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EXCERPTS FROM ADDRESS BY THE HONORABLE SOL M. LINOWITZ,
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BEFORE THE REGIONAL FOREIGN POLICY CONFERENCE,
PHILADELPHIA, PENNSYLVANIA.

Among the most important answers which we hope will come from the Summit meeting will be those dealing with Latin American economic integration -- the Latin American Common Market.

Geography as well as history poses barriers to integration in Latin America. It still costs less to ship goods from Buenos Aires to Europe than across the Andes to Santiago. And the labor force in each country has neither the skill nor the mobility to go where the surplus jobs are, as they do in Continental Europe.

What a common market could accomplish for Latin America is all too evident. Today, the area is broken down into numerous national markets, many of them small and unable to reach any mass markets in the region. The reason is simple: most of the rural population is either on a bare subsistence level or below, and struggles along on what it can glean from the soil. It has no purchasing power to speak of. Little more can be said for much of the urban population.

Latin American industry, therefore, today operates for the most part on a low volume, high unit cost basis. Often there is a domestic monopoly protected by unusually high tariffs, exchange controls or outright import prohibitions. There are exceptions to the rule, of course, but again for the most part these industries are unable to compete abroad; and unable as they are to find any mass markets domestically, they contribute little to a higher living standard for their workers.

Contrast this situation and the incentive it offers for industrial expansion and modernization to one that would exist with a regional market, now serving 200 million people and likely to serve 600 million by the end of the century. This mass market alone would create such demand that old industries could modernize and new ones would be created. A flourishing industry would then provide both increased job opportunities and higher wages -- living wages. And as the regional industries grow, so would their ability to compete in the world markets.

It is an exciting prospect. More important, though, it is an attainable reality. There is evidence that, vast though the undertaking may be and potentially difficult though it admittedly is, it can be done -- and more importantly, the Latin American Foreign Ministers Meeting in Buenos Aires a few weeks ago agreed that it would be done.

The first steps have already been taken through the organization of the Central American Common Market and the Latin American Free Trade Association. The countries of Central America, for example, have expanded intrazonal trade from $33 million in 1960 to $155 million in 1966. Upwards of 90 percent of all trade among the five countries of Central

America

America is now restriction-free and the proportion of their intra-regional trade has more than doubled.

It is true that in the larger Latin American Free Trade Association -- which includes Mexico and all of South America, with the exception of Bolivia -- progress has been slower. But even there intra-zonal trade jumped from $775 million in 1962 to an estimated $1.5 billion in trade in 1966. Not to be overlooked are 9,000 tariff concessions that have been negotiated since LAFTA was organized.

Now it is entirely correct to assume that the development of a powerful Latin American common market will provide increased competition for some of our own export markets. The same, I should add, was also true of the European Common Market. Yet the growth of the European market has not affected us adversely; quite the contrary. For whether it be Europe or Latin America -- or any region, for that matter -- our prosperity is bound up with the world's.

We will have to make some adjustments and there may be some short-term losses, but these cannot be compared to our -- and their -- long-term gains as we engage in a mutually profitable trade. And the story does not end with economics. There is a political moral too: An economically viable Latin America will have a greater stake than it does even today in a free, stable and secure world.

In conjunction with steps toward economic integration there will have to be action to overcome physical obstacles to the regional flow of goods and services through continental road projects, interconnection of electric power systems and telecommunications, and joint investment in air transport, railroads and steamship lines, as well as in such basic industries as fertilizers, pulp and paper, iron and steel and petrochemicals. These and more are now grist for the Alliance mill and each project offers vast possibilities for transforming the map of Latin America.

I believe that much of this imagination and vision can be provided by private enterprise. Certainly it has both the know-how and the capital which are sorely needed.

Considerable misunderstanding still exists about the purposes and value of private investment in Latin American countries. Some of the blame for this may fall squarely on business, but less than popular conception has it.

Today many of the Latin American countries are indeed making efforts to create a better environment for private investment; and United States businesses already supply one-tenth of the continent's production, pay one-fifth of all taxes, account for a third of all export earnings, and provide jobs for an estimated 1,500,000 Latin Americans. I hope it will continue to participate to an even greater degree, recognizing always the great role it can and must play in meeting the needs of the people of the continent.

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