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LATIN AMERICAN AGRICULTURAL TRADE WITH
THE EUROPEAN COMMON MARKET

Introduction

THE great English writer Arnold Toynbee has said that to him anything that opposes nationalism constitutes a victory for the human race. The birth of the European Economic Community is no doubt one of these victories—always provided, of course, that while fulfilling its programme of expansion, development and external trade it also takes into account the interests of important areas of the world.

After the last world war, the appearance of regional economic groupings among the industrialized nations in the field of international trade brought a different emphasis to the problems of Latin American agricultural exports.

The Treaty of Rome which was the origin of the Common Market, the negotiations with the United Kingdom and the protectionist measures applied to their agriculture by the six member nations through the Agricultural Policy of 14 January 1962 have merited careful consideration in Latin America, as the European market is of prime importance in the disposal of its raw material (see Table 1).

Assuming that all the nations of Western Europe, together with their overseas territories, ultimately come to be associated around the nucleus of the six founder nations which signed the Treaty of Rome, in a preferential and self-sufficient trade area, *Latin America would be practically the only developing area of the western world to be subjected to discrimination*. Although the ups and downs of international relations allow us to assume that nothing so extreme is to be expected, the Latin American nations have good reason to follow with considerable concern European events which might affect their interests.

Even the United States, which promoted the economic and political unification of Europe after the last war, since at that time problems of common defence were of fundamental importance, has now found an economic rival as well as a political ally. As a result, a number of United States export products are now encountering marketing

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problems in Europe, at a time when its balance of payments is experiencing temporary difficulties.

All these circumstances related to international politics and trade have made the individual Latin American nations realize how limited their negotiating power is in isolation. Therefore the need for a united and co-ordinated approach to their trading policy toward Europe has also been grasped. This is perhaps the only way in which it will be possible to ensure positive benefits to Latin America in her relations with the industrial nations.

TABLE I. *Value of the principal Latin American agricultural products imported by the six EEC nations*

	Imports originating in Latin America			Total imports of the EEC			Percentage of total EEC imports originating in Latin America		
	1958	1959	1960	1958	1959	1960	1958	1959	1960
	Millions dollars						Percentages		
Coffee . . .	300	295	305	560	503	503	54	59	61
Cereals . . .	148	140	214	840	933	985	18	15	22
Cotton . . .	133	149	129	661	549	756	20	27	17
Bananas . . .	111	106	109	163	141	150	68	75	72
Wool . . .	55	88	82	659	736	788	8	12	10
Meat . . .	66	73	59	319	369	439	21	20	13
Sugar . . .	45	36	56	126	129	166	36	28	34
Cocoa beans . .	40	39	33	233	240	212	17	16	16

Source: *América Latina y la CEE*, FAO Regional Conference. Rio de Janeiro, October 1962.

The 1964 United Nations World Conference of Trade and Development and the coming 'Kennedy Round' will be events of great importance for the study and analysis of the problems of international trade and may possibly lead to a solution of the uncertainty through which Latin American agricultural exports are passing.

The economies of the Latin American countries are characterized by their close dependence on their exports of primary goods; the latter constitute the fundamental source of their income. Also, because of their slow economic development their national productivity is increasing too slowly to maintain pace with the growing population.

While the countries of Latin America show many economic, geographic and political differences, they face problems with many points in common, especially in the questions of economic development and external trade.

Latin America today finds itself obliged to develop, increase its production of basic materials, accelerate its industrialization and raise the cultural and living standards of its people. To this end the determination of the American republics to join together in a common effort to achieve faster economic progress was set out in the establishment in 1961 of the *Alliance for Progress*. This requires the expansion of their trade, a simultaneous increase in the income they derive from exports, a diminution of cyclical or seasonal fluctuations in the income of those countries which still depend to a considerable extent on the export of raw materials and the correction of the deterioration in their terms of exchange which dates from early in the century.

In the last few years the proportion of Latin American exports has diminished in relation to world trade. Exports throughout the world increased by 32 per cent. in the period between the pre-war years and 1958-60, while those of Latin America increased by only 19 per cent.

In global terms, a considerable increase has occurred since the nineteen-fifties in the index of prices of manufactured goods, coupled with a decline in that of agricultural products, which has produced a vulnerability in terms of exchange with consequent restraint upon external trade. This process has affected many regions of the world, but most markedly Latin America, due to the great importance to that region of its agricultural and cattle exports.¹

The situation indicated here has caused serious fluctuations in income from exports, leading to upheavals in the balance of payments and creating difficulties in the financing of plans for development and industrialization. The last months of 1962 and the first half of 1963 seem to indicate that there has been a recovery in the international prices of some basic Latin American export products. There have been substantial improvements in the prices of sugar, cocoa and wool. Sugar, the product which has shown the most significant price rise in 1963, is characterized by its shortage and high prices, in contrast to its position during the period of over-production and low prices in 1957-62. On the contrary, the price of coffee—which showed its highest post-war price in 1954—fell by 57 per cent. on the United States market in 1962.

