

## *Latin American Economic Co-operation*

**I**N FEBRUARY 1960, representatives of Uruguay, Argentina, Mexico, Brazil, Chile, Paraguay and Peru met at the second Montevideo Conference to review suggestions and proposed changes to the draft treaty that emerged from the first conference, held in September 1959. The representatives from these seven countries also signed the Montevideo Treaty setting up a Latin American free-trade area through the gradual elimination of tariffs and trade restrictions over a 12-year period after ratification of the treaty. This pact will apply to "all essential items of the contracting parties' reciprocal trade" but not to livestock, agricultural products and services. To achieve the elimination of tariffs and trade restrictions, periodical negotiations will take place to establish lists of annual reductions each country is to concede to the other six and reductions all seven countries are to concede collectively in trading among themselves. Reductions in all charges and tariffs are to amount at least to 8 per cent a year in order to reach 25 per cent for the first 3-year period, 50 per cent after 6 years, 75 per cent after 9 years and 100 per cent at the end of the 12-year period.

In order to ensure the greatest possible trade benefit, the treaty also provides for the lists to be negotiated each year in order that they may be as comprehensive as possible. Moreover, discrimination is to be avoided through internal taxation against products originating in other member countries.

The treaty contains escape clauses to permit member countries, in cases of serious damage to industries of substantial importance and of serious balance of payments difficulties, to impose restrictions of a temporary nature. It also calls for co-operation in livestock and agricultural trade (which is otherwise outside its scope) and for special consideration of the problems of the economically less-developed member countries in the implementation of the free-trade area.

The treaty is to come into force after at least three member countries have deposited their instruments of ratification, and is open to all Latin American countries. Although the area of the present members includes over 120 million people, trade among them represents little over 10 per cent of their total trade.

The United Nations Economic Commission for Latin America has been the main body in which the preparatory work for the establishment of a regional free-trade area has been carried out over the past five years. In addition to the Santiago Treaty, the Central American Multilateral Free-Trade and Economic Co-operation Agreement has been in force since the summer of 1959 between Nicaragua, Guatemala and El Salvador, which countries have also entered an Industrial Integration Treaty with Honduras and Costa Rica. These sub-regional arrangements complement the Free-Trade Area Treaty between Nicaragua and El Salvador, which has been in force for some time. These arrangements apply only to a part of the trade among the five Central American countries and to a