

Protectionist legislation harm to United States

The House Ways and Means Committee will be hearing testimony in favor of imposing import quotas on many products. Bills already introduced cover petroleum, meat, lead, zinc, textiles, steel, frozen strawberries, fishmeal, dairy products, footwear and electronic products. In 1966 Latin American exports of these products to the United States amounted to \$1.2 billion or 31 percent of Latin America's total exports to the U.S. If such measures were adopted they could well have the effect of offsetting the total amount of Alliance for Progress authorizations likely to be forthcoming in fiscal year 1969.

In CIAP's view, however, such legislation would be not only harmful to Latin America but to the United States. In its trade with Latin America, the United States enjoys a large and favorable balance. Any action that reduces Latin America's dollar earnings will reduce its purchases of United States goods. But the harmful effects of protectionism go beyond the trade surplus. Inevitably the result of quota restrictions will be to protect a few U.S. producers at the expense of the many U.S. consumers. Restrictions will also inevitably encourage other industrialized countries to counter with restrictions against U.S. exports. There could be a chain reaction precipitating a contraction of world trade and economic activity detrimental to the whole world.

Protectionism would be preferable to chaos if these were the only alternatives. Fortunately they are not. We note with interest President Johnson's recent trade message to Congress proposing to strengthen the adjustment assistance provisions of the Trade Expansion Act. It seems to us that this is the right approach both from the point of view of the United States and from that of the Alliance for Progress community as a whole.

Latin America's need for increased export earnings

The American Presidents last year gave top priority to Latin American economic integration, a process that will be difficult and costly.

The United States recently ratified the Protocol of Buenos Aires which makes the Alliance for Progress the basis of the economic and social policy of the Inter-American System. It is fundamental that Latin America's self-help efforts cannot succeed if the region's export earnings decline while simultaneously the availability of international development financing decreases and terms become harder. But in the final analysis, the success of the Alliance, from the point of view of the U.S. as well as of Latin America, must depend on expanding Latin American trade. This is so simply because there is a limit to the burden of external debt at rising interest rates that Latin America can service and still step up its investment in development. Furthermore, the need for an improvement in export earnings will become even more critical as the process of creating the Latin American Common Market advances.

Therefore, CIAP urges that the U.S. Congress take no action in the field of trade that could cripple Latin American development and undermine the Alliance for Progress and inter-American relations.

DECLARATION OF THE INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS

The Inter-American Committee on the Alliance for Progress, in its Fifteenth Plenary Meeting, reviewed the performance of the Alliance for Progress during 1967, together with the elements of judgment provided by the cycle of country reviews carried out in that year and the documents submitted by the Executive Secretariat and the Panel of Experts. This evaluation of the situation and prospects, of the progress made in domestic efforts and the role to be played by international cooperation leads to the following conclusions and recommendations for action:

I. *The prospects of the Alliance depend, to a greater degree than in previous years, on the evolution of the international economy and especially at this time, on the solution of the difficulties affecting international monetary relations.*

The United States balance-of-payments problem and the difficulties in international liquidity, which reached a climax with the March gold crisis, have brought about a risk of economic recession in the developed countries, the stagnation or reduction of financial aid within the Alliance, an even greater increase in interest rates, and greater restrictions on trade and on other international transactions. An increase is also observed in protectionist pressures. If these threats are translated into policies, they could seriously hamper the economic and social development of Latin America. For this reason, CIAP places special emphasis on the following points: