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TRADE COMMITTEE
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Santiago, Chile, 19-29 November 1956

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LA BIBLIOTECA

REPORT SUBMITTED BY THE TRADE COMMITTEE
TO THE ECONOMIC COMMISSION FOR
LATIN AMERICA

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Introduction

SCOPE OF THE REPORT

1. The present report reviews the proceedings of the Trade Committee of the Economic Commission for Latin America, which met in Santiago (Chile), at the headquarters of the Commission, from 19 to 29 November 1956.
2. This report may usefully open with a brief reminder of the antecedents of the Committee. At its sixth session the Commission decided (resolution 101 (VI)) to establish such a Committee with a view to the preparation and recommendation of concrete proposals for the solution of the problems analysed in the Study on Inter-Latin-American Trade^{1/} presented by the secretariat, together with others relating to trade policy, payments, maritime transport and trade in specific commodities. The aims of the Committee include the promotion of an inter-Latin-American trade policy consistent with the expansion of the region's trade with the rest of the world. In the course of the discussions at Bogota it was also agreed that at its first session the Committee should give priority to the problem of payments.

The exchange reforms introduced in some of the Latin American countries subsequently to the resolutions adopted at the sixth session of the Commission, and the problems which their application brought in its train, gave rise in Latin America to motives of concern which the Commission could not disregard, and which sufficed in themselves to indicate that the time was ripe for the Committee to begin its work. The secretariat then set up a group of three experts who, in May and June 1956, visited the seven Latin American countries which account for the largest proportions of intra-regional trade. The group contacted foreign trade and Central Bank authorities, as well as members

^{1/} Document E/CN.12/369. The printed edition of the Study has just appeared (United Nations publication, Sales No:1956 II.G.3).

of parastatal institutions and private organizations connected with trade and production. The findings of the conversations and consultations held, and those of the survey carried out in the circles cited, were compiled in several documents which were sent to the governments well in advance of the meeting. ^{2/}

These papers represented an attempt by the secretariat to provide the Trade Committee not only with the background information it would need at its first session, but also with a summary of recent developments in Latin American payments and commodity trade which might facilitate an objective and practical study of the situation. Similarly, the secretariat presented for consideration first by the Governments and later by the Committee the analyses and recommendations regarding a regional market submitted to it by the two ad hoc consultants included in the group. ^{3/}

3. The present report on the proceedings of the Trade Committee is divided into two sections. Part I, in addition to indicating the membership of the Committee, attendance at the session and the organization of the work, together with the agenda on which the Committee's proceedings were based, offers a brief account of the statements made and the discussions held, and an objective interpretation of the conclusions reached by the Committee in the course of its deliberations. Part II contains the resolutions adopted by the Committee on the completion of its work.

4. Several appendices are attached to this report. They comprise the inaugural address delivered on 19 November 1956 by His Excellency Mr. Osvaldo Sainte-Marie, Minister of Foreign Affairs of Chile; the reply

^{2/} See especially Payments and Trade in Latin America. Current problems (E/CN.12/C.1/3) and Inter-Latin-American commodity trade in 1954 and 1955. Situation and prospects in 1956 (E/CN.12/C.1/5).

^{3/} See Payments and the regional market in inter-Latin-American trade E/CN.12/C.1/4, the document presented to the secretariat on 13 August 1956 by Mr. Eusebio Campos (Argentina), and Mr. José Garrido Torres (Brazil).

made by Mr. Antonio Correa do Lago, representative of Brasil, on behalf of the delegations; the speech delivered by the Chairman of the Committee, Mr. Arturo Maschke, upon the assumption of his responsibilities; and the statement made on the same date by Dr. Raúl Prebisch, Executive Secretary of the Commission. Another appendix contains the Committee's Rules of Procedure, adopted at this first session.

5. The text of the present report was adopted by the Committee for submission to the consideration of the Commission, at the closing meeting held on 29 November 1956.

Part I

THE TRADE COMMITTEE

A. MEMBERSHIP, ATTENDANCE AND ORGANIZATION

1. Opening and closing meetings

6. The opening meeting of the Committee was held in the conference hall of the Economic Commission for Latin America on 19 November 1956. The inaugural address was delivered by His Excellency Mr. Osvaldo Sainte-Marie, Minister of Foreign Affairs of Chile (see Appendix I), to whom Mr. Antonio Correa do Lago, the representative of Brazil, replied on behalf of the delegations present. (See Appendix II.) Mr. Arturo Maschke, Director of the Central Bank of Chile and Head of the Chilean delegation, made a speech after his election as Chairman of the Committee (see Appendix III). Lastly, the Executive Secretary of the Economic Commission for Latin America, Dr. Raúl Prebisch, presented a statement to the Committee. (See Appendix IV.)

7. The closing meeting of the Committee was held in the same place, on 29 November 1956. The Committee, after listening to the Rapporteur, Mr. Daniel J. Bello (Mexico), unanimously adopted the report on its work, as well as the Rules of Procedure to which it will in future conform. (See Appendix V.) Addresses were delivered by Mr. Emilio G. Barreto, of the Delegation of Peru, Mr. Pierre M. Viaud, representative of France, Sir Charles Empson, representative of the United Kingdom, Mr. Louis N. Swenson, Deputy Director of the Economic Commission for Latin America, and Mr. Arturo Maschke, Chairman of the Committee.

2. Membership and attendance

8. The meeting was attended by representatives of all the States Members of the Commission, namely: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, France, Guatemala, Haiti, Honduras, Mexico, the Netherlands, Nicaragua, Panama, Paraguay, Peru, the United Kingdom, the United States of America, Uruguay and Venezuela.

9. In accordance with paragraph 6 of the terms of reference of the Commission, the following countries which are members of the United Nations but not of the Commission attended the first session of the Trade Committee in a consultative capacity: Canada, Czechoslovakia, Italy, Poland, Romania, Spain, the Union of Soviet Socialist Republics and Yugoslavia.

10. In accordance with resolutions 515 (XVII)B and 581 (XX) of the Economic and Social Council, Japan attended the first session of the Trade Committee "on a basis similar to that provided in paragraph 6 of the terms of reference of the Commission for States Members of the United Nations not Members of the Commission".

a) Report of the Chairman and Vice-Chairmen on credentials

11. The Credentials Committee, in accordance with paragraph 14 of the Commission's rules of procedure, reported to the meeting held on 28 November 1956 that the credentials of the delegations to the first session of the Trade Committee, as presented to the Executive Secretary, had been examined and found to be in order.

b) List of delegations

Argentina

Representative: Manuel San Miguel, Under-Secretary for Trade
Members: Benjamín Cornejo, Manuel Aris, Rodolfo Korenjak, Leopoldo Port Noid, Italo José Peretti, Gabriel Martínez

Bolivia

Representative: Luis Peñalosa, Economic Counsellor in the Embassy in Argentina
Member: Juan Enrique Zalles Valenzuela

Brazil

Representative: Antonio Correa do Lago, Minister Plenipotentiary in the Ministry of Foreign Affairs
Members: José Garrido Torres, Abeillard Barreto, Fernando Bergstein, Arnaldo Walter Blank, Sergio Armando Frazao
Advisers: Frederico Carnauba, Helio Schlitter Silva, Sergio Bath, Edmundo Radwanski, Benedicto Fonseca Moreira
Technical consultants: Affonso Assumpção Vianna, Salvador Nogueira Diniz

/Chile

Chile

Representative: Arturo Maschke, President of the Central Bank

Members: Felipe Herrera, Manuel Casanueva, Oscar Salas Elgart,
Luis Adduard, Félix Ruiz, José Piñera, Pedro Daza,
Oscar Videla, Ulises Pinto, Samuel Radrigán

Colombia

Representative: Manuel Bejarano, General Manager of the Banco
Popular Colombo-Chileno

Member: Enrique Duarte

Costa Rica

Representative: Alfonso Goicoechea Quiros, Ambassador to Chile

Cuba

Representative: Fernando Porcel Carreras, from the Dirección de
Asuntos Económicos del Ministerio de Estado

Dominican Republic

Representative: Franz Baehr, Counsellor, Chargé d'Affaires ad
interim

Ecuador

Representative: Carlos B. Gómez Mancheno

Members: Tarquino León Argudo, Héctor Custode Mosquera

Adviser: Raúl Maldonado Ortega

El Salvador

Representative: Hugo Lindo, Chargé d'Affaires in Chile

France

Representative: Pierre M. Viaud, Financial Attaché for Latin
America

Members: Henri Bonnet, Pierre De Bourran

Guatemala

Representative: Jesús Urda Murillo, Ambassador to Chile

Haiti

Representative: Arnaud N. Merceron, Chargé d'Affaires in Chile

/Honduras

Honduras

Representative: Jorge A. Coello, Chargé d'Affaires in Chile

Members: Jesús Castro Blanco, Antonio Collart Valle

Mexico

Representative: Daniel J. Bello, General Manager of the Bank of Mexico

Member: Rito Raúl Villalobos

The Netherlands

Representative: Charles J.H. Daubanton, Ambassador to Chile

Member: Jacob van der Gaag

Nicaragua

Representative: Ricardo García Leclair, Chargé d'Affaires in Chile

Panama

Representative: Gaspar Estribi G., Official Delegate ad honorem

Paraguay

Representative: Ildefonso A. Britos, Director of the Department of Trade Policy of the Ministry of Foreign Affairs

Peru

Representative: Enrique Goytisolo Bolognesi, Ambassador to Chile

Members: Emilio G. Barreto, Alejandro Busalleu, Jorge Lorente de Patrón

United Kingdom

Representative: Sir Charles Empson, Ambassador to Chile

Members: J.H. Wright, P.S. Ross, J.G. MacGillivray

United States of America

Representative: Harold M. Randall, United States representative, Inter-American Economic and Social Council

Members: Alexander M. Rosenson, Margaret Potter, Robert J. Dorr

Uruguay

Representative: Crisólogo Brotos, Deputy Director of Foreign Trade in the Ministry of Foreign Affairs

Member: Luis Carlevaro

/Venezuela

Venezuela

Representative: Alfredo Vásquez Madriz, Counsellor in Chile

Member: Juan Salazar Rondón

c) Representatives of Member States of the United Nations
not members of the Commission attending in a
consultative capacity

Canada: Louis David Burke

Czechoslovakia: Miroslav Maruska, Jaromir Pesek

Italy: Tommaso Mancini, Francesco Spinelli

Poland: Tadeusz Malewiak, Zygmunt Stazenski

Rumania: Antonio Albu

Spain: José María Doussinague, Manuel Sainz de Llanos, José
Aragonés Vilá

Union of Soviet Socialist Republics: Aleksei Nicolaevich Manjoulo,
V. Muraviev

Yugoslavia: Ante Markotic

d) Representatives of States not Members of the United
Nations attending in a consultative capacity

Japan: Katsushiro Narita, Noburo Asakura

e) Representatives of specialized agencies

International Labour Organisation (ILO): Hernán Santa Cruz

Food and Agriculture Organisation of the United Nations (FAO):
John G. Tauber, Mordekai Ezekiel, P.G.H. Butler, Victor Bruce

International Monetary Fund: Edgar Jones, Jorge Marshall

f) Representatives of other United Nations organs

Technical Assistance Administration: Bruno Leuschner

g) Representatives of inter-governmental organisations

Organization of American States: Joao Oliveira-Santos

Inter-American Economic and Social Council: Washington P. Bermúdez

Inter-American Training Centre for Economic and Financial Statistics:
Leonel Torres

General Agreement on Tariffs and Trade (GATT): Jean Royer

/h) Special

h) Special observers

- Argentina: Torcuato Sozio, Director of Siam di Tella
Gino Miniatti, Secretary-Director of Fiat-Someca-Concord
Juan Carlos Fernández Rivas, Second Vice-Chairman of the
Asociación de Industriales Metalúrgicos and representative
of the Unión Industrial Argentina
- Brazil: Herbert Levy, Superintendent of the Banco de América-Brasil,
Federal Deputy
Silvio Brand Correia, Director of the Federação das
Indústrias do Estado de Sao Paulo
Og Francisco Leme, Economic Adviser to the Federação das
Indústrias do Estado de Sao Paulo
- Chile: Osvaldo Vial, Chairman of the Chilean Commission for the
Study of the Trade Treaty between Brazil and Chile
Juan Enrique Merino, Head of Department in the Corporación
de Ventas de Salitre y Yodo
Walter Müller, formerly President of the Sociedad de
Fomento Fabril de Chile
Vivian Schwartz, Director of the Customs Department of the
Ministry of Finance
Raúl Mardones, Ministry of Foreign Affairs
Germán Vergara Donoso, Representative of the Chilean Central
Chamber of Commerce
Max Nolff, Economic Adviser to the Confederación de la
Producción y del Comercio
Luis Moller Lyon, Departamento del Cobre de Chile
Patricio Jarpa Yáñez, Departamento del Cobre de Chile
- Colombia: Rodrigo Llorente Martínez, Representative of the Federación
Nacional de Comerciantes de Colombia

i) Representatives of non-governmental organizations

CATEGORY A

- International Chamber of Commerce: Valerio Quesney Besa
- International Confederation of Christian Trade Unions: R. Venegas,
R. Vautherin
- International Confederation of Free Trade Unions: Hugo Salazar,
Roberto Gutiérrez
- Inter-American Council of Commerce and Production: Juan Carlos Fernández
Rivas, Abraham Scheps

3. ORGANIZATION OF THE WORK OF THE TRADE COMMITTEE

a) Election of officers

12. At the first plenary meeting on 19 November 1956 the following officers were elected:

Chairman: Arturo Maschke (Chile)

First Vice-Chairman: Enrique Goytisolo Bolognesi (Peru)

Second Vice-Chairman: Manuel San Miguel (Argentina)

Rapporteur: Daniel J. Bello (Mexico)

b) Sub-Committees

13. At the meeting on 19 November 1956 it was agreed that two Sub-Committees should be set up, the first to examine problems relating to payments and agreements and the second to study those connected with products and the regional market. The officers elected for each of these Sub-Committees are listed below:

Sub-Committee I (Payments and agreements):

Chairman: Antonio Correa do Lago (Brazil)

Rapporteur: Luis Peñalosa (Bolivia)

Sub-Committee II (Products and the regional market):

Chairman: Crisólogo Brotos (Uruguay)

Rapporteur: Ildefonso A. Britos (Paraguay)

14. In the course of their work the Sub-Committee designated various working groups to deal with special questions. In connexion with some of these problems the delegations solicited and obtained the technical advice and the opinion of the representatives of the International Monetary Fund and of the General Agreement on Tariffs and Trade (GATT). The working group attached to the Sub-Committee on Payments and Agreements was made up of representatives of Argentina, Bolivia, Brazil, Paraguay, Peru, and the United States, the chair being taken by Mr. Luis Carlevaro (Uruguay). The working group nominated by the Sub-Committee on Products and the Regional Market was composed of members of the Argentine, Bolivian, Brazilian, Chilean, Cuban, Paraguayan and United States delegations, and its Chairman was Mr. José Garrido Torres (Brazil).

15. The Trade Committee, apart from discussing the items on its agenda, also afforded an occasion for an Informative Regional Meeting of the General Agreement on Tariffs and Trade (GATT). The GATT held its meetings on 23 and 26 November 1956.

c) Secretariat

16. The secretariat to the Trade Committee was composed of the following members:

Raúl Prebisch, Executive Secretary

Louis N. Swenson, Deputy Director

Esteban Iovovich, Chief of the Trade Section, General Secretary to the Committee

Technical Advisers:

Eusebio Campos

Santiago Macario

Nuno F. de Figueiredo

B. AGENDA

17. At the meeting held on 19 November 1956 the Committee adopted the following agenda:

1. Opening addresses
2. Election of officers
3. Adoption of the agenda
4. Adoption of the rules of procedure of the Committee

Background document:

Draft rules of procedure prepared by the Secretariat (E/CN.12/C.1/6)

5. Trade and payments agreements and recent exchange reforms in selected Latin American countries.
 - a) Parities for units of accounts used in trade between Latin American countries;
 - b) Negotiation of multilateral agreements on the exclusion or inclusion of invisible items;
 - c) Specific problems of trade in selected primary products.
6. Problems arising from bilateral settlement of accounts and the non-transferability of balances.

/Background documents:

Background documents:

Study of inter-Latin-American trade (E/CN.12/C.1/2 and E/CN.12/369/Rev.1), United Nations publication, Sales No. 1956 II.G.3 (see chapter V in particular).

Payments and trade in Latin America. Current problems (E/CN.12/C.1/3)

Payments and the regional market in inter-Latin-American trade (E/CN.12/C.1/4).

Inter-Latin-American commodity trade in 1954 and 1955. Situation and prospects in 1956 (E/CN.12/C.1/5).

7. Possibilities for expanding inter-Latin-American trade in intermediate and manufactured products.
 - a) Effect of exchange reforms
 - b) Creation and expansion of industries for the regional market.

Background documents:

Payments and trade in Latin America. Current problems (E/CN.12/C.1/3) (see in particular I.4 "Repercussion of reforms")

Payments and the regional market in inter-Latin-American trade (E/CN.12/C.1/4). (See in particular II. "The regional market".)

8. Adoption of the report of the meeting.
 9. Place and date of next meeting.
18. Each of the two Sub-Committees between which the work of the meeting was divided adopted a special agenda, as follows:

Sub-Committee I. Payments and agreements

1. Examination of the effect on intra-regional trade of recent exchange reforms in certain countries of the region.

Alternatives with which the above reforms have confronted inter-Latin-American trade through clearing accounts:

 - a) abolition of bilateral accounts, or
 - b) their revision and co-ordination.
2. Problems arising in connexion with the use of clearing accounts to promote the establishment of multilateral trade patterns within Latin America:
 - a) parities;
 - b) inter-Central-Bank credits;
 - c) inclusion or exclusion of invisible items;
 - d) transfer of balances;

/e) re-export

- e) re-export regulations, in relation to the system for the transfer of balances;
 - f) special measures to promote trade.
3. Consideration of specific forms of action suggested in the course of the recent survey in Latin America:
- a) early establishment of some method of circulating information on balances and voluntary transfers;
 - b) medium-term measures designed to facilitate transfers: application of a standard agreement; liberalization of trade in given lines; working capital.

Sub-Committee II. Products and the regional market

I. Trade in traditional products

- 1. Longstanding and recent problems of trade in traditional products:
 - a) Overpricing;
 - b) Negotiation of annual contracts;
 - c) Participation of State organizations in the marketing of products.
- 2. Trade policy to be adopted for intra-regional trade in traditional products.

II. Trade in manufactured goods and the regional market

- 1. General discussion.
- 2. Definition of what will be understood by the term regional market, and determination of its principles or basic characteristics.
- 3. Characteristics of the products which can most feasibly be included in the regional market.
- 4. **Scheme for the regional market.**
 - a) Type and degree of liberalization of trade in products to be included in the regional market;
 - b) Minimum duration of the regional market agreement;
 - c) Incorporation of countries and products into the regional market;
 - d) **Payments system;**
 - e) Other supplementary measures.
- 5. Procedure to be followed for the formation or creation of the regional market.
- 6. Other points to be considered in connexion with the regional market.

C. ACCOUNT OF PROCEEDINGS

1. Introduction

19. It is not enough in the present instance -- as on previous occasions, and in connexion with other activities of the Commission -- merely to give an orderly account of the questions discussed and the decisions reached at a working-meeting. The achievements of this first session of the Trade Committee must be presented dynamically enough to allow of the just appraisal of the advantages secured, and, at the same time, the determination of bases for future work.

20. Through the studies carried out by ECLA in connexion with economic phenomena in the Latin American countries, and through the discussions and exchange of views held under the aegis of the Commission, a better grasp of the situation and of the problems to be solved has gradually been obtained, and increasingly accurate and thorough analyses of the real position in Latin America have become possible.

21. Such studies have also helped to create a common consciousness of fundamental questions, which has provided the basis for further undertakings and for deeper research into the real nature of the situation. There can be no doubt that the ultimate aim of such studies has been, and still is, to assist in improving standards of living in all the Latin American republics, though on occasions the choice has lighted on those countries whose special circumstances render the solution of their problems a more pressing necessity. This does not mean that due consideration has not been given to the results of other countries' experience in analogous situations.

22. With specific reference to the subjects dealt with by the Trade Committee, attention should be called to the following background data. Trade is and has been a pre-requisite for the maintenance of the levels of economic activity in the Latin American countries and for the promotion of their development; hence, one of the first ways of
/ensuring the

ensuring the practical application of the studies previously carried out was by placing on record a clear definition of the undoubted importance of trade for raising the standard of living of the peoples of the region.

23. To this end, it was necessary to clarify various points of view which were deeply ingrained in those responsible for the policies to be adopted. In effect, there were some who thought that all efforts should be aimed at encouraging traditional activities in most of these countries, which are primarily agricultural, and produce foodstuffs and industrial raw materials; and that full advantage should be taken of favourable environmental conditions and of the experience acquired, without any attempt at industrial development, since in any case the increased resources accruing from the sale of such primary products would be used for the purchase of goods produced by the industrial countries, and a satisfactory formula for the international division of labour would thus be established. What actually happened was that under such conditions less advantage was taken of the human resources in which Latin America is so rich, and is likely to become even richer, since the introduction of improved techniques in agriculture and in primary production in general - a pre-requisite of higher productivity - means that there is not sufficient work for some part of the active population hitherto occupied in this branch of economic activity. Such a situation exerts an adverse influence on the level of wages, preventing them from rising in consequence of the greater productivity resulting from better techniques, and thus causing a deterioration in the standard of living of the peoples concerned. It seems much wiser to make simultaneous progress in industrial activity, which would utilize the productive effort of the population with a view to total employment, a proceeding that would be in no way incompatible with the maintenance and even the increase of traditional agricultural production.

24. In contrast, others assumed that the best path to follow was the application of the greatest effort and the largest proportion of resources to

/industrialization as

industrialization as a means of accelerating the economic development of their respective peoples, and the relegation to a secondary plane of foreign trade in exportable primary products, in order to attain as quickly as possible the higher standards of living characteristic of the more industrialized countries. In such cases it had also to be pointed out that the development of production for export would not conflict with a process of industrialization which, while absorbing surplus manpower, to the benefit of the community, would ensure higher income and would thus facilitate the acquisition of the goods required for industry, since they could be largely derived from the country's own domestic activity.

25. Again, it was observed that to encourage only export activities by promoting the production of agricultural or primary products might nullify the benefits of the better techniques employed, since the surplus manpower that existed because the introduction of such techniques had not been accompanied by a proportionate effort towards industrialization would constitute a burden on these economies, and a relative decline in wages would ensue. This would be a serious obstacle to any improvement in the standard of living of the population concerned. It was admitted, certainly, that the road towards industrialization should be followed stage by stage, and that thus it would be desirable at first to produce articles which could replace imports, due advantage being taken of the country's own resources, both natural and human, so that the increased capacity to import could be used for obtaining other goods required for industry. This would not mean that trade with the industrial centres was reduced, but simply that a change would take place in its composition. Such a phenomenon has already been noted in certain Latin American countries, which have witnessed an increase in the volume of their imports at the very time they when they were registering greater industrial development.

26. It is impossible to disregard the argument that indiscriminate industrial development is not advisable. In fact, it seems wise for
/countries to

countries to select those industries where the combination of their own natural resources with other favourable conditions implies that productivity in the initial stages will differ least from the levels attained in the large industrial centres.

27. At a later stage, consideration could be given to heavy and semi-heavy industry, which require consumer areas much wider than those contained within the bounds of the Latin American countries, and which, if they were to be established in optimum conditions, would need to be able to rely on broader markets. In the search for a satisfactory solution to this problem, attention was devoted to the procedure adopted by highly industrialized countries, such as those of Western Europe, which, in face of a similar problem, had not hesitated to effect their integration through the European Coal and Steel Community, in order to avoid the setbacks they had already experienced as a consequence of the policy pursued by each one within its own area, to the detriment of any expansion of activity. Similarly, in those Latin American countries that have encountered the problem of limited markets to which allusion has been made, thought has been given to the desirability of forming integrated areas for trade in certain industrial goods, as a step towards the development of the resultant productive activities. In any event, an attempt would be made to select industries which would afford equal opportunities of development to all countries in the region, by means of new productive activities of a complementary nature. These would be considered with due regard to the special aptitudes of the countries themselves for taking adequate advantage of the common market in question, and would allow new reciprocal commodity trade flows to be established in future inter-Latin-American commerce.

28. Once the importance of trade as an instrument for the maintenance and development of the economic activity of the Latin American countries had been determined, the secretariat, in compliance with resolutions adopted by the Commission, proceeded to carry out the study on inter-
/latin-American

Latin-American trade ^{4/} presented to the sixth session of the Commission in August-September 1955. At that time resolution 101 (VI) was adopted; under its terms, the Trade Committee was created with a view to the intensification of inter-Latin-American trade without prejudice to the expansion of trade with other regions, and with due regard to the fundamental necessity of increasing over-all world trade. The Committee was therefore requested to study, inter alia, the payments problems arising especially in certain countries in Latin America, the trade policy pursued and all those circumstances which had been observed to constitute the most serious hindrances to commercial development, in order that it might suggest whatever resolutions it considered appropriate.

29. As a preliminary to the work of the Committee, the ECLA secretariat decided upon the preparation of supplementary studies, to be undertaken by the secretariat's own Trade Section, with the assistance of the experts Mr. Eusebio Campos and Mr. José Garrido Torres, from Argentina and Brazil respectively. The working group thus set up carried out a survey in the seven countries of the Southern Zone of Latin America which had the largest share in intra-regional trade and were encountering the most serious obstacles to the continuation of such activities.

30. The survey mentioned provided an opportunity for broader understanding of these problems, since the group established contact not only with those Government officials responsible for trade policy and the negotiation and implementation of agreements, but also with such private sectors as play a leading part in such activities. The sectors consulted did not confine themselves to describing the obstacles encountered in the course of their activities, but also helped to formulate suggestions as to the measures that would have to be adopted if an attempt were to be made to remedy such drawbacks. ^{5/}

^{4/} Op. cit. See note 1.

