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Inter Latin American Trade: Current Problems

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Report of the first session of the Trade Committee
of the Economic Commission for Latin America
and main background documents

Department of Economic and Social Affairs

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INTRODUCTION

This volume is a compilation of four ECLA documents and is divided into the following two parts:

Part I. Report of the Trade Committee of the Economic Commission for Latin America (E/CN.12/C.1/7/Rev.1)

Part II. Main background documents

1. The payments system and the regional market in inter-Latin-American trade (E/CN.12/C.1/3)
2. Inter-Latin-American commodity trade in 1954 and 1955: situation and prospects in 1956 (E/CN.12/C.1/5)
3. Payments and the regional market in inter-Latin-American trade (E/CN.12/C.1/4)

The documents presented in this volume should be read in conjunction with the already published *Study of Inter-Latin-American Trade* (E/CN.12/369/Rev.1) in order to obtain a complete picture of the situation with regard to this important subject.

EXPLANATION OF SYMBOLS

The following symbols have been used throughout this document:

Three dots (...) indicate that data are not available or are not relevant

A dash (—) indicates that the amount is nil or negligible

A minus sign (—) indicates a deficit or decrease

A full stop (.) is used to indicate decimals

A comma (,) is used to distinguish thousands and millions

A slash (/) indicates a crop year or fiscal year, e.g. 1954/55

Use of a hyphen (-) between dates representing years, e.g. 1950-54, normally signifies an annual average for the calendar years involved, including the beginning and end years. "To" between the years indicates the full period, e.g. "1950 to 1954" means 1950 to 1954 inclusive

References to "tons" indicate metric tons, and to "dollars" United States dollars, unless otherwise stated

The term "billion" signifies a thousand million

Details and percentages in tables do not necessarily add up to totals, because of rounding

TABLE OF CONTENTS

Part I

REPORT OF THE FIRST SESSION OF THE TRADE COMMITTEE OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

Part II

MAIN BACKGROUND DOCUMENTS

1. The payments system and the regional market in inter-Latin-American trade (E/CN.12/C.1/3)

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

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

Part I

REPORT OF THE FIRST SESSION OF THE TRADE COMMITTEE OF THE ECONOMIC COMMISSION FOR LATIN AMERICA (E/CN.12/C.1/7/Rev.1)

(Santiago, 19-29 November 1956)

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. It may serve a useful purpose for this report to 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 specific 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 Bogotá 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 execution brought in its train, gave rise in Latin America to concern which the Commission could not disregard and which was in itself sufficient 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 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 payments problems and 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. Section 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. Section II contains the resolutions adopted by the Committee on the completion of its work.

4. The text of the inaugural address delivered on 19 November 1956 by His Excellency Mr. Osvaldo Sainte-Marie, Minister of Foreign Affairs of Chile; the reply made by Mr. Antonio Correa do Lago, representative of Brazil, 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, are contained in the mimeographed version of document E/CN.12/7/Rev.1. The 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.

[1] Document E/CN.12/369/Rev.1. United Nations publication, Sales No.: 1956.II.G.3.

[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) in part II of this volume.

[3] See *Payments and the regional market in inter-Latin-American trade* (E/CN.12/C.1/4), the paper presented to the secretariat on 13 August 1956 by Mr. Eusebio Campos (Argentina), and Mr. José Garrido Torres (Brazil) in part II of this volume.

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, to whom Mr. Antonio Correa do Lago, the representative of Brazil, replied on behalf of the delegations

present. 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. Lastly, the Executive Secretary of the Economic Commission for Latin America, Dr. Raúl Prebisch, presented a statement to the Committee (see above paragraph 4).

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). 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, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, United Kingdom, 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, Union of Soviet Socialist Republics and Yugoslavia.

10. In accordance with resolutions 515 B (XVII) 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 Peñaloza, Economic Counsellor, Bolivian 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 Assumpçao Vianna, Salvador Nogueira Diniz

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 Goicoeschea Quiros, Ambassador to Chile

Cuba

Representative: Fernando Porcel Carreras, from the Department of Economic Affairs of the Ministry of State

Dominican Republic

Representative: Franz Baehr, Counsellor, Acting *Chargé d'Affaires*

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 Unda Murillo, Ambassador to Chile

Haiti

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

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

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., 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 of Great Britain and Northern Ireland

Representative: Sir Charles Empson, Ambassador to Chile
Members: J. H. Wright, P. S. Ross, J. G. McGillivray

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

Representative: Alfredo Vásquez Madriz, Counsellor in Chile
Member: Juan Salazar Rondón

(c) *Representatives of States Members 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
Romania: Antonio Albu
Spain: José María Doussinague, Miguel 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 Organization of the United Nations (FAO): John G. Tauber, Mordekai Ezekiel, P. G. H. Burter, 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 organizations*

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 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 Federaçao das Indústrias do Estado de São Paulo
Og Francisco Leme, Economic Adviser to the Federaçao das Indústrias do Estado de São 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, Department of Copper of Chile
Patricio Jarpa Yáñez, Department of Copper of 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 Federation 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 Peñaloza (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-Committees 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 the representatives of Argentina, Bolivia, Brazil, Paraguay, Peru and the United States under the chairmanship of 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 opportunity for the holding of 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 of the Trade Committee was composed of the following members:

Raúl Prebisch, Executive Secretary
Louis N. Swenson, Deputy Director
Esteban Ivovich, 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:
   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 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 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

I. Introduction

19. It is not enough in the present instance—as was the case on previous occasions 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 in such a dynamic way that a just appraisal can be made of the advantages secured and a basis can be laid 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 auspices 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. These 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 drawn to the following background data. Trade is, and has been, a prerequisite 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 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. 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 which 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 interna-

tional 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 prerequisite of higher productivity—means there is not sufficient work for some part of the active population hitherto occupied in this branch of economic activity. Such a situation has an adverse effect 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 procedure that would be in no way incompatible with the maintenance and even the expansion of traditional agricultural production.

24. In contrast, others assumed that the best path to follow was to apply the greatest effort and the largest proportion of resources to industrialization as a means of accelerating the economic development of their respective peoples and to relegate foreign trade in exportable primary products to a secondary plane 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 with a resultant relative decline in wages. This would be a serious obstacle to any improvement in the standard of living of the population concerned. It was admitted that the road leading to industrialization should be followed stage by stage, and hence that it was desirable first to produce commodities 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 to obtain other goods required by industry. This would not mean that trade with the industrial centres would decrease, 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 while registering greater industrial development.

26. It is impossible to disregard the argument that indiscriminate industrial development is not advisable. Indeed it seems wise for countries to select those industries in which, as a result of the use of their own natural resources and because of other favourable conditions, 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 existing within the frontiers of the Latin American countries, and which, if they were to be established under optimum conditions, woulld have 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 when confronted with a similar difficulty, did not hesitate to merge 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 country within its own boundaries to the detriment of increased activity. Similarly, in those Latin American countries that have encountered the aforesaid problem of limited markets, thought has been given to the desirability of forming integrated areas for trade in certain industrial goods as a step towards the development of productive activities. In any event, the attempt would be made to select industries which would afford equal opportunities of development to all countries within the region by means of new productive activities of a complementary nature. These would be considered with due regard to the special aptitude of the countries concerned for taking adequate advantage of the common market and would enable a new pattern of inter-Latin-American reciprocal commodity trade to emerge in future.

28. Once the importance of trade as an instrument for the maintenance and development of the economic activity of the Latin American countries was established, the secretariat, in compliance with resolutions adopted by the Commission, proceeded with the study on inter-Latin-American trade[4] which was presented to the sixth session of the Commission in August-September 1955. Resolution 101 (VI) was then adopted setting up the Trade Committee 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 in certain countries of Latin America in particular, 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 Mr. Eusebio Campos and Mr. José Garrido Torres, experts 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

[4] Op. cit. above, note 1.

which had the largest share of intra-regional trade and which were encountering the most serious obstacles in maintaining this trade.