A brief analysis of Table 2 on the evolution of export prices in the different Latin American countries, shows a clear deterioration. On

¹ See *Tendencies of International Trade*, GATT report by a group of experts, Geneva, 1958. *FAO Commodity Review* 1963, Rome. *Studies on Basic Products 1962*, U.N., New York, 1963.

the average, an index of 100 in 1958 drops to 95 in 1959 and 1960, to 94 in 1961, and to 93 in 1962.

In the present paper we shall review the position held by agriculture in the economy of Latin America, in order to determine at a later stage the importance of its exports for the continent's total trade with Europe, and finally to be able to analyse the specific problems confronting the principal products exported to the European Economic Community.

TABLE 2. *Latin America: export price*

1958: 100

	1956	1957	1958	1959	1960	1961	1962
Argentina	107	104	100	103	108	107	99
Bolivia	121	108	100	105	107	113	116
Brazil	106	108	100	85	83	85	80
Colombia	133	118	100	87	87	84	80
Costa Rica	128	120	100	90	85	83	75
Cuba	94	116	100	..	..	..	..
Dominican Republic	92	117	100	87	86	81	99
Ecuador	105	103	100	98	91	88	94
El Salvador	121	120	100	79	81	78	66
Guatemala	138	126	100	83	85	80	81
Haiti	120	118	100	88	88	84	79
Honduras	116	..	100	91	90	89	..
Nicaragua	124	116	100	89	91	88	88
Panama	110	103	100	96	85	83	97
Peru	118	121	100	97	..	110	108
Uruguay	117	128	100	95	118	111	116
Venezuela	92	100	100	93	92	92	92
Average	111	107	100	95	95	94	93

Source: *International Financial Statistics*, International Monetary Fund, October 1963. The Latin American commodity trade includes sixteen commodities that represent about 76 per cent. of the exports of the twenty Latin American republics.

I. *Latin American Agriculture*

In the twenty countries of Latin America agriculture is one of the most important activities; about 60 per cent. of the 207 million inhabitants live in rural areas. The variety of natural conditions and the favourable circumstances in international commerce since the eighteenth century have allowed the development of the production and trade of many types of products, some of which are now of outstanding importance in world agriculture.¹

¹ See *Agricultural Geography of Latin America*, Miscellaneous Publ. No. 743, U.S. Department of Agriculture; *Notes on the Agricultural Economics of the 20 Latin American Republics*, U.S. Department of Agriculture.

Latin America has a great range of climatic diversity; it is a continent of contrasts and this has allowed it to develop a very varied agricultural production.

The temperate zone agriculture, mainly located in the countries of the far south—Argentina and Uruguay—is characterized by the production of meat, cereals and wool.¹ In the same temperate zone, Chile, which runs along the edge of the Andean range on the Pacific coast, has no comparably important agricultural and pastoral industry although its potential, like that of the state of California (U.S.A.), is great; its present economy is essentially based on mining, copper being the principal product. Further to the north lies Bolivia, where the tin provides 77 per cent. of the exports.

In *the tropical zone of South America* represented by Brazil, Ecuador, Peru and Colombia, coffee, bananas, sugar, cocoa and cotton are the most important agricultural products. Situated in the same geographical area, Venezuela has an oil-based economy, constituting 90 per cent. of its total exports.

Central American agriculture is principally devoted to the production of coffee, bananas and cotton, these products representing respectively 51.1 per cent., 15.8 per cent. and 8 per cent. of the total exports of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; in 1960 the value of these exports totalled 450 million dollars.

Agricultural production in Latin America increased significantly between the pre-war period and the present day. But, although this overall increase has been considerable, it was accompanied by a significant population increase, with the result that the growth of production is insufficient in relation to the growth of population.

In Latin America agricultural exports represent approximately 54 per cent. of the total exports and are made up mainly of the following products: coffee, sugar, cocoa, wheat, meat, wool, bananas and maize. Without taking into account primary exports from Venezuela, Chile, and Bolivia consisting of oil, copper and tin respectively, agricultural products made up 84 per cent. of the total Latin American exports. By contrast, agricultural imports represent only 14 per cent. of the total.

In order of importance oil, coffee and sugar are the major sources of Latin American income from exports. Coffee production in Latin America in the period 1960/1 amounted to 3,497,000 tons, world

¹ See *Historia Económica de la Ganadería Argentina*, Horacio Giberti, Buenos Aires, 1954.

production for the same period was 4,469,000 tons. The production of sugar was 17,380,000 tons as compared to the world total of 44,890,000 tons in the years 1960/1. Table 3 on 'World and Latin American production of principal regional export products' shows the importance and development of agriculture in this continent during the last five years.

