LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

Additional Information Furnished by the Contracting Parties Members of LAFTA

With reference to the "Report of the Standing Executive Committee on the Activities of the Latin American Free Trade Association during the period 1 August 1961 to 15 August 1962", which has been circulated by the Executive Secretary to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in document L/1861, the member States of the Latin American Free Trade Association which are at the same time contracting parties to the General Agreement have thought it appropriate to add some comments to the information contained in the above-mentioned document and to inform the CONTRACTING PARTIES of the latest progress achieved at the conference now being held by the member States in Mexico City.

I. RESULTS OF THE FIRST CONFERENCE

1. The results of the first conference of the Contracting Parties which was held in Montevideo from September to December 1961 should be appraised having regard to the various fields in which the work was conducted: (a) legal regulations of the activities of the Standing Committee and the secretariat of LAFTA; (b) negotiations relating to duties and charges; (c) implementation of certain clauses in the Treaty for which regulatory provisions were necessary.

2. The documentation relating to the various subjects mentioned above, including the National Schedules, has already been transmitted to the Executive Secretary to the GATT.

3. In the field of legal regulation, the rules of procedure of the Standing Committee and the rules and regulations for the secretariat of LAFTA have been approved, thus defining the status of the members, the specific functions and the procedures governing their respective fields of activity. Thus the permanent operational bodies of the Association have been provided with the necessary basis for their functioning.
4. In accordance with the provisions of Article 4(a) and Article 10, negotiations relating to duties and charges have been conducted on a multilateral basis as between the original signatories of the Treaty - Argentina, Brazil, Chile, Mexico, Peru, Paraguay and Uruguay, and have resulted in a total of 2,454 items being included in the National Schedules. For the purpose of the accession of Colombia, which took place in the latter part of 1961, a special conference was held early in 1962 in which the first round of negotiations was completed, extending to Colombia the concessions exchanged between the member States, for which Colombia offered an adequate counterpart.

5. The following general conclusions may be drawn from an examination of the results of the above-mentioned series of negotiations:

(a) The provisions of Article 14 of the Treaty have been complied with in that:

(i) as a first step the treatment previously existing in the Area under bilateral agreements was made multilateral;

(ii) treatment no less favourable than that which existed prior to the entry into force of the Treaty has been ensured for virtually all the products from within the Area;

(iii) the greatest possible number of products traditionally traded between the member States have been included in the National Schedules;

(iv) a number of products, mainly in the industrial sector, which were not yet included in trade within the Area have been added to these Schedules.

(b) Raw materials and foodstuffs which are essential to the economy of the Area have been regarded as items with a low level of incidence and even as being liberalized;

(c) In some sectors, for instance products of animal origin and some products of vegetable origin, efforts have been made to adopt the process of general liberalization, i.e. total exemption by all the member States.

6. On the same occasion, in compliance with Article 49 of the Treaty, resolutions were adopted on matters connected with the process of formation of the Area, namely: (a) definition of frontier traffic; (b) definition of "dumping" and other unfair trade practices; (c) establishment of criteria for determining the origin of the goods included in the liberalization programme; (d) establishment of a tariff nomenclature to serve as a common basis for the preparation of statistics and for other purposes.

7. The work done on some of these matters was accomplished with the valuable assistance in an advisory capacity of ECLA and of meetings of experts held before the conference. This was the case, for instance, in connexion with the nomenclature and statistics. Resolutions were adopted establishing the basis for substantive work to be carried out by the secretariat of LAtTA as well as by the member States in conference or through their administrative bodies.
8. As regards the complex matter of determining the origin of goods on which concessions are granted, the work done on this occasion is serving as experience for the studies which LFTA is continuing.

9. Frontier traffic, one of the two exceptions to the rules of Article 18 of the Treaty which relates to the most-favoured-nation clause, was the subject of a first regulation though of a provisional nature.

10. "Dumping" and other unfair practices were the subject of a resolution which outlines the procedure to be followed in any cases of such practices which might arise in the Area or with ramifications outside the Area.

11. In connexion with Article 26 of the Treaty a resolution was adopted providing that the member States must specify, in the document formally embodying the results of negotiations, the products included in the liberalization programme which they consider to be agricultural products for the possible application of Article 28.

12. The conference likewise considered two matters of great importance:
   (a) the rules and procedures for the conclusion of complementality agreements;
   (b) regulations in implementation of Chapter VIII, the chapter which contains the most important features of the Treaty to permit the granting to the relatively less-developed countries of advantages not extended to the other contracting parties.

13. Under the provisions of Article 32(a) in Chapter VIII, concessions were granted to Paraguay which were not extended to the other member States.

II. INTERSESSIONAL PERIOD

14. In the period between the first and second conferences, in addition to the holding of a special conference for negotiations with Colombia, Resolution No. 38 was adopted under which Ecuador acceded to the Treaty with the status of a country in a relatively less advanced stage of economic development.

15. In this same period a number of technical studies were carried out, in particular as regards customs nomenclature, origin of goods, maritime transport and statistics.

16. Attention should be drawn to the work done on nomenclature which culminated in the adaptation of the Brussels Tariff Nomenclature to the Area's requirements. In order to reflect the situation of the Area in customs matters, a customs nomenclature for LFTA, consisting of a sub-division of the Brussels Tariff Nomenclature at the level of sub-items, was drawn up, and is known as the NABALC.

17. Also in this period, meetings of businessmen in the Area were sponsored with a view to reciprocal arrangements which would permit more rapid progress in the liberalization programme.
III. SECOND CONFERENCE (in progress)

18. At the present time the second conference of the member States is in progress in Mexico and has entered on the final stages of its work. During the conference the second series of negotiations is taking place for the reduction or elimination of duties and charges, and in addition other matters arising from the process of formation of the Area are being considered.

19. As regards the liberalization programme, in addition to the inclusion of new products in the National Schedules, a linear reduction is being achieved in the current negotiations in the duties and charges negotiated at the first conference, so as to introduce some automaticity in the process of reducing and abolishing duties and charges.

20. Considerable progress has been made at the conference in the work on customs nomenclature and the NAABALIC has been adopted as the common nomenclature for purposes of negotiation and statistics. Likewise it should be noted that the results of such work will make it possible to valorize, as laid down under the Treaty, trade flows within the Area and the influence of the liberalization programme on them.

21. As regards the origin of goods - a problem which has been placed on the technical level in order to place it on a more systematic basis - criteria are under study for determining the classification of the products included in the liberalization programme.

22. The conference is likewise studying problems arising from the process of formation of the Area, such as the preservation of the effective value of concessions granted and related problems, and is examining afresh, with a view to perfecting the relevant resolutions, matters such as frontier traffic, "dumping" and other unfair trade practices, the characterization of agricultural products, complementarity agreements, implementing rules for Chapter VIII etc.

23. Furthermore, the second conference is considering some matters which there was no opportunity to examine earlier, e.g. maritime and air transport, financial matters connected with the implementation of the Treaty, and conditions for accession to the Treaty. Resolutions have already been adopted on some of these matters.

24. Accordingly, it may be concluded that the work in progress at the second session reflects the intention of proceeding with the formation of the Area, while respecting the letter and spirit of the Treaty.

25. The general picture of the negotiations completed during the first conference shows that the liberalization programme laid down in Chapter II of the Treaty was initiated in full conformity with the provisions laid down under the said Chapter.
26. This has been done notwithstanding the difficulties encountered by an organization which embraces countries with different economic structures although they are united by a common denominator, that of being all countries in the process of development including some which are relatively less developed. Such countries are characterized by the weakness of their economies, which are dependent on external factors, and it is imperative not merely to consolidate existing trade flows between them, as is the case with highly-developed countries, but to create such trade flows.

27. These two features, which are regarded as fundamental, account for the difficulties encountered by LAFTA in some aspects of the establishment of the Area.