30. The survey provided an opportunity for a broader understanding of these problems, since the group established contact not only with the government officials responsible for trade policy and the negotiation and implementation of agreements, but also with the private sectors playing a leading part in the activities in question. The sectors consulted did not confine themselves to describing the obstacles encountered in the course of their operations, 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]

31. The studies referred to certainly drew the attention of the various countries to the main aspects of the situation which would require consideration if any improvement was to be achieved; moreover, they gradually created a common consciousness of these problems and provided a more effective guide to possible solutions. The results of the research were embodied in several documents which were sent to member countries for their consideration. The studies give an accurate picture of the problem. As already stated, most inter-Latin-American trade is conducted in the southern zone, and during the past few years—except in the case of Peru—it 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 the 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 enabled them to extend their reciprocal trade operations, without the 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 free from foreign competition, a circumstance which in turn frequently led to a sacrifice in 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 countries of new measures of economic policy, as well as 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 discourages such operations still further.

33. The conclusions reached in 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. There was a clear need, as was pointed out by some of the existing industries, to maintain complementary foreign markets and even to expand them sufficiently for the success of current 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 from 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;

[5] See E/CN.12/C.1/4 in part II of this volume.

(*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 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 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. This delegation also expressed the interest of Spain in taking part in the activities designed to promote the exchange of information on the state of the clearing accounts 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 GATT representative 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 world resources and contributing to the progressive development of national economies. He also indicated that the GATT secretariat 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. GATT had acquired some experience in recent years on the subject of common markets, and, if the Committee took steps to create 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 that the Committee should take note of the desire of those countries which were Contracting Parties of GATT that a recommendation should be made to GATT 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 remarked on the desirability of the

[6] See Information Papers Nos. 14 to 19.

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.

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 examined 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, where Chile is concerned, the new measures have led to the accumulation of balances in its agreement-accounts with other countries of the area, and that it is 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 negotiated at an exchange 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 standards of living.

44. To remedy such a state of affairs, the Committee was unanimously of the 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 metamorphosing 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

[7] See paragraphs 17 and 18 of the present report.

and the situation during this transitory stage might be improved. The Committee noted that the practicability 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 such an objective was to establish equal quotations in their respective markets for units of account and convertible currencies. 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, gave rise to conflicting views; but these were successfully reconciled, when the principle in question was made applicable concurrently 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 accounts with the aim 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 at present 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 in the Committee:

(*a*) That, in the case of traditional 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 the adoption of exchange reforms and new trade practices in several exporting 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. 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 points 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; if they were utilized in an appropriate industry 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, a consequence of 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 prerequisite 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 watertight 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 so 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, 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 at their command, 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 the development of such industries.

58. 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 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 in respect of goods essential to the country's industrial activity.

59. The Committee also noted the need to standardize products in order to give them easier access to markets. The representative of the Inter-American Economic and Social Council stated that his organization was already engaged on a study of this matter, being 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 entered into through GATT, should be taken into account in carrying out the study, the Committee took note of the ECLA secretariat's statement that in due course it would discuss with the Executive Secretariat of GATT the possibilities offered by the Agreement for putting into practice the regional market formula 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 already 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)).

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 establishment of a multilateral payments régime 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 achieved by establishing 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, that the collaboration of the Fund 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 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 creating 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, failing these, 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 opportunity to the Trade Committee, which will consider them at a forthcoming session;

2. The working group shall have at its disposal any technical studies provided by the ECLA secretariat

and shall request, through this secretariat, 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* of the fact 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*) Reciprocal transfer of the above-mentioned countries' accounts of favourable balances within the swing credits by prior agreement between the Central Banks concerned;

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 opportunely, 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 on 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 on 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 industrialization 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 existing at present, 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 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 session 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 in 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,

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 patterns 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 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 rule 2 of its rules of procedure, and

Considering the proposal submitted 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.

APPENDIX

Rules of procedure of the Trade Committee of the Economic Commission for Latin America

GENERAL PROVISIONS

Rule 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 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

Rule 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 of 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

Rule 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

Rule 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

Rule 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.

Part II

MAIN BACKGROUND DOCUMENTS

1. **The payments system and the regional market in inter-Latin-American trade (E/CN.12/C.1/3)**
2. **Inter-Latin-American commodity trade in 1954 and 1955: situation and prospects in 1956 (E/CN.12/C.1/5)**
3. **Payments and the regional market in inter-Latin-American trade (E/CN.12/C.1/4)**

1. THE PAYMENTS SYSTEM AND THE REGIONAL MARKET IN INTER-LATIN-AMERICAN TRADE (E/CN.12/C.1/3)

Introduction

At the sixth session of the United Nations Economic Commission for Latin America (Bogotá, Colombia, August-September 1955), the States members of the organization resolved to set up a Trade Committee (resolution 101 (VI)).[1] It will be the task of this Committee to make specific recommendations for the solution of the problems analysed in the *Study of Inter-Latin-American Trade* (E/CN.12/369/Rev.1) or of others relating to commercial policy, payments, maritime transport and trade in certain products. Another of its aims will be to promote the development of an inter-Latin-American trade policy consistent with measures designed to expand the region's trade with the rest of the world.

During the discussions held at Bogotá, it was agreed that at its first session the Committee should give priority to the examination of payments questions, the special features of which had already been analysed with considerable thoroughness in document E/CN.12/369/Rev.1.

Shortly after the adoption of the resolution cited, the exchange reforms introduced in some of the Latin American countries—partly as a step towards multilateralism in their foreign trade—brought about radical changes in certain bilateral channels of intra-regional trade, where payments are governed by the clearing system. The new problems thus created, most of which are still existent at the date of completion of the present report, began to arouse feelings of concern in the region which relate not only to the future expansion of inter-Latin-American trade, but also to the more immediate aim of maintaining its present levels.

In order to prepare a background document for the Committee's first session, which would enable changes in payments systems to be discussed on the basis of fuller data than those presented in the *Study of Inter-Latin-American Trade* (E/CN.12/369/Rev.1), the ECLA secretariat set up a special group of three experts on foreign trade.[2] The preliminary work of sending out questionnaires once completed, the group visited, during May and June 1956, the Latin American countries playing the major part in intra-regional trade, as well as others also feeling the repercussions of the reforms mentioned. In seven countries in all, the group contacted the foreign trade and Central Bank authorities, as well as officials from parastatal institutes and private organizations connected with trade and production. The present report sums up the data and suggestions gathered in the course of the survey; these deal not only with the specific problems of bilateralism, but also—and primarily—on the possibility of advancing towards a multilateral system. For the sake of brevity, the analyses or statistics of inter-Latin-American trade which appear in document E/CN.12/369/Rev.1[3] are not included in this paper.

The present study is divided into two chapters. The first, "Payments and recent exchange reforms", begins with a brief review of the situation up to August 1955 and goes on to consider the subsequent reforms and their consequences, both in general and with respect to intermediate and manufactured products; the second, dealing with the "Search for ways of solving current problems" and using information and opinions gathered by means of the survey, analyses the bases of certain measures that are now being studied in competent circles with a view to overcoming the intra-regional trade difficulties created by the reforms in question. Lastly come the annexes, in two of which the new international exchange measures are examined (annex 1), and a summary is given of the various countries' replies to relevant consultations by ECLA on aspects likely to be of use in establishing the general lines and, at the same time, in analysing the possibilities for a Latin American multilateral trade policy, both over the long term and during a necessary period of transition (annex II).[4] Lastly, annex III reproduces the text of resolution 101 (VI), by virtue of which the Trade Committee was created.

[1] The text of resolution 101 (VI) is given in annex III.

[2] The group was composed of two *ad hoc* consultants—Mr. Eusebio Campos, from Argentina, and Mr. José Garrido Torres, from Brazil—and Mr. Esteban Ivovich, Chief of the ECLA Inter-Latin-American Trade Section.

[3] A revised edition of the document containing these analyses and statistics (E/CN.12/C.1/2) was made available to the delegations to the first session of the Trade Committee.

[4] The opinions sounded during the ECLA group's survey are analysed, on broader lines than those laid down for the preparation of the present study, and some recommendations are presented in document E/CN.12/C.1/4, in part II, section 3, of this volume, drafted by the consultants, Mr. Eusebio Campos and Mr. José Garrido Torres.