TABLE 3. *World and Latin American production of principal regional export products*¹

	1958-9	1959-60	1960-1	1961-2	1958-9	1959-60	1960-1	1961-2
	Thousands of metric tons				Percentages			
<i>Coffee</i>								
World	3,520	4,622	4,469	3,917	100.0	100.0	100.0	100.0
Latin America	2,733	3,785	3,497	2,930	77.6	81.9	74.8	78.3
<i>Sugar</i>								
World	42,630	42,520	44,890	48,380	100.0	100.0	100.0	100.0
Latin America	16,780	17,180	17,380	18,450	39.3	40.4	38.1	38.7
<i>Cocoa</i>								
World	903	1,034	1,184	1,172	100.0	100.0	100.0	100.0
Latin America	321	356	340	282	35.5	34.4	24.1	28.7
<i>Meat</i>								
World	54,910	56,870	59,760	57,810	100.0	100.0	100.0	100.0
Latin America	7,865	7,245	7,510	7,105	14.3	12.7	12.3	12.6
<i>Wool</i>								
World	1,383	1,459	1,473	1,461	100.0	100.0	100.0	100.0
Latin America	166	164	168	177	12.0	11.2	12.1	11.4

Source: FAO, *Perspectivas y problemas de los productos agrícolas latinoamericanas de exportación*. Regional Conference, Rio de Janeiro, August 1962.

Brazilian exports in 1960 represented 15 per cent. of Latin America's total exports. Traditionally it is a country which exports subtropical products and imports temperate zone agricultural products. It actually provides over half of the world coffee total and is also an important producer of cocoa and cotton. The United States takes about 60 per cent. of Brazil's coffee exports and 45 per cent. of its cocoa.

On the other hand, Brazil imports more than 75 per cent. of its wheat requirements. Argentina supplies a great part of this in exchange for coffee, wood and tropical fruit. It should be pointed out, however, that the United States has become an important supplier of wheat to Brazil as part of the plan established under Public Law 480.

In spite of a recorded decrease in the area planted with coffee, Brazilian production has gone up from 1,796,600 tons in 1960/1 to 2,200,000 in 1962, an increase of 27 per cent. If we compare the

¹ Mainland China's production is not included in the world totals.

yields per hectare in the course of the last ten years, a clear improvement in yield is apparent, since the production of 245 kg. during the years 1948-52 rose to 612 kg. in 1959/60, although in the last two years it has fallen to 512 kg. per hectare.

Colombia is also an important coffee producer; exports of this product composed 71 per cent. of its total exports in 1961. The production of coffee in recent harvests has been as follows: 1959/60, 480,000 tons; 1960/1, 462,000 tons; and 1961/2, 360,000 tons.

In many countries of the continent the production and trade in sugar play a decisive part. For the period 1951-60 total sugar exports represented an annual average of 7,927.2 million dollars.

Cuba is the continent's biggest sugar exporter: in 1958/9-60 its production reached 5,343,000 tons, being followed in the same period by the Dominican Republic with 814,000 tons, Brazil with 714,000 tons and Peru with 476,000 tons.

From 1960 significant changes in the destination of these exports have occurred; Cuba, which used to send its sugar to the United States, has, in consequence of the existing political and economic situation, redirected its exports to markets within the Soviet bloc. Other Latin American countries, on the other hand, have largely replaced Cuba as suppliers of sugar to the United States.

Cuban sugar sales to mainland China and the U.S.S.R. rose in 1960 to 476,537 and 1,577,683 tons and in 1961 to 1,032,865 and 3,302,865 tons respectively.

The 'pampas' area of *Argentina* (amounting to 20,000,000 hectares) and *Uruguay*, known for the excellence of its soils and climate, is the growth centre of the temperate zone cereals and the site of a large and important beef industry.¹ In 1962 Argentina exported 460,000 tons of meat, as compared with a total of 600,000 tons for all of Latin America. In 1960, 52 per cent. of Uruguay's exports were of wool and 24 per cent. were of meat. The greater part of Latin America's meat exports are destined for Western European markets; of these the United Kingdom is the biggest meat importer in the world.

Oats, barley, wheat, maize and flax are also cultivated in the 'pampa zone', where an important dairy industry is located as well.

Ecuador is the world's largest exporter of bananas; they comprise 66 per cent. of its total exports. Latin American banana sales in 1961 represented a sum of 80 million dollars.

¹ See 'Algunas consideraciones sobre la ganadería argentina en el mundo', Norberto Ras. *Revista Investigaciones ganaderas*, no. 6, 1959, Buenos Aires.

Mexico, the third largest country territorially after Brazil and Argentina and the second in population (Brazil having 74,300,000 inhabitants and Mexico 36,000,000), enjoys geographical and climatic conditions which have allowed it to develop a variety of crops, as well as cattle, forestry and mining. Cotton, the principal export product, reached a level of 354,000 tons in 1960. The Latin American countries which follow Mexico as cotton exporters are, in order of importance: Peru, 107,000 tons; Brazil, 71,000 tons, and Nicaragua, 44,000 tons.

Although *Peru's* agricultural production is considerable, the country imports large quantities of food (mainly meat and wheat). About 50 per cent. of Peru's income is derived from agriculture and fishery products: sugar, cotton and fish-meal; it is one of the world's biggest producers of the latter product. The rest of its income is derived from mining its natural resources of silver, iron, zinc, copper and lead. Peru's external trade has been increasing and diversifying significantly in the last few years; between 1956 and 1961 the cotton sales went up by 30 per cent. while those of fish-meal tripled.

