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ECONOMIC COMMISSION FOR LATIN AMERICA
Seventh session
La Paz, Bolivia
15 May 1957

COMMITTEE I
(Trade)

SUMMARY RECORD OF THE FIRST MEETING

Held at La Paz on Monday, 20 May 1957 at 10.10 a.m.

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Inter-Latin American trade: (a) Regional market

PRESENT:

<u>Chairman:</u>	Mr. ARIOSTO GONZALEZ	Uruguay
<u>Rapporteur:</u>	Mr. BARRETO	Perú
<u>Members:</u>	Mr. KORENJAK	Argentina
	Mr. OCAMPO CRESPO	Bolivia
	Mr. GARRIDO TORRES	Brazil
	Mr. PIÑERA	Chile
	Mr. MORERA	Costa Rica
	Mr. GAMBOA	Cuba
	Mr. GUAROA	Dominican Republic
	Mr. SALGADO	Ecuador
	Mr. DUARTE	El Salvador
	Mr. VIAU	France
	Mr. MELGAR LARRIEU	Guatemala
	Mr. MATUTE	Honduras
	Mr. VILLALOBOS	Mexico
	Mr. ZIJDERVELD	Netherlands
	Mr. CASTILLO	Nicaragua
	Mr. CLEMENT	Panama
	Mr. GONZALEZ	Paraguay
	Mr. WRIGHT	United Kingdom
	Mr. BARBER	United States of America
	Mr. CARLEVARO	Uruguay
	Mr. PINO	Venezuela

/Also present

Also present:

Observers from
Member States:

Mr. CHENDOV	Bulgaria
Mr. VESELY	Czechoslovakia
Mr. VICZENIK	Hungary
Mr. MANCINI	Italy
Mr. YOSHIMIZU	Japan
Mr. DIMITRIU	Rumania
Mr. ARAGONES	Spain
Mr. MANZHULO	Union of Soviet Socialist Republics

Observer from a
non-Member State: Mr. ENGELS

Federal Republic
of Germany

Representatives
of specialized
agencies:

Mr. EZEKIEL	Food and Agriculture Organization
Mr. CONSOLO	International Bank for Reconstruction and Development
Mr. KEESING	International Monetary Fund

Observers from inter-governmental organizations:

Mr. BERMUDEZ	Inter-American Economic and Social Council
Mr. ROYER	General Agreement on Tariffs and Trade

Representatives of non-governmental organizations:

Category B and Register:

Mr. FRIEDLANDER	World Jewish Congress
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/Secretariat:

Secretariat:

Mr. PREBISCH

Executive Secretary

Mr. SWENSON

Deputy Director

Mr. URQUIDI

Director, Economic Commission
for Latin America, Mexico
Office

Mr. IVOVICH

Secretary of the Committee

/ELECTION OF

ELECTION OF RAPPORTEUR

Mr. GARRIDO TORRES (Brazil) proposed Mr. Barreto (Peru) as Rapporteur.

Mr. Barreto was elected unanimously.

REPORT OF THE FIRST SESSION OF THE TRADE COMMITTEE

Mr. IVOVICH (Secretary of the Committee), introducing the report of the Trade Committee to the Economic Commission for Latin America, ^{1/} said that at its first session the Trade Committee had given special attention to three topics: (a) the problem of rigid bilateralism, (b) the obstacles hindering the movement of traditional products between Latin American countries, and (c) the establishment of a regional market. In the course of the session it had been made clear that the countries of the area were aware of the contribution which increased reciprocal trade would make to their development. Some changes had been noted in the system of bilateral payments which has been in effect for the last twenty years, the general result of which had been the persistent immobilization of currencies of account, with a resultant reduction in trade. Some countries had already begun to modify the system by relaxing their currency controls, and a general inclination on the part of Governments to abandon bilateralism, so far as possible, had become evident at the session. Accordingly, the Trade Committee had adopted resolutions expressing the general desire to choose multilateralism and noting that

^{1/} See Part I of document E/CN.12/423: United Nations publication, Sales No:1957.II.G.5.

the eight clearing-account countries were willing to take some measures leading towards a relaxation of the bilateral system. The secretariat would report later on the measures agreed upon by the representatives of central banks at the Montevideo conference.