Chapter I

PAYMENTS AND RECENT EXCHANGE REFORMS

1. Situation in August 1955

(a) *Bilateralism and clearing accounts*

The situation recorded over a period of years, with respect to payments deriving from the movements of goods and services within Latin America, was analysed with considerable thoroughness in chapter V of the *Study of Inter-Latin-American Trade,* presented at ECLA's sixth session. The examination of the changes which have taken place since that session and

which appear to constitute the initial phase of a highly important process of development, may usefully be proceded by a brief reminder of certain features characterizing the intra-regional payments system in force when the above document was prepared.

The annual registered value of the transactions involved in the Latin American countries' reciprocal trade amounted, in 1955, to 737 million dollars in each direction. Although all the republics take part in this trade on a major or minor scale, about nine-tenths of the total sum represent operations carried out in South America, largely under the clearing accounts system. In 1955, if petroleum values are excluded, such accounts covered approximately 85 per cent of inter-South-American trade.

The reasons for so substantial an expansion of the clearing accounts régime among most of the South American countries are not quite the same as those that determine the establishment of a clearing system with States in other regions. To begin with, under the exchange control régime, which often stipulates that an import licence be obtained in every case, the appropriate permit is usually granted provided that, at the time of issue, foreign exchange holdings exist in the currency in which the supplier country is to be paid. Under the clearing system, the licence can be given even if exchange is not available, since its issue does not imply the authorization of a transfer of foreign currency which will have to be effected practically at once, or within a very short period. For the moment, the transaction is merely an item noted on current account, which will affect the amount of the balance to be liquidated at the end of the period agreed upon between the parties, or when the balance concerned rises above a predetermined critical level. There are other reasons for the extension of the system of clearing accounts. Some republics saw in others within the region an important potential market for their surpluses of primary and intermediate commodities, as well as for certain manufactured products, and made a sustained effort to back the sale of these commodities with a mutually advantageous policy. Such a policy was often reflected in the conclusion of short-term but constantly renewed agreements, providing for the exchange of products for approximately equivalent values through operations liquidated within the clearing accounts concerned. As these accounts formed part of the system of selective and quantitative controls applied by each country to its imports as a whole, they served a further end, by protecting goods which the Latin American countries exchanged on a basis of over-pricing—this being due to low domestic productivity or to over-valued export exchange rates—from the effects of foreign competition within intra-regional trade.

The widespread adoption of the clearing accounts system was also connected with certain circumstances peculiar to trade policy in South America. The tariff instruments previously signed by some of the largest South American countries with States in other regions contained no saving clause that left an adequate margin for the granting of special intra-regional tariff treatments, to the benefits of which goods exported by the States in question were not also entitled. Consequently, these instruments prevented or hindered the conclusion of agreements designed to promote inter-Latin-American trade by means of customs reductions and exemptions confined solely to trade within South America. The trammels thus imposed on commercial policy particularly hampered inter-Latin-American trade in intermediate and manufactured products. In these conditions, the only course open was to resort to instruments based on exchange control, including clearing accounts, since the contracting parties could use these at their discretion, almost entirely uncircumscribed by the restraints imposed by treaties with countries in other regions. As a result, the system of payment on clearing accounts often was—and still is—a basic tool of commercial policy within intra-regional trade among most of the South American countries.

In those Latin American countries where foreign trade has been subject to direct controls, it is recognized that the clearing system permits the removal or reduction on reciprocal terms of the handicaps arising from the shortage of convertible foreign exchange, and even, at times, the creation of incentives to trade in intermediate and manufactured products. Thus in some cases, by virtue of such factors as the determination, within the accounts, of high reciprocal credit levels, certain goods have been exempted from the import licence regulation, and flexible rules have been laid down for the settlement of debit balances (allowing their value to be covered in commodities, for example, instead of in United States dollars).

(b) *Heterogeneity of methods*

The heterogeneous nature of the various trade and payments agreements, which form the groundwork of the clearing system, stands out in sharp contrast to the homogeneity of the motives that have dictated its widespread adoption in South America. The basic clauses of these instruments differ widely from one to another. There are striking divergences of opinion on matters so important as the granting of most-favoured-nation exchange treatment, the observance of parities, reciprocal credits, settlement of balances, re-exports, inclusion or exclusion of invisible items, etc. From another standpoint, even the methods of registering operations and the accounting procedures used vary so greatly that there are occasions when on one and the same date substantial discrepancies appear between the balance situation as recorded by one of the contracting parties and as shown on the books of the other.

(c) *Lack of co-ordination among accounts*

Furthermore, the lack of a tradition of close collaboration among the Latin American countries, with respect to the practical manifestations of trade policy at the inter-Latin-American level, is reflected in each account's absolute isolation from the rest. Apart from the wide range of criteria and methods by which the mechanisms of the accounts are determined, no source of information has as yet been organized from which periodical indications of the over-all situation in the bilateral balances can be obtained. Neither do the relevant agreements contain clauses providing for trans-

fers between more than two countries, despite the constant accumulation of balances in certain bilateral channels. Private enterprise sometimes manages to unfreeze such balances by means of awkward combinations. Hence the system of watertight compartments which characterizes the present structure of the accounts is clearly not the most adequate to ensure any considerable broadening of the market which Latin America can offer to its intra-regional trade.

(d) *Co-ordination and transferability*

The search for solutions to these problems dates from several years back. In competent circles consideration has more than once been given to the idea of instituting a multilateral clearing system, which would inevitably be accompanied by some measure of liberalization of trade in goods and services. Although full background data—such as those relating to the balance of payments between one republic and another—have not hitherto been collected for a complete study of trade balances, some useful conclusions can be reached. If such an undertaking is to be successful, it must be embarked upon by gradual stages. The magnitude of the disequilibria recorded during the last decade or two by some republics in their inter-Latin-American trade is one of the factors whose persistence might prevent the machinery of the clearing system from running smoothly. However, grounds are not lacking for the belief that some of the most serious imbalances might be corrected by means of suitable commercial agreements and a trade expansion programme. In certain cases a prerequisite would be the establishment of realistic instead of over-valued export exchange rates. For these and other reasons —as was pointed out during the discussions held at ECLA's sixth session—in present circumstances it seems advisable for the time being to pursue aims less ambitious than the institution of what might properly be termed a clearing organization. To such an end—and this too was suggested at Bogotá—measures might be put into effect with a view to transcending gradually, in the course of a period of transition, the rigid bounds imposed by bilateralism as it exists at present. The steps to be taken would be directed towards the achievement of some degree of co-ordination in the system of clearing accounts, perhaps as a first move towards their future incorporation into an integrated payments régime covering the whole or a sector of Latin America. This phase would have to be supplemented by another giving more or less immediate priority—still as a means of approach to reforms of broader scope—to at least two complementary measures, i.e., (*a*) modification of the system of exchanging commodities within the clearing accounts on the basis of short-term agreements, delays in the renewal of which interrupt the continuity of trade; and (*b*) the establishment of a mechanism for the voluntary transfer of balances above given levels between more than two countries, with a view to effecting payments both within and outside the region.

(e) *Commercial relations between the clearing and multilateral trade sectors*

To complete this brief account of the most salient general features of the inter-Latin-American payments situation up to the third quarter of 1955, and of the suggestions mooted in competent circles as to possible solutions for some of the problems connected with trade based on clearing agreements, mention must be made of a significant fact. While clearing accounts represented a way out of the difficulty created by the shortage of convertible currencies in the reciprocal trade of the southern countries of Latin America, which by this means expanded remarkably in specific channels, trade with those Latin American countries where multilateral commercial practices were prevalent remained at very low levels. In fact, the figures for transactions between one sector and the other still account for less than 10 per cent of intra-regional trade as a whole. Although various agreements aimed at the intensification of such trade have been concluded, one of the gravest impediments seems to be constituted by the overpricing which is the usual rule in those republics where exchange control imposes over-valued export rates. Other obstacles originate in geographical factors, and also in the extra costs deriving from the lack of direct maritime transport services on certain routes, and the consequent need for trans-shipments. In such circumstances, operations aiming, for example, at the establishment of a reciprocally advantageous commodity trade in petroleum royalties on the one hand and cereals, fats, tinned foodstuffs and manufactured goods on the other, have failed to result in a more or less steady trade pattern between the one sector of South America and the other, despite the complementary nature of many of their natural resources.