II. *Latin America's trade with the European Economic Community*

Latin America has always been a producer of basic materials in international commerce; it has been an exporter of foods and raw materials and an importer of manufactured goods. In the last two decades a modification has taken place in its imports, since a significant degree of industrialization is in process within several of the Latin American countries. This has allowed Latin America practically to eliminate its imports of consumer goods, thus concentrating on capital goods, industrial materials and certain foods not produced on the continent.¹

Due to the nature of Latin American exports the United States and Europe have been their main markets. In 1960 exports to the United States represented 41·8 per cent. of the total, and in both 1961 and 1962 they accounted for 37·7 per cent. Exports to the European Common Market made up 18·3 per cent., 18·5 per cent. and 19·7 per cent. for the years 1960, 1961 and 1962 respectively. Meanwhile those destined for EFTA (European Free Trade Association) countries amounted to another 11·7 per cent., 11·3 per cent. and 11·2 per

¹ See 'Latin America and the European Common Market', review by the Bank of London and South America, January 1962.

cent. for these three years respectively. The distribution of Latin American exports is indicated in Tables 4 and 5.

It is clear that United States dominance in Latin American export trade is largely due to its geographic proximity, but also of importance is the fact that Latin America has been the supplier of needed tropical products and raw materials. (See Table 6—Latin America: Volume of green coffee exports principal markets.)

The countries of the River Plate temperate zone, Argentina and Uruguay—which compete in the international market with exports from New Zealand, Australia, Canada and the United States—have always had their natural markets in Europe. The United Kingdom is and will continue to be the principal market for Argentine meat. (See Table 7—Beef, Chilled or Frozen: Argentine exports by country of destination, product weight, annual 1957–62.)

For Latin American mining products Europe is also an important market; Chile, for example, sent 50 per cent. of its exports to Europe compared with 38 per cent. to the United States, while Bolivia also sent 50 per cent. to Europe and 36 per cent. to the United States.

One of the most important events affecting the destination of Latin American exports within the last two years has been the paralysis of trade exchanges between the United States and Cuba and the re-orientation of the trade of that country towards markets of the Soviet area.

Only a small percentage of Latin American exports is imported by other countries within the region. Inter-regional trade amounted only to 7.9 per cent. of the total in 1960, 6.6 per cent. in 1961 and 6.7 per cent. in 1962. This was limited mainly to the exchange of raw materials and food products between the tropical and temperate countries of the continent. The plans for integration through the Latin American Free Trade Association (made up of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Paraguay and Uruguay), and the Central American Economic integration programme (covering Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) have as their objective the promotion of a considerable increase in inter-regional trade, while at the same time the member countries are implementing effective structural changes in their economies.

The plans for Latin American integration that form an indispensable base for the social and economic development of the continent will be affected if the deterioration of its traditional trade with the

TABLE 4. *Destination of Latin American exports*

(FOB values in millions of dollars)

Years	World	U.S.A.	Canada	Latin America	Western Europe				Eastern Europe		Mainland China	Japan	Africa	Rest of the world
					Total	EEC	EFTA		U.S.S.R.	Others				
							Total	U.K.						
1960	8,610	3,600	145	680	2,720	1,580	1,010	740	135	130	41	240	75	844
1961	8,670	3,270	160	570	2,760	1,600	980	690	345	160	76	340	76	913
1962	9,200	3,380	175	620	3,060	1,810	1,030	720	375	190	100	335	92	873

Source: *Monthly Bulletin of Statistics*, June 1963, United Nations, New York.

TABLE 5. *Percentage distribution of Latin American exports by principal areas of destination*

(Percentages of total exports)

Years	World	U.S.A.	Canada	Latin America	Western Europe				Eastern Europe		Mainland China	Japan	Africa	Rest of the world
					Total	EEC	EFTA		U.S.S.R.	Others				
							Total	U.K.						
1960	100.0	41.8	1.7	7.9	31.6	18.4	11.7	8.6	1.6	1.5	0.5	2.8	0.9	9.7
1961	100.0	37.7	1.8	6.6	31.8	18.5	11.3	8.0	4.0	1.9	0.9	3.9	0.9	10.5
1962	100.0	36.7	1.9	6.7	33.3	19.7	11.2	7.8	4.1	2.1	1.1	3.6	1.0	9.5

Source: *Monthly Bulletin of Statistics*, June 1963, United Nations, New York.

TABLE 6. *Latin America: volume of green coffee exports principal markets*

(Thousands of bags of 60 kilogrammes or 132.176 pounds each)