^{5/} See E/CN.12/C.1/4.

31. The studies referred to certainly directed the attention of the various countries towards those key points in the situation which required consideration if any improvement was to be achieved; moreover, they gradually created a common consciousness of these problems, as well as providing more efficacious pointers to possible solutions. The findings of the research undertaken were embodied in several documents which were sent to the member countries for their consideration. These studies permit an accurate appreciation of the problem. As has already been stated, most inter-Latin-American trade is conducted in the Southern Zone, and over the past few years - except in the case of Peru - has been developed, among the countries covered by the survey through a system of bilateral clearing accounts. The countries in question were obliged to adopt this system because of the situation affecting their best customers - the countries of Western Europe - as a result of the Second World War, and because they had to maintain their terms of trade not only with these latter but also with countries in the Southern Zone of Latin America itself, which, for similar reasons, had no transferable foreign exchange to use for their reciprocal trade payments. The payments and trade agreements in force between them offered them a means of expanding their reciprocal trade operations, without need for payment in cash, since they were able to take advantage of the swing credits established for this purpose. Moreover, their operations were thus exempted from foreign competition, a circumstance which in turn frequently led to a sacrifice of the quality and price of the products purchased while some semi-finished and manufactured goods also came to be included among the commodities traded within the region. Such practices had obliged these countries to keep their markets practically in watertight compartments, and had prevented them from taking advantage of the lower prices or more favourable conditions offered by other countries.

32. The secretariat study coincided with the adoption by some of these same countries of new measures of economic policy, as well as

/with exchange

with exchange reforms aimed at some degree of multilateralism and liberalization of trade, which gave rise to new terms-of-trade difficulties. In effect, with the abolition of the import licences which formerly constituted a means of determining the source of imports, the importer can now buy new products on other markets. At the same time, the fact that the units of account have not been accorded parity with the transferable dollar has in other cases reduced the possibilities for using them, with the natural result that the vendor of products to be negotiated through the agreements quotes higher prices to indemnify himself for the smaller amounts he will receive in payment; this still further discourages such operations.

33. The conclusions of the secretariat studies determined the topics discussed by the Committee, which dealt principally with two questions. The first was the problem of payments, in which context an examination was to be made of the intra-regional trade position in the countries of the Southern Zone, which, because their trade was effected through payments agreements - that is, on a bilateral basis - were experiencing very serious difficulties in their trade within the region. The aim of this examination was to study the possibility of eliminating such accounts, or, if that proved impossible, of adjusting or co-ordinating them so as to mitigate their drawbacks and thus find a way of effecting voluntary transfers of balances which would facilitate the liquidation of debts resulting from such trade, as a first step towards broader multilateral formulae. The second question was that of the commodities traded, and here a distinction was drawn between traditional products and manufactured goods. The objective was to remove some of the obstacles to trade in these products, such as overpricing, and the lack of continuity in the negotiation of agreements, further accentuated by the intervention of official agencies as contractors. For there was a clear need, as was pointed out by some of the existing industries, to maintain complementary foreign markets and even expand them sufficiently for the success of current

/manufacturing operations

manufacturing operations to be promoted and the creation of new industries fostered. In the studies prepared for the Trade Committee it was considered that this result could be more easily achieved through a multilateral and competitive regional market than through markets which were of a strictly national character or in which there was limited complementarity between two countries.

34. When the work of the Committee began, the interest aroused by the studies prepared was clearly evident from the list of countries and organizations represented, as well as the very large number of special observers attending on behalf of private development activities. During the meetings the views of non-member countries were expressed, besides those of representatives of private enterprise, and these opinions will undoubtedly be taken into account by the secretariat in the course of its further studies in this field.

35. Some indication must be given here of the importance attached by the various delegations attending the Committee to the work ahead, and of the results anticipated. The following concepts were put forward in statements made at the inaugural meeting by countries represented:

- a) That the preliminary studies before the Committee had given a complete picture of those trade problems which had a profound effect on the economic life of countries parties to payments agreements;
- b) That through the work of the meeting better understanding and co-operation would be achieved among the countries in the region which were affected by such conditions;
- c) That the time had come to consider practical measures which would facilitate the solution of common problems. The examination of such problems by all the countries together and not only by each one individually, would help to overcome the difficulties involved, since the measures to be adopted would transcend the limited sphere of action of each separate country;

/d) That

- d) That the conviction prevailed that the solution of intra-regional trade difficulties would pave the way towards the expansion of trade with other areas;
- e) That the aim should be a gradual liberalization of trade relations, whereby bilateralism would be discarded in favour of an increase in over-all trade. A transition period should in any case be envisaged which would mitigate the effects of any sudden change of system; and for this purpose close co-ordination between existing agreements should be sought, and transferability of balances promoted as a step towards multilateralism;
- f) That no measures of policy ought to be adopted which repeated the errors of bilateralism or continued certain discriminatory trade practices and that with a view to long-term development, restrictions and official controls should be reduced to a minimum;
- g) That some contribution might be made to the maintenance of established industries and to the promotion of future industrial growth, since that would eventually lead to more vigorous regional development;
- h) That the atmosphere of the Committee would be favourable to the frank expression of opinions and views, a fact which might help towards a clearer understanding of the situation and a more efficient co-ordination of effort;
- i) That although the problems were extremely complex, and possibly not all the progress required for their solution would be made, it should be possible to achieve some co-ordination of effort and the preparation of more important measures for the future;
- j) That once existing obstacles had been removed, an expansion of commodity trade might be expected in view of the region's potential resources;

/k) That

- k) That the suggestions made in the studies would have to be adapted to the dictates of economic policy and to the foreign trade position of the countries concerned, and that the common denominator which it would be possible to reach on the present occasion could not be determined beforehand;
- l) That the foundations had to be laid for co-ordination between the individual countries' economies, with a view to achieving closer co-operation whereby the capacities of all could be combined in the interests of improved production, to the benefit of the entire region, and
- m) That the encouragement of exports would provide means for financing imports.

36. The delegation sent by Spain in an observer capacity drew the attention of the Committee to the fact that in view of the similarity between Spain's trade and payments problems and those of the countries of Latin America, the former was especially interested in participating in any Latin American multilateral payments system and in any organizations that might be created with a view to the expansion of trade among the countries of the region and between them and other parts of the world. The delegation also expressed its country's interest in taking part in the course of action designed to promote the exchange of information on the state of the clearing account and the transfer of their balances.

37. The representative of the International Monetary Fund stressed that agency's interest in removing obstacles to world trade, among which the most serious was bilateralism. He offered the collaboration of his organization, of which all the countries taking part in the Committee were members.

38. The representative of IA-ECOSOC said that this organization was convinced that the region's economic development depended on the volume and vigour of its foreign trade, and that one of the immediate objectives for the progress of regional trade would be the establishment of a multilateral payments system.

39. The representative of the GATT in turn pointed out that his organization's primary objective was the organization of trade in all countries, and that this was considered to be a means of raising standards of living, improving the

/utilization of

utilization of world resources and contributing to the progressive development of national economies. He also indicated that the Executive Secretariat of the GATT was prepared to collaborate in the work of the Trade Committee, just as it had helped other countries to deal with similar situations and to put into effect projects resembling those under consideration by the Committee. The GATT had acquired some experience in recent years on the subject of common markets, and should the Committee adopt the measure of creating a regional commodities market, the matter should be placed before his organization so that the necessary authorization might be obtained, as had been done in the case of the European Coal and Steel Community and in that of the Free Trade Agreement between El Salvador and Nicaragua. One of the delegations requested the Committee that note be taken of the desire of those countries which were Contracting Parties of the GATT that a recommendation should be made to this organization inviting it to convene Latin American regional meetings whenever future meetings of the ECLA Trade Committee or the General Sessions of the Commission were held. The request was seconded by other delegations.

40. Various special observers, who attended the Committee meeting on behalf of private firms and organizations, made statements^{6/} to the effect that the industrial development of the Latin American countries under consideration called for a study of the possibility of complementary integration of new industrial programmes with a view to building up a common regional market. In such a market the formalities that at present had to be complied with in trade between two or more countries in the zone would be eliminated. Some of these observers pointed out the desirability of the ECLA secretariat's undertaking studies on the prevailing situation in certain of the existing industries.

41. An outline will now be given of the proceedings of the two Sub-Committees between which the work of the Committee was divided on the basis of the general and special agendas adopted,^{7/} together with the results of the discussions held

^{6/} See Information Papers N°s 14 to 19.

^{7/} See paragraphs 17 and 18 of the present report.

2. Payments and Agreements

42. The following facts were emphasized during the discussions of the Committee on questions of Payments and Agreements:

a) That 90 per cent of inter-Latin-American trade is concentrated in South America, and of this 85 per cent is conducted through clearing accounts resulting from bilateral agreements in which neither Peru nor Venezuela participate. These two countries - like those of the Northern Zone - have remained within the free-convertibility régime and hence do not have to cope with the problems touched upon by the Committee. For this reason, the situation under consideration does not affect them except as members of the Latin American community who are anxious that all the countries of the region should attain optimum economic conditions;

b) That the value of the exchange obtained from trade effected through clearing accounts within the region is in many cases lower than that of convertible exchange, a situation which results in higher prices for products purchased within the region;

c) That outstanding balances accumulate from time to time, causing a freezing of resources of creditor countries, which occasionally has special repercussions on private exporters, who do not receive the price of their sales until the situation improves;

d) That the agreements in force make no provision for uniform treatment for the payment of services and other invisible items, so that such payments have to be effected outside the agreements - accounts, whence difficulties in making them sometimes arise;

e) That some countries in the zone - particularly Argentina and Chile - have recently modified their exchange systems and trade policies, thus creating new disturbances and difficulties in intra-regional commodity trade; and

f) That in the case of Chile the new measures had led to the accumulation of balances in its agreement-accounts with other countries of the area, and that it was studying ways and means of recovering equilibrium; while in the case of Argentina, the measures adopted have raised the market price of its export products, because, when importers within the region prefer to liquidate their operations in units of account, the vendor is obliged to raise his prices in order to indemnify himself for the smaller sums received

/on deals

on deals negotiated at a rate lower than that of the free market. This has induced Argentina to conclude agreements with Paraguay - which it hopes to extend to other importing countries - so that by means of an agreement-dollar market mechanism supported by the Central Bank, for negotiating units of account at the same level as transferable currencies, the exporter may receive the same sum whether or not he operates in units of account.

43. With regard to the preceding points, the following opinions were expressed in the Committee:

- a) That the bilateral system should be replaced by that of free convertibility;
- b) That such a process should take place gradually, in order to avoid reducing the volume of trade and to allow some countries to make progressive adjustments to the new situation, so as to facilitate the expansion of trade at the highest possible levels;
- c) That under these circumstances it would be advisable to embark at once upon the search for some machinery to permit the transfer of account balances from one country to another;
- d) That the constant fluctuations in commodity prices resulting from exchange conditions have introduced a new factor of disequilibrium into the buying and selling capacity of the different countries;
- e) That non-convertibility is often caused by disequilibria in the economies of the countries concerned and can be remedied only through the implementation of satisfactory monetary and fiscal policies - as has been observed in those countries which have abandoned their former bilateral régime -, and that the liquidation of frozen balances would be the first step to be taken in this direction;
- f) That economic development is affected by the watertight compartments into which trade is divided as a consequence of bilateral agreements, since such a system restricts the purchase of goods required for industrialization;
- g) That lack of the necessary factors of production reduces the possibilities of productive activities; and
- h) That an unsatisfactory economic policy is reflected in low standard of living.

44. To remedy such a state of affairs, the Committee was of the unanimous opinion that it was advisable to apply the following measures:

a) The introduction - since it was impossible to proceed to the immediate elimination of the bilateral agreements in force - of certain reforms in present conditions, which the individual countries themselves might consider practicable in their own peculiar circumstances, in order to modify existing situations due to bilateralism and to bring about a gradual evolution towards multilateralism; and

b) The immediate initiation of a study under the direction of the most highly-qualified experts attached to the Central Banks in the payments-accounts countries, with a view to determining as soon as possible the joint measures to be adopted for the purpose of transforming the bilateral clearing system and advancing towards increased convertibility.

45. The delegations of those countries actually bound by such agreements were all of the opinion that, even without awaiting the termination of the studies in question, it was possible to decide on the advisability of transferring the balances in their respective accounts, on a voluntary basis in each instance, so that the liquidation of operations in the zone might be facilitated and the situation during this transitory stage might be improved. The Committee noted that the feasibility of the measure was demonstrated by the fact that in recent years intra-regional compensation possibilities had patently improved. The delegations mentioned were of one accord in suggesting that a feasible means of achieving that objective was to establish equal quotations in their respective markets for units of account and convertible currencies; and the conflicting views arising from one representative's objection that it was not easy to attribute the same value to freely convertible currencies as to the units of account, which could only be employed in a more restricted area, were successfully reconciled, when the principle in question was made applicable currently with those indicated below.

46. Agreement was also reached on the need to maintain future prices, in trade operations between payments-accounts countries, at levels not higher than those prevailing on the world market.