(f) *The customs tariff and the clearing system*

An analysis of the significance of clearing accounts in inter-Latin-American trade would not be complete without an explanation of why they are used for purposes proper to the customs tariff.

In the first place, it should be recalled that repeated endeavours have been made to co-ordinate the economies of Latin American countries by means of tariff agreements, often signed and never subsequently ratified, with little or no practical success. Failure has sometimes been due to a certain vagueness in the wording of the commitments implied by such agreements, attributable to the fact that no clearly-defined programmes had been drawn up beforehand. Sometimes they were too ambitiously conceived to be consistent with the objective possibilities of the markets it was desired to unify or co-ordinate. In other instances, the repudiation and dispute of agreements already concluded has been allied to political considerations. Again, it was the broad scope of basic tariff treaties with countries in other regions, or the existence in such instruments of unconditional most-favoured-nation clauses containing no reservation on behalf of inter-Latin-American preferential treatment, that on other occasions prevented the agreements concerted from being put into force. The southern zone offers very clear cases in point. Moreover, the basic treaties mentioned above, and the national importance of the economic interests they involve, have some bearing upon a curious aspect of the region's trade, namely, the lack of agreements —in the case of certain countries—providing for the mutual application of the most-favoured-nation clause

as minimum treatment in the commodity trade concerned.

A distinction must be drawn within this general picture. Not all the Latin American countries have so little freedom to use the customs tariff for purposes of special inter-Latin-American agreements.[5] Broadly speaking, the limitations are most marked in those countries whose reciprocal trade is based on clearing accounts, although the two facts do not represent cause and effect. This situation is reflected in a very peculiar feature; the trade agreements concluded in the southern zone of Latin America during the last fifteen years seldom take tariff agreements into account.

The disuse into which agreements of this kind have fallen is clearly not unrelated to the special features of the situation in Argentina, where the inefficacy of the customs tariff seems to have reached an extreme; in 1953 the duty paid by the importer represented on an average little more than 4 per cent of the value of the goods on which it was imposed.[6] Contractual limitations, which leave Argentina scant liberty to use the tariff as an instrument for import selection and for the encouragement of its inter-Latin-American trade, have probably also helped to determine the line of conduct almost universally followed by the southern countries, that is, the conclusion of treaties designed to regulate and expand reciprocal trade without recourse to tariff agreements. Moreover, this explains the interest, plainly observable in the course of the ECLA survey, felt in various Latin American capitals as to the possible attitude of Argentina towards the General Agreement on Tariffs and Trade (GATT). Patently the factors influencing the decision whether to accede to this instrument or not differ from one country to another and relate both to trade policy proper and to programmes for expanding domestic production of articles similar to those negotiated under the terms of customs agreements. As regards the latter, when a country is a member of GATT, its application of the prohibitions or quantitative restrictions that it deems needful for the protection of a given line of domestic production is subject to certain conditions and consultations. If, after weighing these factors, Argentina were to decide to joint GATT, and the result, as in the case of other republics, were a strengthening of the country's capacity for tariff negotiation, much more use might be made of the customs tariff in future as an instrument of trade policy within Latin America. The role of the clearing system would then become less important. Opinions such as these were expressed to the members of the ECLA group in various countries.

Yet another aspect must be considered. The adoption of exchange measures or of means deriving from quantitative controls in order to channel or expand inter-Latin-American trade is subject to certain limitations in the case of countries that are members of GATT or of the International Monetary Fund. Under the regulations of both these organizations, quantitative restrictions may be applied, on certain conditions, if they can be justified on the grounds that they will help to stabilize the balance of payments.[7] In countries that show a deficit in their external accounts, measures of this kind have at the same time served other ends, such as the protection of domestic industry against competition from alternative products of foreign origin, as well as the safeguarding and expansion of inter-Latin-American trade. The support given to the latter by such means—subject to the balance-of-payments situation—would therefore be gradually weakened in proportion to the progressive improvement in the capacity for external payment.

2. Recent exchange reforms and inter-Latin-American trade on clearing accounts

(a) *Revision of monetary and exchange policies*

Since September 1955, when ECLA's sixth session came to an end, interesting developments have taken place in the monetary and exchange policies of certain Latin American countries. Broadly speaking, these events reflect current trends towards economic liberalization and are also the outcome of a more resolute attitude to inflation on the part of individual countries.

As far as the exchange system is concerned, the new situations arise from reforms of varying scope, but they are in essence dictated by the same purpose of establishing more realistic exchange rates, which can be rapidly adjusted to the evolution of the structure of prices at the domestic level. These measures have meant the modification or discarding of former systems based on exchange rates which were, as a rule, strikingly over-valued and were separated from reality by a gap that widened almost as fast as inflation grew.

Another element shared in common by some of the exchange reforms is the abolition or reduction of multiple exchange rates, which had attained considerable variety. This régime had fostered the increase of administrative machinery for dealing individually with innumerable private applications for export and import permits, on the basis of procedures in which the decision often did not depend solely on factors of a strictly economic nature.

Furthermore, the guiding principle in the establishment of export exchange rates was usually related to the production costs of the goods exported. Lower rates were assigned to export commodities in whose case productivity was high or satisfactory, so that these were at a disadvantage in relation to the sector which registered heavier costs or could bring greater influence to bear on the modification of the exchange rates in force. Moreover, the higher rate of exchange allotted to certain exports increased the price of the foreign currency which the official exchange control organization bought from exporters. When this raised import exchange rates in general, the consequent upward movement in the price of foreign exchange also meant heavier production costs in the most productive activities, which had not reaped the benefit of the increase in the export exchange rate.

[5] The five Central American countries (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) are at present studying a draft multilateral treaty prepared with the technical co-operation of the ECLA secretariat.

[6] See *Study of Inter-Latin-American Trade*, chapter IV, section 1, point 1.

[7] See article XII of GATT and article XIV of the International Monetary Fund Agreement.

As a general rule, the exchange controls in force before the reforms were primarily aimed at restricting imports. But, for fear of the possible repercussions of an over-all modification of exchange rates on the cost of living and inflation, the rates were maintained at unrealistic levels. The inevitable consequence of such a system was the discouragement of exports, while imports felt the effects of the pressure arising from the artificial rates of exchange. As a corollary, stabilization of the balance of payments was sought through the application of severe quantitative controls. In essence, the régime maintained low exchange rates for imports, the volume of which was generally considerably below the country's requirements. It was by no means unusual in practice for profit margins intended to benefit the final consumer to remain in the hands of some of the intermediary sectors.

Furthermore, the magnitude of the private interests affected by the movements of exchange rates and the suspicions aroused by the struggle to obtain licences, were among the factors which helped to create a climate favourable to the suspension of the method in question. In some countries allusion was made to the "moral price" of the system, over and above its economic cost. It was obvious, too, how wearisome were felt to be the procedures involved in reaching a separate decision in each individual case. All this must have influenced the adoption of solutions which would afford greater competitive freedom to the import and export trades.

Certain countries, therefore, within the over-all programmes of their economic and monetary policy, proceeded to modify their exchange régimes, with the aim of unifying the multiple rates and establishing approximate parity between the internal and external purchasing power of the national currency. Argentina and Brazil, moreover, negotiated with European countries the institution of multilateral trade zones—the Paris and the Hague Clubs—in which use was made of European currencies reciprocally convertible on a parity basis.