	U.S.A.	Canada	EEC	EFTA	U.S.S.R.	Others	Total
Brazil							
1960 (1,000 sacos)	9,361	294	2,736	2,075	621	1,712	16,819
1961 Indice ^a	91.6	108.8	117.0	105.8	122.1	111.2	100.9
1962 "	87.0	114.6	118.3	112.0	107.2	96.6	97.4
Colombia							
1960 (1,000 sacos)	4,350	109	857	321	144	157	5,938
1961 Indice ^a	90.8	107.3	106.0	110.9	29.9	177.1	95.2
1962 "	99.5	115.6	131.9	144.5	44.4	284.7	110.5
Costa Rica							
1960 (1,000 sacos)	274	9	439	40	1	3	766
1961 Indice ^a	131.8	77.8	95.7	97.5	..	266.7	109.0
1962 "	128.1	111.1	110.0	117.5	..	366.7	117.8
Dominican Republic							
1960 (1,000 sacos)	413	6	59	2	..	1	481
1961 Indice ^a	68.3	66.7	81.4	50.0	..	..	69.6
1962 "	101.0	..	113.6	50.0	..	200.0	101.2
Ecuador							
1960 (1,000 sacos)	323	1	190	16	..	9	539
1961 Indice ^a	59.1	200.0	90.5	43.8	..	100.0	70.7
1962 "	115.5	100.0	83.2	50.0	..	111.1	102.2
El Salvador							
1960 (1,000 sacos)	371	5	740	46	..	16	1,178
1961 Indice ^a	179.8	240.0	96.6	76.1	..	12.5	121.5
1962 "	180.6	260.0	97.4	100.0	..	175.0	125.4
Guatemala							
1960 (1,000 sacos)	825	4	427	58	..	15	1,329
1961 Indice ^a	96.0	150.0	85.7	124.1	..	126.7	94.4
1962 "	90.4	200.0	143.3	148.3	6	640.0	116.8
Haiti							
1960 (1,000 sacos)	60	..	296	33	1	4	394
1961 Indice ^a	141.7	..	79.4	75.8	..	75.0	88.3
1962 "	231.7	..	114.5	93.9	..	125.0	130.5
Honduras							
1960 (1,000 sacos)	149	..	70	17	..	22	258
1961 Indice ^a	89.3	..	55.7	41.2	..	140.9	81.4
1962 "	100.7	c	107.1	23.5	..	163.6	103.1
Mexico							
1960 (1,000 sacos)	1,128	16	160	36	1	43	1,384
1961 Indice ^b	118.3	100.0	65.0	77.8	..	2.3	107.2
1962 "	115.6	106.3	45.0	158.3	..	16.3	105.3
Nicaragua							
1960 (1,000 sacos)	188	1	170	2	..	..	361
1961 Indice ^a	111.2	100.0	79.4	100.0	..	d	96.7
1962 "	100.0	100.0	84.1	50.0	..	d	93.6
Peru							
1960 (1,000 sacos)	332	3	92	6	..	7	440
1961 Indice ^a	117.5	33.3	142.4	333.3	..	357.1	128.9
1962 "	141.0	200.0	112.0	400.0	..	328.6	141.8
Venezuela							
1960 (1,000 sacos)	359	..	33	16	..	..	408
1961 Indice ^a	97.8	e	118.2	93.8	..	..	99.5
1962 "	71.6	e	133.3	93.8	..	f	78.2
Total							
1960 (1,000 sacos)	18,153	448	6,270	2,668	768	1,988	30,295
1961 Indice ^a	95.5	108.7	103.9	105.1	104.3	114.7	99.8
1962 "	96.7	116.3	114.6	116.5	95.7	116.9	103.7

(a) Index 1960 = 100.0 (Indices = Indexes). (b) Exports of 4,000 bags in 1962 (sacos = bags). (c) Exports of 1,000 bags in 1962. (d) Exports of 2,000 and 5,000 bags in 1961 and 1962, respectively. (e) Exports of 1,000 bags in 1961 and 1962. (f) Exports of 2,000 bags in 1962.

Source: Pan American Coffee Bureau, *Coffee Statistics*, New York, 1962.

United States and Western Europe continues. Latin American integration will permit, in the long run, an increase in the inter-regional trade of agricultural products but its basic objective is the harmonization of the new industrial development. In order to finance the plans for economic development and industrialization it is necessary to continue to expand Latin American exports to the United States and Europe.¹

TABLE 7. *Beef, Chilled or Frozen: Argentine exports by country of destination, product weight, annual 1957-62*

Country of destination	1957	1958	1959	1960	1961	1962
	Million pounds					
United Kingdom . . .	592	565	479	440	339	430
Italy	62	57	68	70	77	128
Germany, West . . .	61	65	87	20	38	58
Spain	1	18	13	3	..	56
Greece	17	15	18	19	23	39
Netherlands	9	15	26	16	28	37
Belgium	8	11	6	9	24	28
Switzerland	5	8	12	17	14	22
Chile . . . . .	..	1	4	14	18	20
Czechoslovakia . . .	3	9	8	..	9	18
Peru	13	9	10	1	6	8
Other countries . . .	31	27	25	20	17	14
Total	802	800	756	629	593	858

Source: *Argentina's Livestock and Meat Industry*, U.S. Dept. of Agriculture, July 1963.

The problems of agricultural trade between Latin American and the European Economic Community, a theme which has earned outstanding consideration in the last few years by interested countries and in various international forums, presents several analytical difficulties, principally the following:

- (a) *The delay in establishing a treaty of association with the African countries and the Republic of Madagascar*, which sets up preferential treatment for several tropical products. (This was signed on 20 July 1963.)

This treaty of association creates uncertainties and will contribute to the creation of difficulties for Latin America's trade in tropical and sub-tropical products. While the agreement referred to will allow the

¹ See 'El papel de la explotación agropecuaria en el funcionamiento de un sistema de libre comercio', José Marteliti and Carlos Bastanchuri, paper presented to the IVth PACCIOS Conference, Buenos Aires, November 1962.

expansion and development of the trade of the African nations—a concern shared by Latin America—it would be unjust that this should be achieved at the expense of other areas of the world and by the creation of conflicts with the traditional currents of international trade.