47. One delegation pointed out that the transferability of balances would be practicable only if the agreements provided ample swing credit margins, since it would thus be possible to overcome difficulties in the prompt settlement of balances deriving from declines in production due to seasonal factors or other circumstances beyond the producers' control. In this way a simpler procedure would be acceptable when the transfer mechanism was used for amounts in excess of the swing credits. In any event, care would have to be taken not to fix such credits at disproportionate levels, so that they should not become in effect the creditor country's investment in the debtor country, to the detriment of the former's own economy. The parties to existing bilateral agreements finally decided to collect information on the amount of the balances of their respective customers with the aims of promoting transfers, and to consider, in the light of the data thus obtained, the advisability of establishing norms which in the future would serve as a basis for transfers and even for the creation, should the case arise, of some organ or agency which would facilitate the effecting of the transfers in question.

48. In the opinion of the delegation of another country, private credits might replace those granted by the Central Banks through the application of the stipulated swing credits, and, in consequence and for this purpose, the maintenance of the bilateral accounts would not be necessary; it was remarked, however, that this would mean diverting large resources in the form of convertible currencies which were currently used as working capital for trade with other regions.

49. As regards the desirability of including invisibles among the payments authorized to be made through the agreement-accounts and of effecting payment for such items on a basis of parity with the convertible dollar, some delegations expressed their anxiety lest this might make it impossible to use the sums registered in the accounts under the head of invisibles,

as at present, for the compensation of disequilibria in balances in units of account. In contrast, other delegations pointed out the difficulties involved in the control of movements of this kind and the advisability of extending liberalizing measures to cover the elimination of invisibles from the accounts. It was finally decided that specific invisible items should be incorporated in such measures, under the terms of the resolution adopted by the Committee in this connexion.

50. When the possibility of re-exporting goods traded on account from one importer country to a third party was considered, the opinion was voiced that the wisest course would be to settle each case as it arose, by direct consultation between the parties.

51. Resolution 1 (I) adopted by the Committee in connexion with these problems, embodied the foregoing decisions.

3. Products and the regional market

a) Traditional products

52. In connexion with this topic the following points were brought out at the Committee:

a) That in the case of these products, the level of productivity attained in Latin America was very satisfactory;

b) That a substantial proportion of intra-regional trade in traditional products had been conducted precisely through the payments agreements;

c) That for some of these products prices higher than those prevailing on the world market had been quoted in units of account;

d) That trade in certain items handled through the agreements was negotiated by means of arrangements of short duration which introduced elements of uncertainty or interruptions into trade in such products;

e) That in given instances the intervention of state organizations or enterprises in import or export trade of this nature had led to operations which were disadvantageous to the parties;

f) That illicit trade in some of these commodities had increased, which meant that the agreement-accounts were deprived of the corresponding income, and that for this reason balances were maintained at unduly high levels;

/g) That

- g) That the adoption of exchange reforms and new trade practices in several exporter countries had given rise to further disturbing factors;
- h) That some of the countries taking part in regular trade in these products had been effecting substantial purchases outside the region;
- i) That certain Latin American countries' liberalization of the import licence régime had also helped to divert import trade towards markets of origin outside the area, and
- j) That the increase in the output of synthetic raw materials was bound to reduce the natural market for primary products.

53. When these aspects of the problem had been defined, comments were made by participants in the Committee to the effect that a greater liberalization of intra-regional trade in traditional products would constitute a very important incentive for its expansion.

54. The delegations were unanimous in their expression of the view that the sale of products at world market prices would facilitate operations, and that the best approach - in the opinion of almost all the delegations - would be to establish equal quotations for units of account and convertible currencies.

55. Some delegations pointed out that certain barter transactions had enabled trade in the products concerned to be maintained at high levels.

56. The Committee reached the decisions incorporated in resolution 4 (I), after some delegations had expressed the view that the proposed liberalization of intra-regional trade constituted a first step towards broader measures relating to other geographic areas, to the extent permitted by the balance-of-payments situations of the Latin American countries, and with the aim of making a satisfactory contribution to the expansion of world trade, an aspiration shared by all the countries represented at the meeting. One delegation stressed that discriminatory exchange rates should be discontinued for imports of traditional products, unless the restrictions were justified by payments difficulties. Another pointed out that preferences might nevertheless be maintained when the general interests of a given national economy were involved.

b) Manufactured goods

57. The following data emerged from the statements made before the Committee:

a) That idle resources, both natural and human, exist in the Latin American countries, as well as others of which the best use is not being made, since if they were utilized in an appropriate industry their productivity would be greater, and the standard of living of the populations concerned would also be higher;

b) That some of the countries of the region are prevented by the shortage of foreign exchange resulting from the small size of their export market from obtaining the manufactured goods they need both to meet the requirements of their populations and to increase their degree of industrialization, an essential pre-requisite for raising their standard of living;

c) That the level of trade in manufactured goods is relatively low, owing to the quantitative restrictions imposed on imports in order to protect domestic production of a similar nature, and also because they are not marketed in competitive conditions as regards prices, quality and even payments;

d) That the system of bilateralism which has existed in the region since the Second World War has led to the formation of water-tight compartments, and that this has facilitated the establishment of industries producing manufactured goods capable of replacing those formerly obtained from the traditional industrial suppliers, even enabling them to secure a large share in the market as far as other countries in the region are concerned;

e) That on several occasions the process of industrialization has not been properly directed and has not operated with satisfactory efficiency, and that the prices of many manufactured goods have therefore proved excessively high, so that, on renewal of commercial relationships with industrialized countries, they have been rapidly ousted from trade;

/f) That,

f) That, under the stimulus of circumstances favourable to the operation of industries producing goods which could not at that time be obtained outside the region, similar enterprises were installed in adjacent countries; and that such enterprises now encounter difficulty in selling their products, while at the same time they constitute installed capacity which is in excess of the possibilities open to them, and therefore has to remain idle, to the serious detriment of the economies of the countries concerned;

g) That a beginning has already been made on the installation of light, semi-heavy and even heavy industries which by their very nature require abundant resources and more complex techniques, and consequently must have access to sufficiently large consumer areas; and

h) That, to judge by the experience of the industrialized countries, the installation of semi-heavy and heavy industries, if they are to operate on adequate technical bases, calls for such large markets that those of the Latin American countries, taken individually, may in many cases prove too small to permit their development.

57. On the basis of these data, the following opinions were expressed in the course of discussion:

a) That it was necessary to co-ordinate the resources and efforts of the Latin American countries through the creation of a regional market that would open up wider sales prospects for their industrial products; only thus could the drawbacks encountered at earlier stages be avoided, through the utilization of installed capacity which at present is standing idle, because it exceeds the limited consumer possibilities of the countries concerned;

b) That the European Coal and Steel Community provided an example of what could be done by countries at a more advanced stage of development, in face of new situations in which greater solidarity and co-operation had been achieved, thanks to the interest felt in maintaining and developing basic activities;

c) That the creation of a regional market would enable all the countries to decide what enterprises to install in the conditions most

/favourable to

favourable to them, since the alternative solution that had been considered, consisting in distributing the possibilities of industrial activity among two or more countries of the region, and thus setting up a kind of monopoly, was not acceptable to countries interested in fostering their economic development;

d) That the creation of a regional market constituted a means of affording every country in the region an opportunity of undertaking development activities, without discrimination, since, in any event, it seemed practicable to attract the interest of investors, who are always prepared to place their capital where possible operating conditions will allow them to work successfully on economically sound bases; and

e) That rational industrialization, rather than limiting international trade, tends to increase and expand it by developing a wider range of export products and augmenting the economic potential of the country concerned, and thus creating new requirements of goods essential to the latter's own industrial activity.

59. The Committee also noted the need to standardize products as a measure to give them easier access to markets, and the representative of the Inter-American Economic and Social Council stated that his organization was already engaged on the relevant study, since it was convinced that the rational development of industry tended to expand rather than to restrict international trade.

60. The delegations agreed that it was necessary to define with absolute clarity and precision all points relative to the possible structure of the regional market and the most suitable procedures for bringing it into being. The Committee decided that the pertinent studies should be carried out, and to this end recommended to the secretariat that a group of experts be formed to complete the research already undertaken. It was felt that this measure would facilitate the transition to a broader system of multilateral trade within which the possible building-up of a regional market would contribute to the sound development of Latin America's industries. (See resolution 3 (I).)

61. In view of the suggestion put forward by some delegations that international commitments particularly those contracted through the GATT, should be taken into account in the carrying-out of the study, the Committee took note of the ECLA secretariat's statement that in due course it would discuss with the Executive Secretariat of the GATT the possibilities offered by the Agreement for putting into practice the formula for a regional market to be recommended by the group of experts. The ECLA secretariat also declared that at future sessions of the Committee it would report on progress made with respect to common markets in Europe or other parts of the world, so that advantage might be taken of such experience and due consideration might be given to the possible repercussions of the measures concerned on Latin America's trade with other areas.

62. It was also decided to carry out, on the basis of the foregoing considerations, more thorough studies aimed at drawing up an inventory of industries currently existing in Latin America, in order to determine what measures would be advisable to solve the problems deriving from the parallelism and idle capacity which have already been described. (See resolution 2 (I).)

Part II

RESOLUTIONS ADOPTED BY THE COMMITTEE

63. At its first session, the Trade Committee adopted the following resolutions:

- 1 (I) Gradual establishment of a multilateral payments régime in Latin America
- 2 (I) Preliminary studies for the creation of a regional market
- 3 (I) Procedures for the creation of a regional market
- 4 (I) Trade in traditional products
- 5 (I) Place and date of the next session

/GRADUAL

GRADUAL ESTABLISHMENT OF A MULTILATERAL PAYMENTS REGIME
IN LATIN AMERICA

Resolution 1 (I) adopted on 28 November 1956 (E/CN.12/C.1/8)

THE TRADE COMMITTEE,

CONSIDERING that the studies carried out by the ECLA secretariat and the discussions of the Trade Committee suggest that it would be desirable for certain countries gradually and progressively to adapt the bilateral payments agreements and procedures in force between them to multilateral systems which will facilitate the expansion of trade at the highest possible levels;

That obstacles to unrestricted multilateralism still exist, and that it is therefore advisable that the transition from one régime to the other be effected without causing a contraction of the volume of trade;

That the best practical results would be the setting-up of a working group, comprising highly-qualified experts from the payments-accounts countries, to study alternative solutions and steps to be taken;

That the States members of ECLA are also members of the International Monetary Fund, and that the collaboration of this Institution would be of the greatest value, and, further, that in view of the experience acquired in such matters by the Organization for European Economic Co-operation, the technical co-operation of both organizations with the above-mentioned working group would be desirable;

/That it

That it would be desirable for the Latin American countries between which bilateral agreements are in force to exchange information on balances in their intra-regional payments accounts, thus opening up the possibility of compensating those balances the reciprocal transfer of which is agreed upon by the countries in question; and

That the experience thus acquired will indicate the preliminary steps that should be taken or the alternative solutions which would have to be studied in order gradually to arrive at a multilateral payments system,

I. RESOLVES:

1. To invite the Central Banks, or, secondarily, the appropriate monetary authority in those Latin American countries that maintain bilateral agreements among themselves, to set up a Working Group which would study the possibilities of gradually establishing a multilateral payments régime and would suggest the measures best calculated to achieve that end. This Working Group shall present the findings of its studies at the earliest possible date to the Trade Committee, which will consider them at a forthcoming session.

2. The Working Party shall have at its disposal any technical studies provided by the ECLA secretariat and through this secretariat shall request the technical assistance of the International Monetary Fund. It shall likewise be empowered to ask for the assistance of the Organization for European Economic Co-operation, in view of its experience in the operation of the European Payments Union, and the collaboration of other international organizations, of the monetary authorities of other States members of ECLA and of experts employed at its request by the ECLA secretariat.

II. TAKES NOTE that the Latin American countries between which bilateral payments agreements are in force are prepared, during the transitional period before the multilateralism envisaged in this resolution can be achieved, to apply measures designed to impart greater flexibility to their existing payments relations; and that likewise, to this end, and as steps towards progressive multilateralism, the said countries deem it advisable to adopt and apply concurrently, at the time they consider appropriate, the following basic principles:

- a) Equal quotations for units of account and convertible currencies on the exchange markets concerned, for the same operations;
- b) Trade at prices not higher than those prevailing on the world market. If no bases for comparison are available, quotations shall not exceed prices paid by any third country under the same conditions;
- c) Payment through the agreement-accounts of the following items, inter alia:
 - i) the value of traded commodities;
 - ii) freight charges relating to direct traffic;
 - iii) insurance and re-insurance;
 - iv) other expenditures accessory to trade;
 - v) other items agreed upon by the contracting parties;
- d) Reciprocal credits adequate for the satisfactory development of trade, due allowance being made for seasonal fluctuations;
- e) Automatic transfers to the accounts of other countries participating in the system of transfer of balances, through communication with the Central Bank of the debtor country, of sums in excess of the stipulated swing credits;
- f) Transfer from one to another of the above-mentioned countries' accounts, by prior agreement between the Central Banks concerned, of favourable balances within the swing credits.