The exchange reforms to be described below[8] created or aggravated certain difficulties for inter-Latin-American trade. Two circumstances constitute the focal points of these problems. First, the import licence system has to some extent lost its importance as a selective instrument for determining the source of imports, since the new régimes give the importer more freedom to make his purchases indiscriminately in various markets. Secondly, there are signs of a tendency, non-existent before the reforms, for buyers' decisions to depend mainly on considerations relating to price, quality and trademark prestige. Some deterioration is already observable in intra-regional exports of Latin American intermediate and manufactured goods for which productivity conditions are not as satisfactory as for those from other regions. Again, on some of the exchange markets resulting from the reforms introduced, quotations for the units of account utilized in inter-Latin American trade are lower than those registered for convertible foreign exchange, because of the non-transferability of these currencies and the want of arbitration mechanisms. Consequently, not even when productivity conditions match those prevailing for competing goods, can certain intra-regional export flows maintain the levels hitherto attained.

[8] See annex I.

(b) *Use of convertible foreign exchange*

In the context of the reforms, various circles are wondering whether it would not be preferable and feasible to use United States dollars or other transferable foreign exchange for the intra-regional trade payments at present effected through the fifteen clearing accounts which exist in Latin America (see table 1), and within which operations to the value of 432 million dollars in each direction were liquidated in 1955.

While the reforms were still being introduced, some countries thought of extending the new general principles to inter-Latin-American trade and discontinuing the practice of bilateral clearing agreements. But the studies carried out in each case by the local authorities promptly led to the conclusion—as the survey showed—that a measure of this kind might at the present time be prejudicial to intra-regional trade and would at best be premature. It is apparently felt that years of intergovernmental effort to consolidate trade relationships, based on the complementarity of certain natural resources and on the new requirements created by economic development, would be frustrated if the clearing accounts system were discarded, since this is not regarded strictly as an instrument of exchange restrictions in the region, but rather as an expedient employed in trade policy.

The situation is further influenced by other considerations. The tendency towards multilateralism in those Latin American countries which have put exchange reforms into effect bears little relation to any real improvement in their prospects of achieving convertibility. Methods of transacting foreign trade have been altered, but balance-of-payments equilibrium continues to depend on the imposition of import restrictions, which in some countries affect not only luxury and non-essential articles, but also capital goods.[9]

Despite the energetic nature of the selective and quantitative measures applied, there are several Latin American countries in whose current trade payments delays are frequently recorded. Moreover, they have to draw upon their reserves and resort to the credits stipulated in the payments agreements. Tension of this kind—most marked as a rule in relation with the dollar and other transferable currency areas—would probably increase if such exchange were utilized for those intra-regional trade payments which up to now have been defrayed in units of account. At all events, this is the inference to be deduced from the observations—made to the ECLA group during the survey—of which a summary follows below.

Besides securing the benefit of the reciprocal credits granted by the Central Banks concerned, amounting to an annual sum of about 85 million dollars in each direction, inter-Latin-American trade operations effected in units of account eliminate the necessity of daily recourse to United States dollars for the opening of credits and the payment of invisible items. If the

[9] At the time of drafting the present study, this situation exists in Argentina and Chile.

Table 1

LATIN AMERICA: PAYMENTS AGREEMENTS IN FORCE

Contracting parties	*Dates of entry into force and expiry*	*Monetary unit*	*Reciprocal credit (millions of dollars)*	*Liquidation of balances*
(1) Argentina-Bolivia	9. 9.54 24. 9.57	Dollar-unit of account	3[a]	Up to 18 months after the expiry of the agreement, in commodities. After that date, in United States dollars
(2) Argentina-Brazil[b]	25. 6.54 31.12.56	Dollar-unit of account	40[a c]	In commodities on expiry of the agreement, in two annual quotas. The remainder in United States dollars
(3) Argentina-Chile[b]	19. 2.54 31.12.58	Dollar-unit of account	15[a]	In commodities up to 18 months after the expiry of the agreement. The remainder in United States dollars
(4) Argentina-Ecuador[b]	22. 8.53 22. 9.56	Dollar-unit of account	2[a]	After one year, in commodities. The remainder in United States dollars
(5) Argentina-Paraguay	14. 8.53 14. 8.56	Dollar-unit of account	5[a]	After 6 months, in the form agreed upon by the two Governments
(6) Argentina-Uruguay	27. 8.48 5. 9.56	Dollar-unit of account	8.4[a d]	Within a term of three years, in United States dollars
(7) Bolivia-Brazil	24.12.53 23.12.56	Dollar-unit of account		
(8) Bolivia-Chile	10.11.55 10.11.56	Dollar-unit of account	0.5	After 9 months, in United States dollars
(9) Bolivia-Uruguay	29.11.55 29.11.56	Dollar-unit of account	0.5	In commodities, within one year after the expiry of the agreement. The remainder in United States dollars
(10) Brazil-Chile	19. 4.41 (no fixed date of expiry: 3 months' notice required)	Dollar-unit of account	3.2	In United States dollars
(11) Brazil-Uruguay	28.12.49 (no fixed date of expiry)	Dollar-unit of account	3[a d]	
(12) Chile-Ecuador	4. 8.49 (automatic annual renewal)	United States dollars	0.25	Every six months
(13) Colombia-Ecuador	1. 4.49 (automatic annual renewal)	Sucres and pesos	[a]	Every six months, in United States dollars
(14) Ecuador-Uruguay	4. 6.55 4. 6.58	Dollar-unit of account	0.2	Six months after the expiry of the agreement, in United States dollars
(15) Paraguay-Uruguay	10. 1.53 10. 1.57	Dollar-unit of account	4[d]	On expiry of the agreement, in United States dollars
TOTAL RECIPROCAL CREDITS			85.05	

Sources: Ministries of Foreign Affairs and Central Banks.
Note: The conclusion of a payments agreement between Brazil and Paraguay is under consideration.
[a] Establishes the observance of parity with the United States dollar.
[b] Contains the most-favoured-nation clause with respect to exchange rates.
[c] This credit is unlimited. The sum noted represents the maximum reached in October 1954. Interest (2 per cent) is payable on the balance only when this exceeds 15 million dollars; if it rises above 30 million, 2.5 per cent is payable on the excess.
[d] Interest is payable on the debit balance.

whole system were based on transferable foreign exchange, each country would have to set aside a proportion of its holdings in such currencies large enough to constitute its working capital in the intra-regional sector. As availabilities barely suffice to finance trade with other regions, this does not seem feasible, at any rate over the short term.

The problem is complicated by another element. It often happens that the magnitude of the disequilibria between the southern countries of Latin America is considerable. At present it is only on rare occasions, and after a certain lapse of time, that these imbalances give rise to disbursements of convertible currency. If the clearing accounts were discontinued and trade were conducted in hard currencies, balances would have to be settled immediately, to the detriment of the availabilities—small enough to begin with—which today are earmarked for trade with other regions.

In contrast, one of the countries visited was inclined to advocate the abolition of the present system. The feeling here is that trade in convertible foreign exchange would enable advantage to be taken of short-term private bank credit, which would in that case resume the role it had played in earlier periods. In so far as bank credit served to channel funds accruing from financial markets outside Latin America, it would facilitate the movement of goods and would help to ease the payments tensions described. There seems

to be no approximately exact idea of the potential aggregate volume of credits from this source.

These considerations apart, the survey made it clear that there is an almost universal consensus of opinion as to the inadvisability of utilizing the dollar or other transferable foreign exchange for intra-regional payments at the present time. This is felt more strongly in some countries than in others, in accordance with the special situation of each as regards the United States dollar and other transferable currencies. But, briefly, countries whose reciprocal trade is based on clearing accounts seem on the whole to favour the maintenance of the system.

In this connexion, the income and expenditure situation of selected countries with the sterling area, as indicated by statistics for 1955, is given by way of illustration (see table 2).

Table 2

LATIN AMERICA: INCOME AND EXPENDITURE OF SELECTED COUNTRIES IN POUNDS STERLING, 1955
(millions of pounds sterling)

	Argentina	*Brazil*	*Chile*	*Paraguay*	*Peru*	*Uruguay*
Income	*77.4*	*38.4*	*11.0*	*2.2*	*17.5*	*22.3*
Exports	72.1	28.8	11.0	1.6	12.7	10.3
Other heads	5.3	9.6	—	0.6	4.8	12.0[a]
Expenditure	*94.8*	*32.3*	*10.6*	*2.1*	*17.9*	*26.1*
Imports	79.3	11.0	9.7	1.5	11.7	25.0
Other heads	15.5[b]	21.3	0.9	0.6	6.2	1.1
Balances	—17.4	6.1	0.4	0.1	—0.4	3.8

Sources: For Argentina, Paraguay, Peru and Uruguay: Central Banks; for Brazil: Superintendencia da Moeda e Credito; for Chile: Consejo Nacional de Comercio Exterior.

