establishment of a Common Market was mainly anxiety, uncertainty and uneasiness. Would the Six be able to resist the human tendency to push to the utmost the advantages offered by the text of GATT, which was obviously not intended to cover a scheme of the scope of the Common Market, without taking into consideration the damage which might be caused to the legitimate interests of third countries? Would they not be prone to convert the customs union into a protectionist area based on restrictions and higher customs duties? Would they be capable of abiding by the statement made by M. Forthomme a year ago to the effect that the application of the provisions of Article XXIV of the Agreement would a priori prevent that possibility.

I must confess that a reading of the Rome Treaty seems to confirm our anxiety to a large extent.

From our point of view there is a basic condition inherent in the whole of Article XXIV. It is to be found in paragraph 4 and states that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories. We consider that if this basic condition is not fulfilled it cannot be claimed that the Rome Treaty conforms to Article XXIV. The fact that the other provisions had been observed - and in spite of appearances it is doubtful whether they have - does not change the position at all. Indeed these provisions have no other purpose than to provide the framework and machinery necessary to achieve the two aims mentioned in paragraph 4, i.e. to facilitate trade between members of the customs union and not to raise barriers to the trade of other contracting parties with the members of the union.
Unfortunately the Rome Treaty leaves the impression that these essential aims have not received the close attention they should have done. The method for the establishment of the Common Tariff and the technique used seem to be bound to result in third countries having to pay duties higher than those they were paying in fact on 1 January 1957. The provisions with regard to agricultural products openly increase the obstacle which countries exporting those products had to overcome before. Finally the association with the market of the overseas territories, by extending to all the members of the Common Market the preferences which up till now only some of those members enjoyed, raises a barrier of privilege where there was not one before. This, which would have been natural in countries still undergoing development, is hard to accept in the most highly industrialized countries of Europe.

This means that the countries which are not members of the Common Market are faced with new tariff barriers and new restrictions, owing to the fact that the key provisions of paragraph 4 of Article XXIV have not been observed.

Doubtless the analysis that we shall have to make of the Treaty will be concerned with its legal aspects and its conformity to the provisions of GATT, but our attention will have to be concentrated above all on the practical repercussions of these factors, and those may be serious.

At a moment when the expansion of the economy and the development of trade seems to be showing certain signs of slowing down it would be contrary to the collective interest to take measures which even if, in the long run they might be of great advantage, are likely in the immediate future to raise new obstacles to international trade and to lead, especially in the underdeveloped countries which produce and export primary commodities, to a situation which might possibly become critical.

As you must know already, the value of the exports of the non-industrialized countries to the industrialized countries, which in 1937 represented 30 per cent of world trade, fell to 24 per cent in 1956. Furthermore the export trade of these same countries, which in 1950 showed a credit balance of more than $3,000 million and which in 1954-55 was more or less in balance, showed in 1956 a deficit of more than $1,000 million. In the area which concerns us most particularly, it should be pointed out that the total exports of Latin America in the period from 1950-56 increased by only 26 per cent, whilst in the same period total world exports increased 66 per cent.

We fear that the provisions of the Common Market, as they appear from a reading of the Rome Treaty, are bound to aggravate this position. While the threat which this constitutes causes us serious anxiety, we do not think that it can be a matter of entire indifference to the Six. As Sir Claude Corea said in his opening speech "If world trade should continue to develop unevenly as at present, it may well result in an equally unbalanced development in standards of living in the two groups (industrialized and non-industrialized)
and also slow down the rate of economic development in the areas where such development is so essential". The possible consequences of such a lack of balance and such a slowing down in trade need not be emphasized. If the teachings of history count for anything, the great industrial powers should have learned that they cannot allow such a situation to arise. They must know that it would be suicide if it did.

We do not wish to draw final conclusions from our impressions after studying the Rome Treaty and its effects on the economy and trade of the non-industrialized countries, especially in those Latin American countries whose average exports to the members of the Common Market during the last few years have exceeded $1,000 million in value per year.

In spite of the rather too vehement remarks of my friend Mr. André Philip, we prefer to trust in the realism, in the political sense and in the spirit of compromise of the Governments which are members of the European Economic Community, who are responsible for the consequences which that Community entails. The Treaty includes clauses, which if they are interpreted broadly and applied with wisdom, may enable the obstacles to which I have referred to be overcome. We hope that the detailed discussions which are to take place either here or in a special committee or working party will enable clarification to be given on a number of questions and solutions to be found which, without affecting the basic structure of the Six, will satisfy the interests of the contracting parties who are not members of the Common Market and in this way make the provisions of the Rome Treaty conform to the substance of paragraph 4 of Article XXIV of the General Agreement.

It is only then that we shall be certain that the possible advantages of the Common Market will not all be one-way advantages, and that all the countries of the world will be able to greet its establishment as an important factor in economic progress and peace.

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