III. TAKES NOTE likewise that the said countries, in order to facilitate the voluntary reciprocal transfer of the balances in these accounts, are willing to exchange information periodically and opportunistically, through the appropriate Central Banks, or, failing these, the monetary authorities, on the state of the clearing accounts in force between the countries concerned; and that, should it be necessary to set up special machinery to facilitate this task, the secretariats of ECLA and of the International Monetary Fund shall be requested to suggest the bases for its operation.

PRELIMINARY STUDIES FOR THE CREATION OF A REGIONAL MARKET
Resolution 2 (I) adopted 28 November 1956 (E/CN.12/C.1/9)

THE TRADE COMMITTEE,

CONSIDERING that the problems arising from the parallelism and idle capacity existing in certain Latin American countries lead to anti-economic operational conditions, and that this situation raises costs and consumer prices; and

MINDFUL that these conditions are partly attributable to the small size of the individual countries' markets,

RECOMMENDS to the secretariat

1) That it proceed to make an inventory of existing industries in Latin America with a view to determining what measures are advisable in order to remedy the situation described above; and

2) That it present reports on the progress of these studies to the Trade Committee at its periodic sessions, until such time as the work is completed.

PROCEDURES FOR THE CREATION OF A REGIONAL MARKET

Resolution 3 (I) adopted 28 November 1956 (E/CN.12/C.1/10)

THE TRADE COMMITTEE

TAKES NOTE with satisfaction of the study presented by the Secretariat (E/CN.12/C.1/4) on the desirability of establishing a regional market, and

CONSIDERING that the industrialisation of Latin America is a necessity imposed by the need to make more efficient use of available human and natural resources, so as to increase productivity and, consequently, the standard of living of the population;

That the future development of industry in Latin America - especially of the basic industries - requires, among other factors, broad markets which will enable such industries to attain economically adequate dimensions and production at low costs in competitive conditions;

That the heavy investment required by this type of industry renders indispensable, among other incentives, that provided by broader markets than those currently existing; and

That the markets of the Latin American countries, taken individually, may be too small to allow the above industries to be developed on efficient technical bases,

RESOLVES:

- 1) To request the ECLA secretariat to set up a group of experts which

/would complete

would complete the studies already carried out, and, as a measure to facilitate the transition to a broader system of multilateral trade, would project the possible structure of a regional market designed to contribute to the sound development of Latin American countries, especially those of a basic character, through the reduction of costs and the broadening of markets.

In this connexion the said group of experts shall be required:

- a) To define the characteristics of the regional market, bearing in mind the differing degrees to which the countries of the region are industrialized;
 - b) To study its possibilities and projections;
 - c) To submit recommendations on basic principles and procedures for its establishment, within the terms of reference of the Trade Committee as defined in resolution 101 (VI) E/CN.12/410.
- 2) That the conclusions of the group of experts be submitted by the ECLA secretariat, with its own observations and those received from other international organizations, directly to the Member Governments for their consideration and comments. When this procedure has been complied with, the ECLA secretariat shall in due course promulgate as widely as possible the documents transmitted to the Governments.
- 3) That the study prepared by the group of experts, the observations of the ECLA secretariat and other international organizations, and the considerations and comments formulated by the Governments be in turn transmitted to the Trade Committee. Should it not prove possible for the final report to be presented at the next meeting of the Trade Committee, the ECLA secretariat shall present a preliminary report on the status of the work of the group of experts.

TRADE IN TRADITIONAL PRODUCTS

Resolution 4 (I) adopted on 29 November 1956 (E/CN.12/C.1/11)

THE TRADE COMMITTEE,

CONSIDERING that the secretariat has prepared and presented to this Committee a study on Inter-Latin-American Commodity Trade in 1954 and 1955: Situation and Prospects in 1956 (E/CN.12/C.1/5), containing an analysis of intra-regional trade in certain basic products and an account of the main problems and obstacles affecting such trade;

That of these problems some of the most important are those relating to the over-pricing of certain products; to trade in certain items through agreements the short duration of which creates elements of uncertainty or causes interruptions of the flow of trade; to the participation in some cases of State monopolies in import or export trade; to the tendency to buy in other markets of origin commodities traditionally purchased within the region, and so forth;

That it is necessary to ensure stable markets for the products traditionally traded among the Latin American countries, comprising mainly raw materials and foodstuffs, and to restore equilibrium in given trade flows of this nature;

That measures of trade policy recently adopted by several Latin American countries indicate a trend towards liberalization and multilateralism in the foreign trade of the countries in question, as well as the desire to abolish commercial practices which are of a restrictive nature or which have

/become obstacles

become obstacles to the continuous expansion of inter-Latin-American trade; and

TAKING NOTE that in accordance with resolution 1 (I), the Latin American countries between which bilateral payments agreements are in force are prepared to adopt, at the time they consider appropriate, equal quotations for units of account and convertible currencies on the exchange markets concerned, for the same operations; and that these equal quotations for units of account will permit the abolition of discriminatory practices in trade in some of the natural products of the Latin American countries,

RESOLVES:

1. To take note with satisfaction of the study presented by the secretariat on Inter-Latin-American Commodity Trade in 1954 and 1955: Situation and Prospects in 1956 (E/CN.12/C.1/5), and to request the secretariat to continue carrying out studies of this type and to extend them to other products;

2. To recommend to Governments

a) That as regards intra-regional trade in traditional or basic products (natural products, raw materials and foodstuffs), they endeavour to pursue a policy of gradual liberalization, either unilaterally or through bilateral or multilateral agreements, with a view to encouraging and facilitating such trade and to guaranteeing it greater stability and equilibrium;

b) That such products be marketed among the Latin American countries at international prices and on terms similar to those prevailing for the region's trade with the rest of the world; and that, prices and other conditions being equal, the commodities in question be purchased as far as possible within Latin America, to the extent permitted by the foreign trade régime of the countries of the region;

c) That in accordance with prevailing world market conditions, countries which cannot meet their own needs purchase such products as far as possible from the usual sources of supply within Latin America, in so far as the producer countries are in a position to meet the requirements of their regular customers, and, in the case of countries maintaining payments

agreements, when the payment availabilities created in the consumer countries so permit;

d) That, as far as possible, administrative procedures be facilitated and certain State import or export monopolies be eliminated, to the extent that they may exert an adverse influence on trade in traditional products, unless they should be justified by the supply requirements and domestic trade of the countries concerned;

e) That should trade agreements be concluded with respect to specific products, they be negotiated for periods long enough to ensure methodically organized production on the part of the exporter and regular supplies for the importer country; and

f) That adjacent countries agree among themselves on the measures necessary for the prevention of illicit commodity trade between them, and for the direction of such trade into the regular channels.

PLACE AND DATE OF THE NEXT SESSION

Resolution 5 (I) adopted on 29 November 1956 (E/CN.12/C.1/12)

THE TRADE COMMITTEE,

TAKING INTO CONSIDERATION Article 2 of its Rules of Procedure, and
CONSIDERING the proposal moved by the delegation of Bolivia to the effect
that advantage should be taken of the seventh session of the Economic
Commission for Latin America, which will be held at La Paz in 1957, to
convene at the same time a meeting of the Trade Committee,

EXPRESSES its gratitude to the Government of the Republic of Bolivia for
this generous invitation; and

RESOLVES to request the ECLA secretariat to take whatever steps it
considers appropriate to arrange for the second session of the Committee
to be held at La Paz at the same time as the seventh session of the
Commission.

APPENDICES

Appendix I

ADDRESS DELIVERED BY HIS EXCELLENCY MR. OSVALDO SAINTE-MARIE,
MINISTER OF FOREIGN AFFAIRS OF CHILE, AT THE
INAUGURAL MEETING, 19 NOVEMBER 1956

Once again representatives of the States Members of the Economic Commission for Latin America have met together, this time to tackle, with the valuable technical and scientific support of ECLA - now one of the most definite and constructive expressions of the spirit of international co-operation - certain problems of vital significance for the Latin American peoples.

The task on which we are embarking to-day, far-reaching in its scope and consequences for our continent, is that of seeking "a solution of the practical problems which hamper or delay" the intensification of inter-Latin-American trade, in pursuit of the aims that inspired the creation at Bogota, in September 1955, of this Trade Committee which is now inaugurating its first session.

The holding of this conference is a source of deep satisfaction to His Excellency the President of the Republic and to the Government of Chile. Not only does it offer us the opportunity of welcoming among us the distinguished representatives of countries linked to our own by the closest ties of friendship, but it also bears witness to the fulfilment of an aspiration long cherished by Chile.

/At ECLA's

At ECLA's last session, our Delegation, together with that of Uruguay, had the honour of sponsoring the creation of the present Trade Committee, on which it will be incumbent, broadly speaking, to lay the foundations for better regional understanding and co-operation with respect to Latin America's trade problems. In taking this line, the Chilean Delegation did no more than reaffirm a policy traditionally pursued by our Governments.

I should like to take this opportunity of recalling that in the earliest years of our Independence the Chilean Chancellery, under the far-sighted guidance of Andrés Bello, outlined a commercial policy which was designed to intensify trade relations among the Latin American countries, and which inspired the conclusion of a number of trade agreements stipulating preferential treatment for products of regional origin. The setting-up of this Committee, and your presence here to-day, confirm the wisdom of one whose genius was destined to bear fruit on our soil, and who by his achievements belongs to all America.

During the last few years ECLA has made decided progress in the essential task represented by the theoretical examination of the economic problems with which the Latin American countries are faced. It has often - and rightly - been remarked that thanks to ECLA we have been made aware of hitherto unknown aspects of Latin America's real situation.

The creation of the Trade Committee marks the opening of a new phase in the already fruitful existence of this international organization. It implies that the stage has been reached when theoretical analysis is to be superseded by practical measures for the solution of the problems considered. The ECLA Study of Inter-Latin-American Trade represents an analytical discussion of the topic, exhaustive enough to provide sound bases for the Government action which must logically follow upon your deliberations here.

Recent years have afforded us the opportunity of studying the example set by certain regional units which are seeking a solution for their common problems at a level transcending that of the national communities by which they are formed. The Organization for European Economic Co-operation, the European Payments Union and the European Coal and Steel Community are all manifestations of this trend.

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This same line of thought suggests that the Trade Committee is a reflection of principles analogous to those underlying the action taken by the countries of Europe. We maintain that the intensification of intra-regional trade should not be secured at the cost of trade with other areas. It is the Chilean Government's conviction that the expansion of world trade constitutes a guarantee of stability for all nations. But the experience of countries and groups of countries shows that co-operation and good understanding among units with interests in common, and the study of economic problems in terms of a market wider than any individual country can offer, are indispensable requisites for integrated regional development and for the lasting prosperity to which the countries of Latin America aspire.

In inaugurating the first session of the Trade Committee of the Economic Commission for Latin America, it is my privilege to assure you, on behalf of His Excellency the President of the Republic, of the pleasure with which this country welcomes the Delegations present, and of our certainty that the success of your work will fully justify the expectations of the peoples of our continent.

Appendix II

ADDRESS DELIVERED BY MR. ANTONIO COGGER DO LAGO, REPRESENTATIVE
OF BRAZIL, ON BEHALF OF THE DELEGATIONS, AT THE INAUGURAL MEETING
ON 19 NOVEMBER 1956

The Heads of Delegations at the first session of the Trade Committee of the Economic Commission for Latin America have done my country the great honour of entrusting Brazil with the task of expressing, at this inaugural meeting, the feelings with which we attend it. I accepted this responsibility solely because of my certainty that there can be no discrepancy or divergency of opinion among us as to the timeliness of this discussion, or as regards its value in enabling us to exchange views on problems which we share in common, and to undertake the more thorough study of such problems with the frankness, the mutual respect and the concern for the good of all which are the natural attributes of the American family, the guiding principle of our way of life and of our line of international conduct, whose constant is the conviction that by uniting our efforts we shall achieve the conquest of the future with greater ease. Nor do I think I am mistaken in saying that we none of us have the slightest doubt that the complexity of the subjects with which ECLA has arranged for us to deal will be alleviated by the atmosphere of hospitality we have found awaiting us in Santiago and by the kindness with which we are surrounded here in Chile.

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We have just listened to the welcome offered us on behalf of his Government by Mr. Osvaldo Sainte-Marie. His words constitute a further incentive to whole-hearted and efficacious endeavour.

In such an environment, we may find it less difficult to discover the solutions we are seeking, and to attain a degree of success that will fulfil the aims for which this Trade Committee has been convened, and which are consistent with the need we all feel of opening up new possibilities for the co-existence of the Latin American peoples. In effect, it seems to me that the greatest value of this meeting lies in the fact that it will bear witness to our new awareness of the pressing expediency of perfecting our system of co-operation, so that the progress achieved by each of our Republics may represent an effective contribution to the progress of the whole Latin American community.

This consciousness that the good of all is not only the sum but the pre-requisite of the good of each of us, is responsible for our presence in Santiago and constitutes the guarantee that our efforts will bear fruit. Of course none of us is so optimistic as to hope that we shall leave here with systems already set up whereby the co-operation we are hoping to establish will become a reality overnight, and the evils and shortcomings that beset us will immediately disappear. Wisely, and hinting as it were at the need for a patient and not too ambitious approach to the problems indicated on the agenda and to the search for ways of solving them, ECLA itself warns us of the difficulties that lie ahead, and advises us to tread warily. In any event, this collective discussion of trade, payments and markets problems will demonstrate how far we have advanced towards a strengthening of the ties linking our economies, and what measures we have devised to enable them, in serving one another's interests, to serve those of each of our individual countries with increased efficiency.

