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PROBLEMS OF FOREIGN TRADE

MAINTENANCE OF PURCHASING POWER OF FOREIGN EXCHANGE BALANCES
ACCUMULATED DURING THE EMERGENCY PERIOD

Resolution Approved 14 June 1951

THE ECONOMIC COMMISSION FOR LATIN AMERICA,

CONSIDERING that as a result of the emergency the Latin American countries are accumulating excess exchange reserves, and that given present circumstances, it may be assumed with reason that such accumulations may continue:

THAT THIS fact derives directly among others from the difficulties experienced by Latin American countries in finding sources of supply of products and capital goods which they must buy abroad in order to maintain normal economic activity and the development of their economies, which difficulties result from the sacrifice imposed by the diversion of production to defense purposes and from the different nature of the products involved in the interchange;

THAT, by reason of this development, Latin American countries

/might be compelled
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might be compelled to increase the importation of non-essential or luxury goods or else might aggravate the inflation from which they are suffering by being forced to issue circulating media against the increase of reserves;

THAT if the Latin American countries decide, even at the risk of greater inflation, to accumulate foreign exchange balances in order to acquire subsequently the capital goods and other goods necessary to their continued economic development, they will still be exposed to the danger that, if the price relationships which existed when sales were made are not maintained, these extraordinary reserves will lose their buying power before useful purchases can be made;

THAT, in so far as trade among the American countries is concerned, the Fourth Consultative Meeting of Foreign Ministers of the American States, held recently in Washington, adopted resolutions which indicate the means through which the solution of this grave problem can be sought;

THAT nevertheless the problem exists and might become very intense with respect to Latin American trade with European countries, and that it is generally and mutually desirable that this trade be maintained and increased;

THAT, as regards the European markets, practical methods should be studied to ensure, as far as possible, supplies adequate to the normal operation of Latin American economies and the provision of capital goods for their development; and that if such supplies cannot be obtained simultaneously with Latin American sales to /Europe, it is