Considerable interest had also been manifested during the first session of the Trade Committee in the creation of a regional market. A new aspect of the question brought forward during the session had been the advantages of a regional market which, without prejudice to previous trade relations, would give preference to the interests of countries endeavouring to establish particular industries. Two resolutions on the common market had been adopted by the Committee, one requesting the secretariat to make an inventory of existing industries in Latin America, and the other requesting it to appoint a group of experts to study procedures for the creation of a regional market.^{1/}

Mr. GARRIDO TORRES (Brazil) expressed the view that work on the payments problem was proceeding satisfactorily, and that the system of work established in the past should be retained. He proposed that the report of the Trade Committee should be approved; his delegation would submit a draft resolution to that effect.

Mr. PIÑERA (Chile) and Mr. KORENJAK (Argentina) supported the proposal.

The CHAIRMAN suggested that the Committee should merely take

^{1/} For further details see Information Document No 36.

note of the report, without prejudice to the draft resolution the Brazilian representative proposed to submit.

It was so decided.

INTER-LATIN AMERICAN TRADE: (a) REGIONAL MARKET

Mr. IVOVICH (Secretary of the Committee), reviewing the secretariat's work on the question of an inter-Latin American market, said that preparations were being made to hold the first session of the group of experts established under Resolution 3(I) of the Trade Committee. The secretariat was also considering plans and proposals for the establishment of regional markets for a number of specific products, and was studying the bases on which the Trade Committee's resolution concerning an inventory of Latin American industries could be carried out. It hoped that the group of experts would also find it valuable to consider the studies which had been made of economic development in Argentina and Peru.^{1/}

Mr. BERMUDEZ (Inter-American Economic and Social Council) said that his organization was interested in the work ECLA had done on the subject, as also in co-operation between the two organizations. One of the items on the agenda of the conference to be held at Buenos Aires in August 1957 concerned inter-Latin-American trade, a subject which could not fail to be discussed, since the conference was to be composed of the Ministers of Finance and Economy. The Inter-American Economic and Social

^{1/} For further details, see Information Document No 37.

Council was therefore following the present discussion with intense interest, so that it might take to the conference the ideas expressed by the various delegations.

Mr. BARRETO (Peru) said that Peru's economy had shown a high rate of development during 1956, as a result of both foreign and internal investment. While the trade balance had been negative in 1956, that had been due to the large quantities of machinery and equipment imported, and although the budgetary imbalance had led to an increase in the amount of currency in circulation, it had proved possible to avoid an excessive expansion of credit. Peru's currency was based on a firm foundation of convertibility, and in spite of temporary imbalances the Peruvian economy showed a tendency to maintain its stability, with a steady rate of development. Peru consequently viewed with sympathy the efforts of some countries to achieve an equilibrium of payments and to promote an increase in multilateral trade.

Mr. KORENJAK (Argentina) spoke of the payments situation of his country. For many years trade had been in watertight compartments and even after the late war Argentina had been unable to free itself from the bilateral system. Both credit and debit balances in reciprocal agreements had presented difficulties; the former had to be used to import from a specific country, and often to import items which were not essential to Argentina's economy, while the latter had to be adjusted in free dollars or by selling to the creditors at dumping prices. The readjustment of 1955 had had two objectives: to give a more

/realistic exchange

realistic exchange rate, thereby providing exporters with greater returns, and to discourage certain imports which had benefited from the artificially low exchange rate. A first step in liberalization had been the formation of the Paris Club. Once that system had entered into force, Argentina's foreign trade had been divided between the free exchange area, the Paris Club area, Argentina's neighbouring countries and the Eastern European countries, trade with the last-named continuing to be on a bilateral basis.

The greater part of Argentina's trade with Latin America was with its neighbouring countries. Although Argentina realized that trade with other countries in free dollars would be ideal, that was for the moment impossible, since it would require a greater reserve of dollars than the country possessed.

Referring to the conclusions reached at the recent session of the Central Banks Working Group, he pointed out that while Argentina was optimistic regarding the possibility of attaining transferability of balances, under the existing payments agreements parity of quotations would entail a drain of some 600 million pesos annually.