Enough praise can never be given to the contributions made by ECLA, ever since its creation, to Latin America's knowledge of its own economic situation. We nowadays have at our disposal a stock of information from which we ourselves and the rest of the world can form a clear idea of what we have achieved and where our weaknesses lie in the economic field. There is no need to stress the value of such studies in permitting us to assess the magnitude of the task we have to face in order to make up our relative leeway.

/Nevertheless, I

Nevertheless, I wish to call special attention to the Commission's most recent effort, the results of which are presented to us as a survey on whose findings can be based the study of procedures for evaluating the prospects of improving our economic relations, and thus affording the peoples of the region a larger return of real income for the same amount of effort.

I fully realize the difficulties that ECLA has had to face in carrying out this pioneer task, thanks to which we can undertake the joint consideration of the real state of affairs in the sphere of foreign trade and look for ways and means of overcoming obstacles and forestalling difficulties.

ECLA very justly points out in its admirably objective studies that the problems concerned must be tackled in their due order. The question of payments is rightly allotted the first place; then follow, in succession, incentives to reciprocal trade and a closer co-operation enabling us all to take fuller advantage of our countries' economic potentialities.

In the background documents assembled by the Commission over a period of almost ten years, it is clearly evident that the real situation of Latin America's trade and economy calls for vigorous preliminary effort to eliminate some of our most serious balance-of-payments difficulties. This is an urgent task at the present time, when international payments systems are continually being revised with a view to adapting them to the evolution of the world economy.

Unfortunately, the indices of inter-Latin-American trade are not yet in proportion to the region's over-all trade levels; this shows how much remains to be done if our already broad markets, which are rapidly expanding with the growth of income and population in each republic, are to be thrown open, on a reciprocal basis, to the countries of Latin America. It seems that we must acknowledge that the various exchange reforms which have been put into effect, by creating grave payments problems, militate against the removal of the obstacles which are at present impeding the expansion of the movement of goods and services among our peoples.

The economic situation of the region as a whole - once again it is ECLA that points this out - affords grounds for the belief that in the not too distant future we may be able to place the potentialities accorded to us by Providence at the service of our peoples and of the rest of the world.

/In Latin America

In Latin America we have a wide variety of climates and natural resources; the human element is admittedly able, and the history of our achievements endorses our hope that by our joint efforts we shall be able to reach the goal that lies ahead.

It would be superfluous to recall here the difficulties that beset world trade in the post-war period. Even to-day the repercussions of this problem are still making themselves felt in the economy of a large number of countries. The impact of the war on Latin America was intensive. Despite the impetus which world difficulties gave to our development, the heavy drain on our relatively small stock of fixed capital helped in many cases to aggravate our foreign trade situation when the international set-up was restored to normal.

Besides being handicapped by an economic structure of low per capita profitability, poor over-all productivity and a vulnerable range of exports, Latin America encountered difficulties deriving from the disorderliness of the international payments system. It was not only the restrictive practices of a protectionist nature adopted by several countries that hampered payments; there were also the measures put into effect to maintain each country's trade levels in its balance of payments, which called for ever-increasing caution in its commercial relations with the rest of the world.

A régime of controlled and bilateralized trade was at that time widely adopted in the almost universal effort to prevent the existing disequilibrium in the distribution of world income from becoming no longer an effect but a cause of stagnation or depression in several national economies.

It is no wonder, therefore, that Latin America is confronted with such crucial payments difficulties. Since exchange income virtually consisted of receipts from exports and was therefore dependent on the fluctuations of world prices for certain primary products, we necessarily had to avert the depressive effect of market stagnation on the aggregate levels of such income. And if many of us were compelled to organize our foreign trade along strictly bilateral lines, it was not always possible for us to contemplate alternative formulae for our reciprocal trade, in view of our dependence on the large world markets and the fact that our exports were limited to a few products.

/Nevertheless, the

Nevertheless, the problem of inter-Latin-American payments has always been accorded special attention. Several provisions were concerted bilaterally with a view to obviating the most serious difficulties. If we cannot accept the solutions devised as fully successful, we must not overlook the fact that they prevented a considerable aggravation of existing evils. In some cases substantial progress was made with regard to the total volume of trade; at the same time, through the means of payment thus created a weakening of our position with respect to other currencies was avoided.

In studying at this meeting devices whereby intra-regional payments can be facilitated, we should bear in mind not only trends in the world situation but also the problems peculiar to our reciprocal trade.

ECLA offers us suggestions which will be very useful as a point of departure for our discussions on this topic. I am sure that we shall have to adjust them to the requirements of our economic policies and to our foreign trade position.

It is no easy matter to arrive at a fully satisfactory common denominator at the very outset, and in face of the wide variety of economic structures to be met with in the region. But there are undoubtedly measures which we can adopt with a view to offering increased payments facilities and, consequently, improving the prospects for the development of trade in the region.

The search for ways of solving inter-Latin-American payments problems must in reality constitute the first step towards collective agreements on broader bases. Furthermore, we must endeavour to create conditions favourable to the strengthening of regional trade.

Study of the facts relating to our reciprocal trade in recent years goes to show that the progress achieved has meant that our trade policy had to be extremely adaptable, as in some cases market conditions do not permit the complementarity of the several economies to find expression in effective trade. Price and transport problems have always constituted an obstacle to the advance we all desire, and but for the special reciprocal trade and payments régimes which we applied in many cases, our mutual trade would probably have undergone, in some instances, a considerable recession.

There is, however, no special trade and payments régime which can overthrow the barriers created by low productivity, high costs and inflated prices.

We must make an effort to adopt measures for the encouragement of our reciprocal trade, but first and foremost we must bear in mind that production in satisfactory technical and economic conditions will afford the best protection for the trade in question.

The ECLA studies have called our attention to the need for co-ordinating our individual economies along the lines best calculated to serve our common interests, by means of the more efficient utilization of the available factors of production.

This is a far-reaching problem that will call for careful study and deep reflection. Only thus will the steps we ultimately take be in line with the real structure of our economies, and enable us to attain, without setbacks or waste of effort, the ambitious target of a closer co-operation which, in the economic field, will bring into play our capacity to improve production by concerted action, to the advantage of each and all of our countries.

I should like to conclude these remarks with an expression of faith, springing not so much from a confident hope as from a deep-rooted certainty that, with patience and goodwill, we shall reach such a state of economic rapprochement as will facilitate in the highest degree possible an increase in the productivity of our economies and a consequent rise in the standard of living of our peoples. Our great responsibility is to examine here, for subsequent consideration by our Governments, those suggestions which are consistent with the real situation of our respective countries and which will enable us to achieve, in the economic field, results commensurate with our political and cultural solidarity.

Appendix III

ADDRESS DELIVERED BY MR. ARTURO MASCHKE, CHAIRMAN OF THE TRADE
COMMITTEE, AT THE INAUGURAL MEETING, ON 19 NOVEMBER 1956

First and foremost, I should like to thank the delegations present for the honour they have done me in asking me to take the chair at the first session of the Trade Committee of the Economic Commission for Latin America.

It was resolution LCL, adopted at the sixth session of ECLA in Bogota in September 1955, that provided for the setting-up of the Committee which is beginning its work to-day.

The comprehensive reports issued by the Economic Commission for Latin America having fully covered the preliminary phases of investigation and exposition of inter-Latin-American trade problems, the resolutions adopted at Bogota give rise to new and much-needed plans of action at the practical level; and these have led to the creation of an instrument of inter-Latin-American co-operation designed to promote the intensification of intra-regional trade, without detriment to the aims pursued by all its members as regards the expansion, on firm bases, of their trade with other areas.

The attainment of these ends is inseparable from the taking of resolute and wisely-planned steps to remove and remedy the difficulties which hamper and retard the progress of foreign trade. An effort of this kind will involve detailed analysis and careful revision of payments systems, essential features of economic policy, the inadequate size of national markets, the problems deriving from maritime transport

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and all such factors as may have a disturbing effect on trade.

Of late there has indubitably been a manifest tendency towards the gradual liberalization of trade and an evident desire to transcend the bounds of strict bilateralism in order to reap the benefits of progressive multilateralism. This decided trend nowadays observable in the new forms assumed by international transactions was also apparent in the principles that underlay the Bretton Woods agreements. It should be recalled that the organization of the International Monetary Fund is based, inter alia, upon the recommendation of a multilateral payments régime for current transactions between its members, and upon the abolition of foreign exchange restrictions liable to handicap the expansion of world trade. Hitherto, however, circumstances which prevent any large-scale elimination of the root causes of bilateral treatment have continued to prevail. It must be recognized that the shortage of convertible currencies has led many Latin American countries to conclude reciprocal agreements under the terms of which their pressing trade necessities can be covered with units of account. Careful consideration will nevertheless be given to recent experiments which envisage and up to a point establish means of effecting multilateral transfers.

The advances made to date by the Organization for European Economic Co-operation through the mechanism provided by the European Payments Union will constitute a genuine incentive to the adoption of practices of this kind; nor can such aims fail to be furthered by recent agreements, as a result of which certain Latin American countries now form part of transfer areas that, although limited, imply considerable progress towards the fulfilment of long-deferred hopes that convertibility may be attained.

Meanwhile, inter-Latin-American co-operation in questions relating to trade may be promoted by means of this Committee, which will contribute the findings of research and studies aimed at ensuring close co-ordination among the variety of sporadic agreements at present in force and at
/discovering equitable

discovering equitable bases for a practicable system whereby bilateral balances may be made transferable both within and outside the region.

It is readily understandable that such a task is bound to be beset with difficulties in its early stages, owing to the complexity of the factors involved; but the Latin American countries' admirable spirit of co-operation, and their deep interest in the problems concerned, will show them the way to the establishment of such a system and enable them gradually to advance towards a multilateral payments régime, so that by degrees their trade in goods and services will be facilitated.

To sum up, the aim of urging foreign trade along the diversified paths of multilateralism is based on sound economic principles calculated to render the countries taking part in such a system better able to meet their balance-of-payments needs. The various difficulties at present limiting trade flows delay the prospect of the region's integrated and progressive development, and prevent the materialization of obvious possibilities for substantially raising the standard of living of its inhabitants. An atmosphere of greater freedom in international trade will inevitably lead to salutary and increasing competition among established industries, and thence to the improvement of their productive efficiency, as well as to the serving of wider markets than their own country can offer. It will be to the benefit of those very industrial products whose basis and economic justification lies in each country's natural potentialities that the real possibilities of complementarity implicit in the regional markets will redound.

The more advantageous utilization of exportable resources channelled within an efficient organization of foreign trade, will represent a dynamic move towards the stability and economic growth of the Latin American countries. This conviction was strengthened by the fact that the countries represented at the sixth session of the Economic Commission for Latin America in Bogotá wholeheartedly supported the establishment of this Committee as a permanent organ, in conditions similar to those that have existed in Europe since 1948.

In its periodic reports on the region's trade, the Economic Commission for Latin America provides valuable material for the elucidation of those circumstances that chiefly militate against the intensification

/of trade

of trade within this hemisphere, and the resultant repercussions in other areas. These studies open up a wide horizon, and hold out well-grounded hopes for the future of a regional economic development which will constantly increase in vigour as existing obstacles are overcome. The delegations of the countries represented here today will have an opportunity of appraising the disinterested efforts of the Economic Commission for Latin America; among the fruits of these are the background documents presented, which will be of valuable assistance in the solving of America's problems.

I am sure that this Meeting will pave the way for new forms of inter-American co-operation, upon which the Latin American nations pin such eager hopes. The discussion of your valuable experiences in connexion with the vital problems currently involved in the expansion of foreign trade will undoubtedly constitute a generous contribution to the welfare of our peoples.

/Appendix IV

Appendix IV

STATEMENT BY DR. RAUL PREBISCH, EXECUTIVE SECRETARY OF
ECLA, AT THE INAUGURAL MEETING ON 19 NOVEMBER 1956

It is already a great although by no means a burdensome debt that the Organization of the United Nations owes to the Government of Chile, whose constant support is once more ratified by the presence among us of the Minister of Foreign Affairs. To him, on behalf of the Secretary-General of the United Nations as well as in my own person, I should like to offer our gratitude for his Government's unfailing co-operation. I must also thank the Chairman of the Committee for his additional words of encouragement, and last but not least, I want to express in the warmest terms my sincere appreciation of the inspiring remarks of the Head of the Brazilian Delegation. They reinforce those which not long ago I had the honour of hearing from the President of the Republic, when I was in Rio for the inauguration of the Joint ECLA/TAA Economic Development Training Course.