- (b) *Lack of EEC regulation on policy* concerning certain agricultural products of vital importance for Latin American exports (notably beef).

The conclusive settlement of such regulations would allow a clear definition of the European Agricultural Policy of 14 January 1962, thereby permitting a more profound analysis of the repercussions it would produce upon Latin American agricultural exports.

- (c) *The negotiations between the United Kingdom and the EEC.*

The Brussels negotiations were interrupted in January 1963, and delayed the final regulation of the Agricultural Policy of the European Common Market. It is possible, however, that the United Kingdom will join at a future date. If this occurs, Britain's incorporation into the Community will make necessary the consideration of a new Common Market of seven, eight, nine or more countries (including, for example, Denmark and Ireland), with obviously different economic characteristics from those presented today by the Europe of the Six. This in turn would necessitate a new approach to the problem of trade relations between Latin America and an expanded European Community.

The possible entry of Denmark, for instance, would be of the greatest importance to the Latin American meat-exporting countries, like Argentina and Uruguay. As soon as concrete solutions have been reached in Europe to the problem of the incorporation of other states into the Community, it will be possible to evaluate precisely the situation of Latin American exports.

A. *Tropical zone products*

Taking into consideration only Brazilian coffee, it has been shown that when the common external tariff is applied to this product—assuming present conditions to be unchanged—Brazil may expect to suffer a loss of 70 to 80 million dollars a year.¹

¹ See 'O Brasil na ultima assembleia do GATT', *Revista de Conselho Nacional de Economia*, vol. xi, no. 2, Rio de Janeiro, mars 1962, p. 16.

Naturally this does not present a promising prospect to Latin American exporters of tropical produce to the EEC. The recent agreement between the Community and the African nations sets up a customs duty of 9.6 per cent. (down from the present 16 per cent. level) while African coffee would enter free of duty.

The present taxes on coffee in Europe are limiting its demand, as clearly shown if compared with the consumption of this product in other countries (Sweden and the U.S.A.) where it is untaxed; in the latter countries consumption *per caput* varied between 7 and 10 kg. for the years 1958-60, while in the EEC during the same period the level was only 3.2 kg. If present taxes (customs and internal taxes) on coffee in the EEC were diminished, it is fairly obvious that consumption would go up.

The International Coffee Agreement, whose first meeting took place in London in August 1963, can offer hopeful prospects for the future of trade in coffee. It will allow the taking of appropriate measures in dealing with the basic problem of adjusting supply to demand, and the fixing of quotas in accordance with reality.¹

In relation to Latin American exports of bananas, the protectionism imposed by Europe dates from before the Treaty of Rome and has been increased by the policy followed by the Community, especially in France and Italy. This has also caused Germany to buy the greater percentage of its bananas from the African nations.² In Italy the state banana monopoly (Azienda Monopolio Banane) controls the importing and distribution of bananas, which has been almost entirely from Somalia, with the virtual exclusion of Latin American supplies. This has caused retail banana prices in Italy to be nearly double those in the U.S.A. or Germany.

In the matter of cocoa the Treaty of Rome established in its common External Tariff that imports of this product coming from outside countries would be subject to a duty of 9 per cent. *ad valorem*. The agreement between the EEC and the African states lays down that the common tariff for countries outside the agreement should be reduced by 40 per cent., or from 9 per cent. to 5.4 per cent., and that on the agreement's coming into force, a zero tariff should be applied to imports from associated countries. The effects of these tariff

¹ See 'La situation mondiale du café en 1961-62 et le nouvel accord international'. Review by the Banque Française et Italienne pour l'Amérique du Sud. Paris, March 1963.

² See *The Impact of Trade Restrictions in Europe on the Banana Producing Countries of Latin America*, Pan American Union, Washington, D.C., March 1963.

measures would mean a discrimination against cocoa imports from unassociated countries.¹

An auspicious event for the trade in cocoa was the agreement to set up a conference within the framework of the United Nations to negotiate an International Agreement. This has been the culmination of several years of work by the FAO Study Group and will allow the cocoa-exporting countries of Latin America to state their worries with reference to trade in this product.

The long-term view of Latin America's trade in tropical products with the EEC becomes more aggravated considering the important financial aid offered by the Community to its associated countries in order to increase their production and trade. The financial clauses of the Convention with the African nations established that within the next five years the European Economic Community and the European Development Bank will place \$730 million at the disposal of the African Associated States and Madagascar (38 per cent. more than the sum assigned by the first Convention). Of this total, \$500 million will be destined for use as capital investments for economic and social purposes and technical co-operation. The other \$230 million will be used to diversify and improve the production of tropical agriculture. Of the \$730 million, \$620 million will be in the form of non-repayable concessions, \$46 million in the form of loans and \$64 million (provided by the European Investment Bank) also in the form of loans, but at special rates of interest.

The progressive reduction of internal taxes and the liberalization of the preferential system extended by the EEC to African agricultural products could contribute to the normalizing of Latin American exports to the Community.