Note: Bolivia's receipts in pounds sterling amounted to 11.7 million. Data on expenditure in this currency are not available.

[a] Including dollars converted into pounds sterling, to cover the disequilibrium in the latter currency, for an amount equivalent to 10.9 million pounds.

[b] Including transfers of pounds sterling against dollars.

As can be seen, the group formed by the seven southern countries of Latin America registers in the aggregate a substantial disequilibrium in its balance in pounds sterling, and it should be noted that some of these republics resorted to their dollar availabilities to cover the deficits. Attention may be drawn to certain individual cases which deserve comment.

Argentina. Intensive use has been made of the credit of up to 20 million pounds provided for in this country's agreement with the United Kingdom. A part was utilized to buy back the dollars with which Argentina had paid for purchases made in the sterling area, before the signing of the agreement. The current balance with this area shows the same unfavourable trend as can be observed in Argentina's aggregate foreign accounts.

Bolivia. This country's receipts in pounds sterling amounted to 11.7 million in 1955. Statistics of expenditure are not available. It should be borne in mind that Bolivia is included under the regulations of the "American accounts" sector, and that its income in pounds sterling can therefore in practice be computed in terms of dollars.

Brazil. A surplus is shown in Brazil's balance of payments with the sterling area. It must be taken into account that during the first eight months of 1955, until The Hague Club agreement came into force in August of that year, the supply of pounds in Brazil's exchange auctions was severely restricted, since receipts in this currency were primarily used for the settlement of trade debts.

Uruguay. As a considerable deficit was registered in its accounts with the sterling area, Uruguay allocated 30.6 million dollars to this external payments sector.

(c) *Possible accession to The Hague and Paris Clubs*

As an outcome of the exchange reforms, attention has also been given, in circles directly interested in the development of intra-regional trade, to the possibility and expediency of acceding to The Hague or Paris Club in order to incorporate inter-Latin-American trade payments into the operations of these organizations.

Clearly, faced with a decision of this nature, each country will have to work out its own attitude by evaluating, among other factors, the payments position itself (*a*) in the regional sector and (*b*) in relation to the European sector.

The problem does not appear simple. If further consideration is given to the cases of Argentina and Brazil, and the movement of trade values between these two countries is examined, the sharpness of the seasonal or short-term disequilibria is clearly evident. At the same time it can be seen that over three- to five-year periods there is a tendency for the aggregate values of reciprocal trade to be levelled up. In 1955, Brazil's deficit with Argentina stood at 30 million dollars. If Argentina had joined The Hague Club, Brazil would have settled this balance immediately and automatically, and availabilities for Brazilian payments in Europe would thus have been reduced by an equivalent sum—rather high in proportion to this country's

earnings within the Club (see table 3). Conversely an imbalance unfavourable to Argentina might attain considerable relative magnitude if wheat production were inadequate to cover the usual exports to Brazil. Here too the resulting curtailment of Argentina's availabilities in Europe would be severe.

Table 3

BRAZIL: TRADE WITH MEMBERS OF THE HAGUE CLUB AND THE SOUTHERN COUNTRIES OF LATIN AMERICA, 1955

(millions of dollars)

	Exports (f.o.b.)	*Imports (c.i.f.)*	*Balances*
Federal Republic of Germany....	104.4	88.0	16.4
Sterling area	77.3	17.7	59.6
Austria	6.0	5.9	0.1
Netherlands	4.4	34.0	8.4
Italy	47.5	48.7	— 1.2
Union of Belgium and Luxembourg	17.6	24.6	— 7.0
TOTAL WITH HAGUE CLUB	*295.2*	*218.9*	*76.3*
Argentina	99.8	151.9	—52.1
Bolivia	0.4	2.0	— 1.6
Chile	11.4	11.4	—
Paraguay	0.02	0.2	— 0.1
Peru	0.06	0.7	— 0.6
Uruguay	32.8	29.1	3.7
TOTAL WITH SOUTHERN COUNTRIES OF LATIN AMERICA	*114.5*	*195.3*	*—50.8*
TOTAL WITH THE WORLD	1,423.2	*1,306.8*	*116.4*

Source: Official statistics.

Another point that would have to be ascertained would be the reaction of the European countries if faced with the prospect of The Hague Club's being extended to include certain inter-Latin-American payments. The transfer of large sums—such as those involved in trade between Argentina and Brazil especially—might perhaps at a particular moment modify a given country's balance situation in relation to the European Payments Union. The impression gathered during conversations with European experts—also in connexion with the survey—coincided with the views expressed in competent Latin American circules. It seems that it would be premature to take immediate steps towards securing the collaboration of The Hague Club mechanism in the transfer of inter-Latin-American total balances, especially with respect to those of Brazil with Argentina and Uruguay, where the disequilibria are usually substantial.

This would not apply to balances in intra-regional channels where the absolute values of reciprocal trade are not so high and the disparities resulting from imbalances are intrinsically smaller. Trade between Argentina and Paraguay is a case in point. For this and other trade flows of similar volume, the machinery of the Clubs might possibly be set in motion immediately as far as the situation of the European countries is concerned. In this connexion, it should be noted that, in Paraguay, the ECLA group met with opinions supporting the adoption in trade with Argentina of payments formulae based on European foreign exchange of limited transferability.

From this point of view, some of the South American countries on the Pacific seaboard are in a different position. As their extra-regional trade is mainly channelled towards the United States, they would be unlikely to possess enough European foreign exchange for the settlement of negative balances in their inter-Latin-American trade.

The remarks made in connexion with the possibilities of resorting to The Hague Club mechanism as a means of transcending the rigid limits at present restricting transfers in intra-regional trade would be largely applicable to the prospects of utilizing the Paris Club for the same purpose. In this instance, however, a different feature is to be noted: the level of aggregate operations is higher (see table 4). Therefore, the relative importance of the inter-Latin-American balances which might conceivably be liquidated within this Club would be less than in the case of The Hague Club. At all events, the survey revealed a consensus of opinion to the effect that a solution of this kind would hardly be feasible unless a greater and more stable degree of equilibrium payments within the area were first secured. For this purpose more confidence is felt in the intra-regional arrangement to be described later,[10] which in any case would serve as an initial or transitional system, paving the way either for subsequent accession to the Clubs mentioned or for the application of other solutions.

Table 4

ARGENTINA: TRADE WITH CURRENCY AREAS OF WESTERN EUROPE AND WITH SOUTHERN COUNTRIES OF LATIN AMERICA, 1954

(millions of dollars)

	Exports (f.o.b.)	*Imports (c.i.f.)*	*Balances*
Sterling area	209.8	162.8	47.0
Western Europe (Continent)	365.2	232.8	132.4
TOTAL WITH CURRENCY AREAS OF WESTERN EUROPE	*575.0*	*395.6*	*179.4*
Brazil	89.0	120.0	—31.0
Others	83.8	58.8	25.0
TOTAL WITH SOUTHERN COUNTRIES OF LATIN AMERICA	*172.8*	*172.8*	*— 6.0*
TOTAL WITH THE WORLD	1,062.0	954.8	107.2

Source: Official trade statistics.

3. REPERCUSSION OF THE REFORMS

(a) *General effects*

In relation to the recent exchange reforms, something has already been said of the reasons why it seems advisable to maintain, at least for a time, some kind of system of payments on clearing accounts for specific sectors of intra-regional trade. In this context, in order to assemble background data from which to judge whether the existing bilateral system might still serve such an end or whether it would have to

[10] See "Official credits and balances", annex II.

be remodelled, the findings of the survey carried out in several Latin American countries must be analysed. Information and opinions were in fact collected in relation to the specific repercussions of the reforms as they affected trade liquidated through clearing accounts, as well as to the consideration of certain procedures which might immediately remedy some of the unfavourable consequences of the reforms, and of others, more far-reaching in their scope, which might build up trade on bases designed to promote its expansion.