1. Timeliness of the Committee

This Committee is not an improvisation. It is the expression of an idea that dates from a long while back, in fact from the first session of ECLA. If its materialization has been delayed for some years, the Committee has become a reality neither earlier or later than the appropriate moment, since in the meantime the secretariat, in compliance with the instructions of the Member Governments, has been able to make a thorough study of international trade problems, and especially of those pertaining to inter-Latin-American trade. Moreover, the deliberations of the Commission have borne very valuable fruit in this connexion, and I believe that the time has come to pass on from discussion to specific action, in virtue of the great possibilities now opening up for Latin American trade. This Committee has been convened for the precise purpose of exploiting such possibilities.

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This is by no means a topic which has been chosen in isolation. Foreign trade has been envisaged not as an end in itself, but as an efficacious and dynamic instrument for promoting the economic development of the countries of this region. This is one of the fundamental concepts appearing in the series of elucidatory and explanatory studies which the secretariat has been carrying out, and which have gradually come to constitute a body of theoretical principles whence, in the course of the Commission's discussions, certain guide-lines for practical action have emerged, which may be of use now that, as it seems, the time for taking specific steps has arrived.

Nevertheless, what appears obvious to us who are gathered here to discuss these questions may not be equally so to large sectors of Latin American and world opinion, which still seem to feel that a number of contradictions exist as regards the interpretation of the role of foreign trade in the economic life and in the rate of development of the Latin American countries. This is perhaps because the concepts formulated by ECLA have not been sufficiently widely disseminated, or, again, because they have arisen or presented themselves only in fragmentary form. Consequently, it seemed to me that it would perhaps be desirable to take advantage of this opportunity of speaking at the Committee's first session to attempt to sum up the basic ideas which ECLA has gradually evolved on this subject, in order to help to dispel a good deal of confusion and to rectify the frequent misunderstandings that arise in connexion with these problems, which are of vital importance for Latin America's economic development.

2. Misconceptions relating to foreign trade

In the course of my many journeys up and down Latin America, I have had occasion to observe that in the interpretation of facts of this nature certain forms of exclusiveness and unilateralism still prevail, and that such a situation has very serious repercussions on the economic policy of the countries of the region. Some maintain that the whole stress must be laid on foreign trade, and that industrialization should be disregarded; others, on the contrary, advocate concentration on industrialization and the relegation of foreign trade to a secondary plane. The former condemn protectionist customs

/régimes; the

régimes; the latter defend them as an indispensable contributory factor in industrialization. Some see the fundamental solution in the expansion of inter-Latin-American trade; in contrast, others fear that all the efforts made in this direction may have adverse effects on the traditional trade flows between Latin America and the great industrial centres.

In reality, these positions are neither contradictory nor mutually exclusive. There is no incompatibility between thriving foreign trade and industrialization. Nor does the essential aim that has brought the Governments together this afternoon - that of encouraging inter-Latin-American trade - conflict with traditional ways of expanding foreign trade. I should like to devote a few moments to expounding these ideas, since a clear and precise point of departure for the Committee's deliberations seems to me necessary.

3. Dynamic equilibrium between primary production and industrialization

The rate of growth of the population in Latin America is the highest in the world, and the region is also actively engaged in assimilating modern techniques in a ceaseless process of development directed towards an increase in productivity and an improved standard of living for its peoples. These two factors are giving rise to a series of situations in which industrialization is enacting a decisive role. As modern productive technique finds its way not only into the export activities but also into the domestic activities of a country, it is a matter of common observation that a smaller proportion of the annual increment in the active population is absorbed in export and other primary activities. The role of industrialization is precisely that of absorbing this active population which, thanks to technical progress, is no longer needed for primary production and artisan industries, and employing it with greater productivity in industrial or other urban activities. Thus there is no conflict between industry on the one hand, and agriculture on the other. On the contrary, the more new techniques are introduced into the latter, the more necessary does industrialization prove, if the consequences of greater rural productivity are not to be nullified and occupation is to be found for that part of the increment in the active

/population which

population which is no longer required in primary production. The two forms of economic development are complementary, and it is an essential function of economic policy to see that, as a country develops, a proper relation is maintained between agriculture and other forms of primary production on the one hand and industry on the other. The success of a satisfactory economic policy lies in respecting this balanced relationship, which, far from being arbitrary, is the consequence of inexorable facts; it is not, of course, persistent, inasmuch as what is involved is not the permanent crystallization of particular situations, but a series of equilibria which succeed one another with the passage of time and the growth of the country concerned. Any country which upsets this equilibrium introduces disturbing factors into its economic development.

4. Forced industrialization and inadequate industrialization

We have seen in Latin America how the effort to force industrialization beyond the point permitted by the balanced relationship described has brought harmful consequences in its train. When a country applies a policy of artificially fixing exchange rates or prices for export products, or adopts equally artificial measures for the promotion of certain domestic activities, it ultimately withdraws factors of production that might have been utilized for valuable export lines, and defeats industry's own ends, since in the final issue the country is deprived of raw materials and capital goods which could only be obtained by means of a growing foreign trade, and which are indispensable to industrial development.

But it is not only these errors of excess to which we must turn our attention. The reverse may also occur. If economic policy mistakenly aims at the exaggerated development of certain branches of primary production, to the detriment of industrialization, the interests of the country will in this way too be seriously prejudiced. What would be the point of achieving substantial technical progress in agriculture and export activities, unless at the same time measures were adopted to absorb **surplus** manpower through industrialization? The more technical improvements are introduced into primary activities, the greater will be the field for expansion that must be opened up to industry. Otherwise, better agricultural

/techniques would

techniques would have no positive significance, and would end by leading - through a deterioration in the terms of trade - to the transfer abroad of the benefits resulting from technical progress.

This point relating to the transfer abroad of the fruits of technical progress is one which ECLA has been considering ever since it began to carry out its earliest studies, and which has on occasion been the subject of very wholesome controversy, but also of certain interpretations that are not always consistent with the thesis evolved by our organization. For this reason, and in view of the importance of the problem of the terms of trade for the Latin American countries, I should like to say a few words in explanation of the secretariat's motives for having attached such weight to this topic in its studies.

5. The terms of trade

If the Latin American countries fail to develop their industries, and spare no effort to introduce improved techniques into their export activities, a serious distortion of economic development will take place. An increase of productivity in export activities cannot be retained in the country by means of a rise in wages, which is the form taken by any increment in productivity in the industrialized centres. If there is a large active population which is redundant because the domestic market can provide it with no profitable occupation, this population will compete with the manpower employed in high-productivity export activities, and will prevent wages from increasing. It is a situation of precisely this kind that has been causing us concern from the very outset, since if the level of domestic wages is low on account of inadequate industrialization, wages cannot rise as technical progress is achieved in export activities, and the resulting benefits will be transferred abroad without affording any stimulus to the domestic development of the Latin American economies.

This is the straightforward thesis formulated by ECLA. While we have made no attempt to forecast future developments, we have asserted that if the Latin American countries do not bring their process of industrialization into line with circumstances and with the dynamic equilibrium to which I have

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already alluded, technical progress in export activities will tend to be reflected in a relative decline in the prices of exports, contrary to the interests of the countries in process of development.

Industrialization is one of the most powerful factors capable of counteracting this natural trend towards deterioration. I repeat that reference to the existence of this tendency does not imply any suggestion that the terms of trade are going to deteriorate in the future. We simply wish to issue a warning that if an energetic effort to promote industrialization is not undertaken in opposition to the natural trend in question, the terms of trade, and especially relative wages as between the countries on the periphery of the world economy - which include those of Latin America - and the great industrial centres, will tend to deteriorate. In other words, as higher productivity allows wages to increase in these large centres, wage levels in Latin America's export activities will not rise commensurately with technical progress. Hence the relation between wages in countries at the centre and on the periphery will evolve unfavourably unless the process of industrialization gradually absorbs the abundant manpower which exerts pressure on the level of wages, to the extent required for the maintenance of proper balance between primary and industrial production. This does not mean that I am trying to simplify what is really a much more complex situation, but simply that I am anxious to draw attention to some of the fundamental aspects of the problem, omitting others which are out of place at a meeting of this kind.

Moreover, it should not be forgotten that the terms of trade are affected not only by relative wages, but also, and basically, especially where primary products are concerned, by the productivity of the soil. It may well come to pass in the future that because agricultural and mining activities have had to be extended to less productive land, the terms of trade may be improved by an influence which might be termed Ricardian, with reference to the economist who so clearly envisaged the problem of land-rent. It is perfectly conceivable that in this case a deterioration in wage relationships would be unaccompanied by a corresponding deterioration in the terms of trade, because the productivity of the soil has declined, thus bringing about a relative increase in the prices of its products.

6. Industrialization and foreign trade

From another point of view, the process of industrialization must be adapted to the particular situation of each country and to the phase of its history through which it is passing. Consideration must now be given not only to the fact that for most, if not almost all, of the Latin American countries the development of their exports cannot constitute an active force capable of absorbing the surplus manpower resulting from technical progress, but also to another factor, which, if not universally present, appears in a considerable number of the countries of this region.

It is common knowledge that even in countries where no mistaken policy has been pursued, and where the sound development of the export trade has been the object of careful attention, export activities have shown themselves to be inadequate to provide the total supplies of manufactured products and capital goods required for economic development. Thence derives another of the dynamic functions of industrialization, namely, that of supplying the internal economy with those manufactured articles which its limited capacity to import prevents it from obtaining through foreign trade. In most of the Latin American countries - even in cases where no special handicaps have existed - exports tend to increase less intensively than import requirements. Consequently, without an import substitution policy, no country can hope to attain a rate of development consonant with the growth of its population, its spirit of enterprise and its availabilities of natural resources.

In setting forth this thesis, I am taking up a position not incompatible with my capacity as an official of an international organization, who must by definition take an impartial view of foreign trade problems and must not adopt regional or exclusive standpoints. In my opinion, there is no doubt that a policy of industrialization, of import substitution, which is confined to performing the two dynamic functions I have mentioned, does not conspire against trade with the rest of the world. A country which becomes industrialized, and in this way substitutes domestic production for imports, is not reducing its foreign trade. And here it

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will not be out of place to make an observation of great importance for the conception of an economic policy. Countries in process of development must not be considered as having the same functional characteristics as the great industrial centres. It is my deep-rooted conviction that as regards some basic aspects of their economy they must be viewed under a very different light. It is the great industrialized importers of primary products that, in the last analysis, determine the purchasing power of the peripheral countries which are the markets of origin of the products in question. The more the former buy, the greater will be the latter's capacity to import. On the other hand, the converse does not apply. While the great centres play an active role in the world economy, that of the peripheral countries is a passive one. If these latter made more purchases from the industrial centres than their capacity to import permits, this would not mean that the centres in question would necessarily buy a larger quantity of raw materials. There would simply be a deficit in the balance of payments. Purchases of such raw materials by the industrial centres are determined by the growth of income, the elasticity of demand for imports of the raw materials concerned, and the degree to which trade policy is restrictive; and on all these factors it is impossible for the peripheral countries to exert any influence whatever.

This does not signify that Latin America may not be adopting a mistaken policy, which will in the final issue militate against the development of trade, if it exaggerates the process of industrialization and artificially absorbs therein factors of production which could be more profitably employed in export activities. This most certainly would result in a contraction of trade. But if industry fulfils the dynamic function incumbent upon it within the limits to which I have referred, there is no reason why foreign trade should decrease. There will be no reduction in the volume of Latin America's imports from the industrial centres; there will simply be a change in the composition of these imports.

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For this very reason, I believe that one of the arguments which might be adduced against the expansion of inter-Latin-American trade must also be examined in the light of such an assertion. There are many who fear that if the countries of this region arrive at a satisfactory formula for trade in industrial products, Latin America's world trade may be unfavourably affected. My reply is as follows. If this policy of industrial complementarity is also established on sound bases, there is no reason why it should prove detrimental to trade with the great centres; it will be a further factor contributing to the change in the composition, but will not influence the total volume, of foreign trade transactions.

Nor can too much reliance be placed, in my view, on the argument that Latin America's industrialization will enable the large centres to make more sales than would otherwise be possible. My attitude is this: they will increase their sales neither more nor less than they would if the peripheral countries were not industrialized. They will succeed in expanding their exports only in so far as the acceleration of the growth of income, the favourable evolution of consumption patterns or the relaxing of trade restrictions in these great centres allow the Latin American countries to make more sales to them.

7. Customs protection

A process of industrialization which does not overstep the bounds of the balanced relationship to which I alluded earlier, is not antieconomic even when it is protected by customs duties. In effect, if surplus active population exists, which is not needed in primary activities because of the high rate of growth of the population and the technical progress achieved, it is economically sound to employ this labour force in industry, even when the productivity of such manufacturing activities is lower than in the large centres and they can be maintained only if afforded a reasonable degree of protection. Productivity fundamentally depends on capital density per capita and

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on the skill of the workers. If the large centres remained in a static position, it is plain that as years went by the countries in process of industrialization might ultimately acquire the same amount of capital as the former possess and compete with them in productivity. But, fortunately for the world, this is not what actually happens. New technical progress is continually making way for methods of production which hitherto have called for a very large increment in capital per capita, and however much the countries in process of development may attempt to increase their own capital, it is extremely unlikely that within the present evolution of economy the productivity of these countries can come to equal that of the large industrial centres. If this is so, it is inconceivable - with few exceptions - that industry in general should be able to develop in these countries without customs protection. If such protection is kept within reasonable bounds, it is not anti-economic, since it enables productive occupation to be found for those who can no longer be employed in primary production and in artisan activity. This does not imply that any type of industry what soever must be developed. Herein lies an exceedingly delicate point of economic policy. There is a whole range of differences in productivity among the Latin American countries in the aggregate and between each one of these countries and the more highly developed centres. The success of an economic policy - if its aim is to raise the standard of living of the people as a whole - consists in the selection of those industries where the combination of natural resources with other favourable conditions results in a productivity differing as little as possible from that of industry in the large centres. This is the key to a process of industrialization which may contribute to the maximum improvement in a people's standard of living.