B. *Products of the temperate zone*

Among the agricultural producing and exporting temperate countries of the world, Argentina is the one which carries on the most significant trade with the European Economic Community. Argentinian exports to the EEC, amounting to approximately \$400 million in 1961, as opposed to \$964.1 million in total exports, were distributed in the following way:²

¹ See *Report by the FAO Study Group on Cocoa to the Committee for Problems of Basic Products*, Puerto España, March 1963.

² Source: *Dirección Nacional de Estadísticas y Censos*, Buenos Aires, 1962.

	\$
Holland	141,490,482
Italy	106,363,638
Germany	75,802,901
Belgium	41,093,300
France	35,082,960

Uruguay, also a temperate zone agricultural country, exported \$83 million worth of goods to the EEC in 1960, as opposed to \$129 million in total exports. The principal items of Argentinian and Uruguayan total exports in 1962 were as follows:¹

Commodity	Argentina	Uruguay
	millions dollars	
Meat	226.1	31.4
Wheat	173.2	..
Wool	144.1	81.6
Maize	121.3	..
Hides	91.3	16.6
Linseed	58.8	4.1

Concerning temperate zone agricultural products, during the last few years the European Common Market countries have developed defence structures for their native products which have the effect of increasing production, and are also implementing commercial systems which present difficulties for unassociated nations.² The regulations on pork products are now in force, but those on beef, which would be decisive for Latin American trade, have not yet been passed. It is to be hoped that the final ruling will eliminate discriminatory measures against unassociated nations.

Britain's entry into the self-supply programme of the Community, which amounts to 93 per cent. in the case of beef, would undoubtedly cause significant shifts and alterations in international trade, since this country is the world's largest meat importer.³ In 1960 it imported 351,000 tons of beef and the European Community 247,000, of which 134,000 went to Italy and 63,000 to Germany.

Of all the countries which supply temperate zone products to the United Kingdom and the Community, Argentina and Uruguay are the only ones which do not belong to any association like those existing

¹ Source: *I.F.S. International Financial Statistics*, Washington, D.C., October 1963.

² See *L'augmentation de la production de viande bovine dans les pays de la CEE*, Brussels, 1961.

³ See *United Kingdom: Projected level of demand, supply and imports of farm products in 1965 and 1975*, Institute for Research in Agricultural Economics of Oxford University, January 1962.

between the Commonwealth and the United Kingdom and between the eighteen African countries and the EEC. New Zealand, Canada and Australia, Commonwealth countries whose exports are similar to those of Argentina and Uruguay, may possibly have their agricultural trade with Europe assured for the future as part of any agreement over Britain's entry.

Although the entry of the United Kingdom into the European Common Market would have repercussions on Latin America's temperate zone exports, the present situation also contains other disquieting factors, the effects of which are difficult to estimate. A probable agreement between producers and importers, as has been suggested in international circles, would establish price levels and quotas to be purchased. The Latin American countries of the temperate area are at present able to export at the lowest price; a high fixed-price level with the objective of encouraging uneconomic production could be directly prejudicial to them, and might even alter the level of consumption in the importing countries because of the increase in the price.

In the trend of international trade the correct policy is to encourage beef production in the most suitable and efficient areas, while discouraging it in those regions where it is uneconomic, with the final objective the obtaining of an adequate balance between supply and demand. To this end it would be convenient to set up an agreement to stabilize international prices at levels which will be economic for the producing countries and in accord with the necessities of demand.

The EEC has a considerable demand for beef, the *per caput* consumption having been estimated at 22 kg. for 1965. This figure represents an increase of 3.6 kg. compared with the 1955/7 level. Increases above this average are estimated for Germany and Italy (24 and 33 per cent.), while for the other countries—France and Benelux—the increase in consumption has been estimated at between 11 and 14 per cent. It may be added that in the last decade a marked tendency toward the consumption of greater quantities of protein-rich products (meats, eggs, cheese, butter, &c.) has been observed in the European Common Market and has been accompanied by a simultaneous decline in those of high carbohydrate content (bread, potatoes, &c.).

A progressive liberalization of the Latin American meat trade with the EEC (reduction of import restrictions, tariff-cutting, &c.) could contribute to the normalizing of this trade, which has suffered a marked drop, as evidenced by comparing its pre-war volume with that

of the present.¹ For this reason it may be hoped that the future regulations concerning beef in the EEC will allow reasonable protection to native produce, but at the same time that they will not discriminate against unassociated nations through practices opposed to the principles upheld by GATT.

In the case of cereals the tendency of the EEC's agricultural policy is towards self-sufficiency.² Wheat production in the Community increased between 1950 and 1960 by over 25 per cent., as against an increase in consumption of only 15 per cent., thus diminishing net imports by approximately 20 per cent. The production of secondary cereals, on the other hand, increased by 35 per cent., but the net imports doubled owing to the fact that their consumption increased by almost 40 per cent. This indicates the fact that the problems confronting wheat and those confronting secondary cereals are different in emphasis.

Argentina is one of the five principal suppliers and represented between 16·8 per cent. and 18·7 per cent. of the Community's total imports. It should be pointed out, however, that both Argentina and Uruguay have been displaced in the last few years by other countries as suppliers to the EEC.

