

United Nations

Nations Unies UNRESTRICTED

**ECONOMIC
AND
SOCIAL COUNCIL**

**CONSEIL
ECONOMIQUE
ET SOCIAL**

E/CN.12/AC.2/W.4
7 June 1949
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA

COMMITTEE 2

(Trade and Finance)

Informal Statement read by Jorge Del Canto on
behalf of the International Monetary Fund on
6 June 1949

The Fund would like to make clear that the present payments difficulties are perhaps symptoms of a wide disequilibrium and should not be allowed to distract attention from the solution of the basic overall payments problems.

Among these problems, the most important seem to be the following:

- a) The fundamental problem of the lack of adequate financial resources for development,
- b) The need for increasing industrialization, diversification of agriculture and expanded regional and international trade,
- c) The problem of a serious trade dislocation created by the war and slowness in reestablishing a more balanced pattern of trade.

Even though the Fund realizes that the present difficulties are symptoms of a wider disequilibrium, the Fund is fully aware of the need to search for more flexibility in the present payments arrangements,

/particularly those

particularly those of a bilateral character and to aid the creation of greater opportunities for multilateral financing within Latin American as well as between Latin America and the rest of the world.

However, a comprehensive multilateral clearing scheme within Latin American would be a complicated experiment entailing much labor and organization (multiple exchange rates, disposition of the proceeds in foreign exchange of foreign owned companies, and to some extent the lack of a tradition of cooperation - so far among the various central banks).

The Fund has a particular interest in any plans for facilitating international payments. As was stated last Saturday and again this morning, one of the objects of the Fund is to "assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade". The widespread employment of exchange restrictions at the present time associated with the inconvertibility of currencies and the strictly bilateral financing of trade and other transactions over wide areas, deeply concerns the Fund. The Fund is enjoined to promote convertibility of currencies, both directly through the provisions which enable members to buy other currencies, needed for current payments, in exchange for their own, and indirectly by helping its members to remove the basic causes of restrictions on current payments. To this end special functions are assigned to the Fund in coordinating and helping to adjust international monetary relations.

/The Fund, therefore,

The Fund, therefore, fully realized its responsibilities in relation to the matters raised by the ECLA resolutions its concern is how best to fulfill them and it is constantly reviewing its policies with this end in view.

If the convertibility of all currencies can not be established, it might be thought desirable to try to establish at least some limited system of multilateral payments. If conditions are suitable this may be the case, but it may be that the inter-convertibility of selected currencies can be achieved only by discriminatory arrangements and special aid and even then may break down. If this were likely, there would have to be very compelling reasons for recommending special arrangements for regional clearing. A question of this kind cannot be answered in the abstract, but only after an examination of the circumstances of individual cases.

The Fund's facilities have not, for various reasons, been widely used in connection with Latin American trade. The difficulty is of dual character. On the one hand, countries are reluctant to use the Fund to acquire Latin American currencies when they have a greater need for U.S. dollars. On the other hand, countries recognized that use of the Fund involves a repurchase obligation that must ultimately be discharge in gold and dollars. With the uncertainties in the present and future payments position, there is an understandable caution with respect to use of the Fund's resources.

At the present time no multilateral clearing arrangement would by itself directly meet Latin America's need for dollars.

/Latin American

Latin American exports to Europe, for example, cannot be offset against United States exports to Latin America, because Europe itself is heavily in debt to the United States.

In order to dispel misconceptions that might be held in connection with the present European payments arrangement it should be said that these are at present based on bilateral credits with only very limited provisions for offsetting balances. It would be misleading to assume that any significant degree of regional multilateral clearing has yet been achieved in Europe.

While the world gradually recovers from its present disequilibrium and the Fund's objects are being pursued it might be concluded that a limited degree of convertibility (or transferability) between certain currencies may be better than none at all. The problem, however, will not be solved without restoration of overall balance, so that more local currencies may be made convertible, and dollars used more freely in payments between Latin American countries particularly in the north.

For the present, perhaps payments could be improved by administering and adopting existing agreements in a cooperative spirit, some limited compensations could be explored in cases of strain, and wider use of sterling could be considered particularly in the South.

The Fund is very grateful for the words of appreciation expressed by the Commission and members of this working committee and reiterates its willingness to lend its cooperation to carry on further exploratory work along these lines.