At its first session the Trade Committee had recommended that ECLA should produce an industrial map of Latin America and that a group of experts should be set up to consider the possible structure of a regional market. In that connexion he expressed the opinion that, in view of recent new developments, it would be advisable to speed up the work on a common market in order to

/move on

move on to the sphere of practical achievements.

Mr. GARRIDO TORRES (Brazil) considered that on certain points it would be necessary to await the work of the group of experts to be set up under the Trade Committee's mandate to the ECLA secretariat and that for the present consideration should be limited to the working methods outlined by that Committee. He felt that the term "common market" should be avoided, the term "regional market" being more likely to avoid the possibility of misunderstandings.

Commenting on resolutions 2 and 3(I) of the Trade Committee, he recommended that ECLA should accelerate the ways and means of putting them into effect and should continue its work of research in order to facilitate the task of the group of experts. The Brazilian delegation would present a specific proposal on that subject.

With regard to the statement by the representative of the Inter-American Economic and Social Council, he expressed some concern about the possibility of a dispersal and duplication of effort. He agreed that it was important that the work of IA-ECOSOC and ECLA should be co-ordinated and integrated and he therefore proposed that the Executive Secretary should draw up a full report showing what work had been done on the subject of a regional market, what was in course of preparation and what was planned for the future. The report would be circulated to Governments in order to avoid any duplication of effort or activities at the Buenos Aires conference.

/Mr. PIÑERA

Mr. PINERA (Chile) said that it was his delegation's impression that no Government denied the necessity for a regional market and that neither did any Government fail to appreciate the difficulties. As Dr. Prebisch had said at the Santiago session of the Committee, it was not enough to repudiate bilateral agreements - it was necessary to turn great possibilities into a reality by means of positive formulae for practical action. He thought that ECLA might set up a department to study industrial progress in the countries of the area. Finally, he suggested that the group of experts that was to study the structure of a market could probably obtain assistance from other organizations such as TAA, FAO, IMF, etc.; his delegation would present a draft resolution on that subject.

Mr. CARLEVARO (Uruguay) outlined his delegation's views on certain aspects of the promotion of intra-regional trade. Referring in particular to exchange and monetary policies, he said that studies should be made, in that connexion, of the desirability of complementary measures, through the establishment of specific credit systems. It was obvious that it would be necessary for that purpose to enlist national support, without prejudice to the possibilities also of regional and international support. There should be complete integration of national effort, both as regards the structure of internal economies and as regards State monetary and credit control. Equitable prices should be aimed at, within a liberal policy permitting the development of the under-developed areas. He felt that the aspect of equitable prices was underestimated in so far as it applied to incipient markets; for such markets price parity, i.e. and equitable level of prices within the context of international trade, was more important than monetary parity, despite the importance of all efforts made to achieve progress in the direction of a general and multilaterally operative monetary parity, and the attention such efforts always merited. His country, in its recent exchange reform of 3 August 1956, had authorized the coexistence of two exchange markets: a controlled market and a free market. The double market system, which in his view was theoretically appropriate and desirable, did not, in its application in Uruguay, presuppose any fundamental modification of the long-term monetary policy,

/a policy

a policy of a rationally protectionist type, traditionally applied by his country, whose economic and social development had been in large part due to the stimulus of that policy.

Mr. SALGADO (Ecuador) said that the European common market was an advance worthy of imitation. The countries of the Latin American area lack on dynamic impulse; ECLA should endeavour to provide that impulse, especially as regards the industrial structure which was the true basis of economic development. The aims pursued should be maximum productivity and free access of all countries to trade through the regional market. His country had been among those which had been compelled to adopt bilateralism, but it had discovered, as has others, that the inevitable consequence was excessive rigidity. He referred to the work of the Montevideo meeting, stressing the aspect of transport. No multilateral payments system or regional market could be effective until the grave problem of transport had been solved; he suggested that perhaps a special meeting should be devoted to that question.

The CHAIRMAN, referring to the Brazilian suggestion, proposed a working group composed of representatives of five countries, Argentina, Brazil, Chile, Mexico and the United States, under the chairmanship of the representative of Brazil, to consider any possible resolutions on the subject of a common market.

It was so decided.

The meeting rose at 12.20 p.m.