The proportion of Argentina's wheat exports destined for the European Common Market has fluctuated between a third and a quarter. In the period 1955-9 exports averaged 810,000 tons, but from 1958 they began to diminish substantially. The average of the last five years was only 559,000 tons, although some recovery took place in 1962.³

While the average of shipments of oats and barley from Argentina has not greatly changed, the relative proportion supplied to the EEC countries has substantially diminished, dropping in the last five years from 26·6 per cent. to 8 per cent. for barley and from 71·6 per cent. to 41·7 per cent. for oats. This is due primarily to the increase in exports from France and Australia.

The European Economic Community might well become generally self-sufficient in regard to wheat, but it will continue to import hard wheats due to climatic reasons. Consequently Argentina still has the opportunity to maintain the export level of this product.

As regards fodder cereals, the tendency to increase cattle production

¹ See *Mercado Común Europeo y Carnes Argentinas*, Carlos Bastanchuri, Revista del Centro Argentino de Ingenieros Agrónomos, Buenos Aires, October 1961.

² See *Agricultural Products and the European Common Market*, FAO, Rome, 1962.

³ See *Anuario de la Bolsa de Cereales*, Buenos Aires, 1962.

in the Community and the projection of meat consumption will probably cause an increasing demand in the member countries. A change might occur if the EEC's future surpluses of soft wheats, instead of being exported, were used to replace other cereals as fodder; in this case the need to import the latter would diminish.

Another of Latin America's preoccupations in relation to its trade with the European Economic Community derives from the application of discriminatory tariffs against manufactures and semimanufactures. Taking into account the concern of developing countries to step up their process of industrialization and progressively alter the balance of their exports by the inclusion of their manufactured or semimanufactured products, this could become a serious restrictive factor for the economic development and external trade of Latin America.

Conclusions

The great importance to Latin America of its agricultural exports makes its trade with the European Economic Community decisive for the development and economic progress of the continent. Latin America is extremely vulnerable to any restricting protectionist measures applied against it.

It would be mutually advantageous to promote a greater trade exchange between Latin America and the EEC. To achieve this end it would be necessary to agree upon reciprocal guarantees which would ensure this increase; interests would have to be reconciled and solutions sought for the existing problems.

Europe's first positive contribution to the increase of Latin American trade could be a progressive reduction or abolition of duties and internal taxes, especially on agricultural products; this would lead to the expansion of the European market for Latin American exports, thus mitigating the existing discrimination between the associated and unassociated countries.

The Dutch Economic Institute has proposed that the Economic Community should reduce by 50 to 80 per cent. its internal taxes and/or tariffs; the calculations made by the Institute have shown that the losses suffered by the European treasuries would not be serious, and could be easily compensated.¹

¹ See 'Le Développement économique de L'Amérique Latine et le commerce avec l'Europe'. Paper by Professor Jan Tinbergen presented in the Forum Européen sur l'Amérique Latine. Brussels, November 1962.

Another important European contribution could be the increasing of its financial aid, so as to provide backing for both public and private sources in order to help fulfil Latin America's plans for economic development. The increased participation of European private capital would make it possible for Latin America to continue in its efforts to increase and diversify its production and accelerate its process of industrialization.

At present, international trade is going through a period of great importance for Latin American exports. It contains elements whose future development will be decisive for Latin America's trade with Europe; these are, among others:

- (a) *The final regulation of the European Common Market's agricultural policy*, especially as it concerns meat, owing to the importance of this product to the Argentinian and Uruguayan economies.
- (b) *The preferential treatment given to the African associated states*, which is prejudicial to Latin American exports of tropical products.
- (c) *GATT tariff negotiations during 1964.*
- (d) *The coming United Nations World Conference on Trade and Development*, since this will allow a re-examination of the structure of international trade, an analysis of its expansion and importance for economic development and a clarification of the influence that economic unions between industrial countries would have on international trade in basic products.
- (e) *The possible resumption of negotiations between the United Kingdom and the EEC*; since if all of Western Europe, with its overseas associates, were to be united around the present Community in a preferential and self-sufficing trade area, *Latin America would become the only area of the world subject to discrimination.*

Although recent events permit us to assume that nothing so extreme will occur, the Latin American countries have good reason to follow with great attention the events in Europe which might affect their interests.

It will be necessary for the industrialized nations to make all necessary efforts to allow for the profitable production and commercialization of agricultural products by Latin America and other developing areas of the world; by these means new possibilities will also arise for the exporting of products to Latin America.

Future trade between Latin America and the EEC will be the result of the economic development of both areas, that of Europe today as influenced by the process of integration, and that of Latin America as still closely dependent on its agricultural exports, the latter being subject to protectionist and restrictive measures in international trade and vulnerable to fluctuations of price in world markets.

An active and dynamic common Latin American external trade policy, constructed on a long-term perspective and resting on modern commercial and technical bases, is perhaps the only means of assuring positive results in its relations with industrial nations. The panorama of international trade clearly illustrates the limited negotiating power of individual Latin American nations and demonstrates the necessity of their working together in this field.