Serious concern is clearly felt as to the limiting influence that may be exerted by the exchange reforms on the development of certain lines of intra-regional trade, if suitable measures are not adopted to counteract these effects. Within trade channels where values are liquidated on account, considerable changes in price levels are being recorded. Prices traditionally higher than quotations on the world market are giving way to others of a more or less competitive nature. In the last few months, trade in wheat, meat, pork fats and other foodstuffs, as well as in certain raw materials, has been displaying a trend towards the rapid elimination of overpricing.[11] For most of these articles, the adjustment is facilitated by the fact that they are produced mainly for the world market, and the degree of specialization attained is therefore satisfactory. On the other hand, the situation is different for intermediate and manufactured goods. Since these are produced by industries in which productivity is lower than in competing foreign activities, the new exchange treatment often fails to eliminate over-pricing. Moreover, under the previous system, dependent as it was on administrative mechanisms now virtually discarded or restricted in their use, regional trade in goods of this kind often took the form of barter arrangements. Hence exporters enjoyed the advantages not only of discriminatory treatment with respect to facilities or sole right of access to the buyers' market, but also of an exchange rate higher than that now established by the reforms.

Where inter-Latin-American exports of intermediate and manufactured goods are concerned, the principal doubt arises in connexion with the recently established freedom to purchase from any source those goods whose importation is authorized. In contrast to the situation before the reforms, the purchaser or consumer can now buy a given article at will either in Europe, in the United States or in another Latin American country.[12] Naturally, he chooses the market in which price and quality are most attractive. *Ceteris paribus*, he will probably decide in favour of the supplier whose prestige is greatest or whose contacts with his customers are most efficiently organized. Hence, as has become very apparent in recent months, purchases are tending to shift towards the great traditional markets.[13]

Hitherto, intra-regional trade had been conducted under the protection of agreements and of the import licence system, the result having sometimes been the establishment of what almost amounted to monopolies; witness the frequent cases in which import licences were granted for certain products from Latin American countries when similar imports from other sources were not authorized. The disappearance or weakening of the instruments which rendered this policy possible may be succeeded, as is thought in the countries visited during the survey, by a development somewhat similar to events in the early post-war period, when the renewal of trade with Europe led to a sharp drop in inter-Latin-American exports of manufactured goods, which had increased considerably during the war years. Although the technique of industrial production in Latin America has improved since then, it is feared that free competition on the regional markets may reduce the present volume of certain trade flows and hinder the expansion hoped for. The industrial sectors most seriously affected would of course be those whose installed capacity exceeds the requirements of the domestic market. Obstacles to the diversification of exports would also be created, since the only outlet for surpluses would be their sale on the Latin American markets.

In face of these prospects, two salient questions are being discussed in circles connected with inter-Latin-American trade: (*a*) whether it will or will not prove practicable to bring prices down to or closer to competitive levels, and (*b*) whether special incentives can or cannot be created with a view to replacing those instruments for the promotion of intra-regional trade

[11] A comparison between quotations for given inter-Latin-American exports before and after the exchange reforms reveals the following f.o.b. price differences per ton in agreement-dollars:

	1955	*1956*
Wheat	71.25	61.90
Wheat flour	101.80	88
Frozen meat	500	385
Pork fat	360	228
Coconut oil	1,000	400
Coal	13	11
Linen thread	5	3.2

In some cases, when the reforms annulled the joint effect upon prices of factors such as the over-valuation of the export exchange rate, the lack of monetary parity or the system of equalizing certain exports and imports, the new prices differed very greatly from those registered under the former régime. An extreme case in point, in terms of units of account, occurs in trade between Argentina and Peru. Frozen meat from Argentina was priced at 700 agreement-dollars per ton and cotton from Peru at 2,650. Later, in transactions between the two countries effected in 1956, meat was quoted at 381 agreement-dollars and cotton at 1,100.

[12] In November 1955, in order to absorb part of the credit balance registered in the clearing account through which its trade with Brazil is transacted, Chile authorized—over and above the margins indicated in the foreign exchange estimate for that year—imports from the former country of various kinds of machinery, electric motors, tools and tyres, to a value of 4.03 million units of account, and then granted import licences which represented practically the whole of this sum. Neverthless, soon after the promulgation of the reform, under the terms of which the same commodities could be freely imported from any source, so many holders of the licences in question applied for their annulment that the values involved totalled rather more than 50 per cent of the sum mentioned, according to statistics supplied by the Consejo Nacional de Comercio Exterior of Chile.

[13] When Chile began to apply the new exchange system, in April 1956, out of the aggregate operations authorized under the previous régime and at that date in the early stages of implementation, 61 per cent corresponded to imports from the United States. The import retainer deposits made during May and June show that in the two months subsequent to the reform the proportion of imports purchased from the United States rose to 75 per cent of the total.

which until recently were provided by the system of direct control of foreign trade.

As regards the first of these points, it is recognized that it is upon the internal expedients adopted by each country with the aim of exporting products of satisfactory quality at competitive prices that the maintenance of the regional market and, above all, the expansion of the sales flow concerned would largely depend. But a widespread feeling exists that it would be difficult to attain this end if units of account are negotiated at a price lower than that resulting from parity with convertible currencies. Even when the position as regards productivity is much the same, Latin American exports are unlikely to be able to compete on the regional market with similar goods from the dollar area or from others where parity with this area is maintained. Hence, the problem of parity[14] is highly important for the future of inter-Latin-American trade based on clearing accounts.

With respect to the second aspect of the problem, that is, the question of special measures for the maintenance and promotion of inter-Latin-American trade in intermediate and manufactured products, some authorized opinions advocate the adoption of such measures.[15]

(b) *Particular effects of the reform in Argentina*

The above general description of the main repercussions of the reform of the exchange systems on inter-Latin-American trade must be supplemented by a separate indication of certain particular effects of the measures adopted by Argentina. In practice these have resulted in the establishment of differential export prices. Argentina has two markets for the negotiation of the foreign exchange accruing from movements of goods and services, one official, with a fixed rate of 18 pesos to the dollar, and the other a free market in which dollar quotations are considerably higher.[16] When this system was introduced, no machinery was set up in the latter market for the negotiation of units of account, so that goods and services scheduled in the free market must in reality be sold at the official market rate when they are exported to areas with which a payments agreements is in force.[17] If Argentine exporters wish to obtain values in local currency equivalent to those of their sales to the dollar area there is only one course open to them; they must raise the price of the product proportionally in terms of agreement-dollars, so as to offset the fall in their receipts deriving from the exchange rate.

In practice this régime results in over-pricing of Argentine exports to treaty areas of commodities scheduled on the free market, such as manufactured goods of all kinds, and some intermediate industrial products, as well as pork meat and fats, fresh fruit and minerals. Two illustrative examples may usefully be given of the way in which it hampers the operation of Argentina's clearing agreements with Brazil and Paraguay. The reforms especially affected the Argentine-Brazilian trade in fresh fruit, the value of which amounted to more than 20 million dollars on each side and which virtually represented the barter of products similar in value and more or less equally essential. Exports of fruit were scheduled in Argentina in the free and imports in the official market. In the first case, the aim was apparently to encourage sales to convertible currency areas, and in the second, mainly to avoid further surcharges on the price paid by the Argentine consumer for bananas from Brazil.[18] The consequent increase in the price of fruit sold by Argentina to Brazil gave rise to great uncertainty in the evolution of this trade. At one time the auctioning of exchange for importing Argentine fruit was suspended in Brazil.[19]

It should be recalled that with respect to almost the whole of the transactions between Argentina and Brazil (not only the fruit trade), a similar problem has arisen in relation to freight tariffs. Most of the transport in both directions is undertaken by Argentine shipping, and in Buenos Aires the companies concerned convert the agreement-dollars received for their services at the 18-peso and not at the free rate, just as they do when they carry products to or from countries with which Argentina trades on the basis of convertible currencies. In terms of real value, the system means that freight tariffs are higher than they would be if the exchange accruing to Argentine shipping, within clearing-agreements sectors, could be sold in Buenos Aires on the free market, where other freights are scheduled.