8. Watertight compartments in inter-Latin-American trade

In this context - which has an immediate bearing on the Committee's discussions - I consider that the countries of Latin America are approaching a situation which calls for careful observation. It is common knowledge that the more highly industrialized Latin American countries have almost exhausted the possibilities of substituting domestic production for imports of articles of current consumption. In the industries concerned, very little room for the expansion of production remains, except as a result of demographic growth and the rise in income. In view of the chronic trend towards disequilibrium in these countries, they are finding themselves compelled to enter upon increasingly complex phases of import substitution which require advanced techniques and high capital density. Many of the activities involved - the motor vehicle, special steels, and petrochemical industries, for example - require a broader market than can be offered by the country in which they are installed. This applies not only to the relatively small countries of Latin America, but also to those which have advanced farthest along the road to industrialization.

The present state of affairs throws into increasingly sharp relief one of the negative aspects of Latin America's industrialization - notwithstanding all that is favourable in this process -, namely, that among the countries of the region a series of watertight compartments is being formed. In each republic there is a tendency to develop industries of every kind, without leaving any opening whereby more life, more oxygen can be transmitted to those activities that are contending with the relatively small size of the market. Moreover, in many cases protective measures, necessary as they no doubt are to a reasonable degree, are producing exaggerated effects. Like every measure of encouragement, such protection should be administered in properly graduated doses. Sometimes it goes too far, and not only where customs duties are /concerned, but

concerned, but especially when it takes the form of exchange licences and import permits which sometimes set up veritable domestic monopolies, since they allow certain industrial sectors to make a considerable profit, even when their production costs are very high in consequence of the small size of the market and the resultant low productivity. From the point of view of the private entrepreneur, the situation is favourable but, in contrast, it is highly unfavourable for the country. Obviously, in such cases, despite the inadequate size of the market, no strong incentives to the creation of a common market arise. Again, it is not that profits are undesirable; they are necessary for additional capital formation and the encouragement of satisfactory industrial organization. But it should be clearly understood that there are two ways in which such profits can materialize. One derives from higher productivity and a broader market, thanks to the better organization and optimum size of the enterprise. This is the classic concept. The other takes the form of the spurious profits resulting from the arbitrary combinations just described. Alongside cases like this are to be found other instances in which enlightened industrialists grasp the problem and are willing to support devices for more satisfactory co-existence among the Latin American countries from the point of view of industrial development.

9. Bilateral agreements

It is patent that the most vital point on the Agenda of this Committee, if we are to take the long-sighted view, lies in the intensification of inter-Latin-American trade. I will not refer here to all the obstacles, restrictions and regulations which have been hampering intra-regional trade; neither shall I touch upon the problems of maritime transport and freight tariffs. All these questions are fully analysed in our studies, of which the penultimate has just been handed to the delegations in its printed edition after having been presented in mimeographed form at Bogotá. But it definitely is my wish to refer

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to the bilateral agreements. The Head of the Brazilian delegation coined a very happy phrase here which I have attempted to remember, and which was to the effect that bilateral agreements have sometimes constituted a weapon of defence for inter-Latin-American trade. I am convinced that this is so. It is plain that in the disaster which overtook the world economy in the 'thirties, at the time of the great depression, the bilateral agreements which came into use among the Latin American countries - as well as between them and countries in other parts of the world - were the expression of an effort in this direction, and frequently achieved their aim of protecting trade from the depressive trends prevailing in international commerce. Subsequently, in less serious situations, these agreements were still employed as a means of exempting certain inter-Latin-American trade flows from the restrictions imposed upon over-all trade either by inflation or by these countries' growth itself.

I think that over the long term they have fulfilled their function of preventing the general decline in trade transactions from becoming equally manifest in inter-Latin-American trade, but they are no longer useful when they are employed as an active instrument for economic expansion, and not merely as a weapon of defence. This is the phase through which we in Latin America are at present passing. Despite all their shortcomings, these agreements have served a necessary purpose, but they are now doing so to a lesser extent, and are not dynamic instruments, since they are too narrow to meet current needs. As far as I know, nobody in Latin America has ever thought that such bilateral instruments constituted the optimum solution. They have everywhere been regarded as temporary expedients, as means of eluding a difficult situation, but they have never been considered active and lasting instruments of a policy of expansion. Hence it is that these bilateral agreements have nowhere been combined with a satisfactory customs policy, a policy aimed at the liberalization of tariffs. The protection thus accorded to industry, to facilitate its development in the countries of the region, was unaccompanied by measures which excluded inter-Latin-American trade; nor, as a rule, was due consideration given to restrictive exchange control practices - in whatever form they were applied - within the framework of the bilateral agreements, with a view to their gradual abolition. Therefore,

if the trend towards industrialization in watertight compartments is to be checked, it will be necessary not only to reconstruct the bilateral agreements on progressively broader bases, in order to extend their sphere of operation to more than two countries, but also to revise customs and exchange policies in their entirety, inasmuch as these have created obstacles to inter-Latin-American trade.

10. The idea of the common market

Far be it from me to attempt to propose a formula in this connexion, still less without first hearing the opinion of the delegations on certain basic principles which will doubtless have to be discussed here. But I cannot refrain from making one reflection. I have often observed that broadly-conceived devices for the economic rapprochement of the Latin American countries have failed because they were over-ambitious, and aimed at regulating all trade relations between two countries or groups of countries; and on every one of these occasions I have asked myself whether, in view of the industrial development taking place in the more advanced countries, there might not be some possibility of concluding more limited agreements before seeking a solution for all the problems concerned. For example, a series of products of industries about to be established or in their early stages of operation might be chosen, with special attention to the more complex activities requiring broad markets, and an attempt might be made to establish, on the basis of limited schedules, certain formulae for industrial reciprocity, which, by enabling each country to know what it was doing and where it was going, would avoid creating the impression of a leap into the dark that has been received on other occasions. Perhaps the right time has now come to raise the problem of the common market for certain products. For the moment, the industries existing in all countries should not be interfered with in order not to disturb their operation unnecessarily. The choice should fall on those which are still only projected or their incipient phase, activities of the type which are of great importance but whose costs perhaps imply too heavy a burden for the country, and on which the broadening of the market might exert a positive influence; all these are the industries that should be selected, and on such a basis some means of arriving at an agreement should be sought. This is the /suggestion that

suggestion that I should like to make, rejecting more sweeping formulae for the reasons I have adduced,

Clearly, the statement of the problem in these simple terms does not mean that there are not very serious obstacles to the materialization of such an idea. The Chairman, in his address, rightly called our attention to the fact that one of the vital requisites for the promotion of trade in these countries was to reduce to a minimum the problem of convertible currencies, and this is obviously true, if I interpret him correctly, inasmuch as many of the countries of the region are affected by the same basic difficulty - the shortage of convertible foreign exchange. If the growth of intra-regional trade is to mean that the Latin America countries will need transferable foreign exchange for this purpose it is patent that great limitations will be imposed on the development of the trade in question, and that there will be a tendency to use such exchange not in inter-Latin-American commerce but in trade with other areas whence it is so needful to buy capital goods and other commodities that for the moment cannot feasibly be produced in Latin America. Consequently, on the assumption that agreement might be reached on a common market policy and as regards the schedule of products, the problem that would still remain to be solved would be that of payments, which affects not only the trade that might be conducted in new products, but also traditional trade, which is beset by serious difficulties.

Obviously, the greater the economic area over which a multilateral system extends, that is, the larger the number of countries and the fuller the schedules of products to which the common market relates, the more efficiently will the régime operate. Moreover, its extension would have the virtue of eliminating mutually incompatible forms of trade, which might seriously compromise the common market régime. To prevent this, the market in question should be open for the incorporation of new countries prepared to apply the policy of reciprocity which the existence of such a market implies.

It would also seem that stability in the conditions regulating the common market is an essential requisite. Needless to say, that there would not be sufficient incentives for investment in industries designed to satisfy the demand of the current market without reasonable guarantees of stability in the treatment of the schedules of products.

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Another importante consideration must be borne in mind. The object of the current market is to foster industrial expansion along efficient lines in all the member countries. None of these could hope that obsolete trade patterns could be reproduced in the Latin American orbit, nor claim the right to sell its manufactures solely in exchange for primary products. Industrial reciprocity is essential for the common market. But this is no reason why every effort should not be made to increase the flow of trade in raw materials, without prejudice to the addition of new lines of industrial products. Otherwise, the common market might hinder the industrialization of certain countries, instead of fulfilling its chief purpose of establishing the process on more solid foundations.

11. Need for new formulae

This whole situation calls for the devising of new formulae. The signs of the times must be accurately read, and the true interpretation must be placed on many of the events we are witnessing. While Western Europe is making an effort to combine its markets through measures for progressive economic intergration designed to remedy the obvious inferiority of its trade position as compared with the conditions offered by the internal economy of the United States and the Soviet Union, the Latin American countries are engaged in splitting up the fertile field of their economy into a series of industrial microcosms of precarious productivity. Not by returning to the state of affairs that preceded the great world depression of the 'thirties shall we succeed in solving the problem. It is not enough to repudiate the bilateral agreements. It is not enough to get rid of hindrances and controls. Imagination and constructive boldness is required, the sort of boldness which takes calculated risks in order to turn great possibilities into a reality by means of positive formulae for practical action.

All this leads me to believe that this first meeting of the Trade Committee must shoulder a responsibility as great as the obstacles that have to be overcome. I should like to close these remarks with the usual expression of optimism which marks the opening of every conference. But I

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would add something more. Because of my official position, and the confidence with which the Member Governments of this Commission have done me the honour of placing in me, I feel I must voice at this time a motive of profound concern. In all this effort towards industrialization - despite its vigour and promise - opportunities of creating a common market, and of thus securing the maximum productivity required if the standard of living is to be raised, are being let slip. If we allow these decisive years of the new phase of Latin America's industrialization to go by, it will be too late, and there will be obstacles in the way much more serious than those we have to face at present. In this persuasion, those of us who work in this secretariat have come here imbued with a deep conviction, with a sincere spirit of impartiality and of detachment from national prepossessions, as is incumbent upon those who are aware of their obligations as officials of an international organization. We are here to offer our services to the Member Governments of the Commission in the elucidation of problems and the search for solutions. These letters will not spring spontaneously from the free play of economic forces, but will be the result of conscious and deliberate action, in which the interpretation of current events and proper foresight will prevail over circumstantial difficulties and interests, as well as over those obsolete patterns of thought and conduct that have ceased to be compatible with the need to accelerate the rate of economic development and to meet its imperative social demands.

Appendix V

RULES OF PROCEDURE OF THE TRADE COMMITTEE OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

General provisions

Article 1

In conformity with resolution 101 (VI), which was adopted at the sixth session of the Economic Commission for Latin America, and by virtue of which the Trade Committee is being created, this Committee "shall be governed by the existing Rules of Procedure of the Commission in so far as they apply, without prejudice to its subsequent adoption of special rules for its operation" (see paragraph 8 of the resolution in question). Consequently, in all matters not explicitly covered by the present Rules of Procedure, the Committee shall abide by the relevant provisions of the Rules of Procedure of the Commission.

Sessions

Article 2

The Committee shall at each session determine the date and place of its next session, after hearing the views of the Executive Secretary.

The Committee shall meet at the Commission Headquarters, unless it is decided otherwise by the Committee. A decision to hold a meeting away from ECLA Headquarters will be subject to the approval of the Commission and the Economic and Social Council if additional financial implications are involved.

In special cases, the date and place of a session may be altered by the Executive Secretary, in consultation with the Chairman of the Committee.

/Agenda

Agenda

Article 3

The Provisional Agenda for each session shall be drawn up by the Executive Secretary in consultation with the Chairman of the Committee, and shall be transmitted, at the same time as notice is given of the convening of the Committee, to the members of the said Committee, to the specialized agencies concerned, to the Inter-American Economic and Social Council, to the non-governmental organizations in category A and to the appropriate non-governmental organizations in Category B and on the register.

Officers

Article 4

The Committee shall, at the commencement of each session, elect from among the representatives a Chairman, two Vice-Chairmen and a Rapporteur, who shall hold office until the following session. They shall be eligible for re-election.

Sub-committees and other subsidiary bodies

Article 5

The Committee may, with the approval of the Commission, establish such sub-committees or other subsidiary bodies as it deems will facilitate the satisfactory fulfilment of its functions, and shall define their powers and composition in each case. It may also delegate to them such autonomy as is necessary for the efficient discharge of their technical responsibilities.