The repercussions of Argentina's over-all measures on its trade with Paraguay were even more severe. In terms of foreign exchange, the prices of certain Paraguayan exports, such as lumber, and coconut oil, had to be reduced to adapt them to the new competitive conditions prevailing on the Argentine market. This was one of the objectives of Paraguay's exchange reform in March 1956. Again, timber, which constitutes the bulk of Argentina's imports of Paraguayan products, is scheduled in the official market, and Argentina credits the value to Paraguay on the appropriate payments account.

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[14] See annex II, 2, for a special analysis of this problem.

[15] See annex II, 11.

[16] About 67 per cent in August 1956.

[17] The sale on the official market of units of account corresponding to operations scheduled in the free market but effected with countries with which clearing agreements are in force, is authorized only in the case of countries "geographically adjacent" to Argentina. The term "geographically adjacent" was adopted by the Central Bank of Argentina to denote a new grouping, since the official interpretation of the expression "adjacent countries" had for many years and for a number of reasons included Peru and excluded Brazil. Provisions established by the Central Bank in October 1955 assigned trade payments between Peru and Argentina to the United States dollar area.

[18] Up to October 1955 the rate of exchange for Argentine imports of fruit from Brazil was 7.50 pesos to the dollar. It rose to 18 as from 28 October.

[19] In the first six months of 1956, Argentina's exports of fruit to Brazil amounted to only 1,277,000 crates, as against 2,234,000 during the same period in the preceding year. However, it should be noted that this contraction in sales to Brazil was offset by an increase in exports to transferable currency areas, especially the United States, the United Kingdom and Venezuela. According to recent statistics, Argentina's total exports in the first half of 1956 reached 4,066,000 crates (see *The Review of the River Plate*, Buenos Aires, 20 July 1956, page 41). In the first six months of 1955 they had totalled 3,538,000 crates.

On the other hand, Paraguay's purchases are mainly composed of manufactured goods and other products scheduled in Argentina's free market, exports of which have to be paid for with transferable foreign exchange. It thus comes about that Paraguay has not sufficient outlet for the units of account obtained from the sale of timber, and at the same time unregistered commodity trade between the two countries is increasing. Some manufactured goods which it is no longer easy to purchase through the clearing account are apparently being smuggled into Paraguay. The severe pressure observed in recent months on quotations for foreign currencies in Paraguay's free market is probably linked to this situation. As usually happens in such cases, the volume of contraband is proportionate to the difficulties hampering the conduct of trade proper.[20]

Chapter II

SEARCH FOR WAYS OF SOLVING CURRENT PROBLEMS

1. Exchange rates

(a) *Visible trade*

The exchange reforms have intensified a feature which for a long time past, and with only circumstantial or very slight variations, has been of frequent occurrence in inter-Latin-American trade. This is the lack of a pre-determined relationship, parity, between quotations for units of account and for transferable currencies. In practice this results in different exchange rates for imports or exports of one and the same commodity, according to its market of origin or of destination. A summary follows of the situation brought about by existing exchange régimes in the three countries whose intra-regional trade on account represents the highest values, i.e., Argentina, Brazil and Chile.[21]

Argentina. As regards imports, no problem is now created by differences in the price of exchange, since this is the same for goods from any source. The difficulty arises in connexion with exports, for which Argentina is paid in agreement-dollars, since real prices for these are far below quotations for the United States dollar and other transferable currencies. It is clear that up to a point these problems could be solved if the Central Bank of Argentina purchased the units of account accruing from free market exports at the prevailing free market rate. But the main reasons why this has hitherto been impossible are also clear. There would not be sufficient demand on the part of Argentine buyers for the units of account which would be accumulated through such purchases, since the imports scheduled on the free market—for instance, power generators, lorries, spare parts—are not as a rule traded intra-regionally. Consequently, perhaps the easiest way to tackle the problem successfully might prove, as was suggested in the survey, to be the remodelling of Argentina's schedules of free market products (both exports and imports) to include goods which would involve the negotiation of fairly well-balanced quantities of Latin American units of account. This would eliminate or reduce the risk of losses in local currency as a result of exchange differences. On the other hand, the retention of the present schedules of free market products would mean that Argentina was exposed to obvious risks. The difficulty in securing some degree of balance between sales and purchases of the corresponding units of account would be less, if the new schedules were drawn up not on bilateral bases alone, but with a view to trade with the several Latin American countries affected by the problem that it is desired to solve. Furthermore, if such schedules were effectively to promote trade, they would have to relate to products also incorporated in Argentina's free and not in its official market, in so far as its trade with other currency areas was concerned, or to articles of which imports from these areas were prohibited. From this standpoint, it should be noted that, in setting up the Paris Club, Argentina made reservations in favour of the special exchange measures it might later adopt in relation to its trade with adjacent countries.

However far-reaching were the effects of a solution of this type, they would not cover certain problems characterized by special features, like those already described in connexion with the exchange of fruit between Argentina and Brazil and with trade between Argentina and Paraguay.[22] In the former case, the difficulty arises from the fact that fruit is assigned to different schedules in Argentina's exchange markets, although in practice the system allows the vendor the official rate only when the product is exported to areas with which a clearing agreement is in force. If exported and imported fruit were included on the same schedule in Argentina's free market, prices would fall for the fruit purchased, and rise for that sold, by Brazil. But if the parties concerned desired to maintain the existing terms of trade for their fruit transactions, it would not be impossible, as was pointed out during the survey, to reach a special agreement on some such terms as the following: once all the fruit had been scheduled on Argentina's free market Brazil would not transfer to the consumer the value of the resulting rebate, but would use the sums thus obtained to subsidize its fruit exports to Argentina, so that their c.i.f. price would absorb the increase which the shift to the free market would otherwise imply for the Argentine consumer.

Another formula has also been discussed. This would consist in bringing fruit under the free trade régime in both countries, but excluding it from the present clearing system and from the usual exchange practices. To this end, accounts for exports and imports of fruit between the two countries would be kept by Argentina

[20] In June 1956, the Paraguayan authorities calculated that unregistered trade with Argentina, which before the latter's exchange reforms had represented an approximate daily sum of 350,000 Argentine pesos, currently amounted to as much as 1 million pesos a day.

[21] In 1955, trade between these three countries represented 74 per cent of total inter-Latin-American trade on account.

[22] See part 1 of the present report, chapter I, section 3 (*b*).

in Argentine pesos and by Brazil in cruzeiros. In both cases, conversions from one currency to the other would be calculated in relation to the United States dollar. Every three or six months the differences between exports and imports computed on each country's account could be liquidated between the two republics at the free market rate.

An examination must now be made of the maladjustments observable in the system of payments on clearing accounts in trade between Argentina and Paraguay. It has already been explained that this trade channel was more severely affected by the reform in Argentina than other sectors of inter-Latin-American commerce, since Paraguay's exports, especially where timber is concerned, mainly comprise articles scheduled on Argentina's official market, while its imports are made up of free market products. Consequently, Paraguay cannot pay for these latter with units of account accruing from its exports. The idea that such units of account might be converted into transferable currency at a rate of exchange midway between the official and the free rates, so that Argentina and Paraguay would each absorb part of the consequent discount, was considered not long ago in authorized circles in both countries, but did not meet with a favourable reception in Asunción. Nor did it seem easy, from another point of view, to reach a solution by classifying all Argentina's timber imports, whatever their origin, on the free market, because of the rise in prices that this would involve for Argentine consumers.

The suggestion was made during the survey that from Paraguay's point of view a possible expedient would be the utilization of some form of transferable foreign exchange, other than the United States dollar, for payments between the two countries, since it was felt in Asunción that, unless Argentina unified its official and free exchange rates, there was little prospect of a practicable formula being devised whereby resources accruing from Paraguayan exports scheduled on the official market could be used to buy free market products from Argentina.

It is of interest to note that in trade on account between Argentina and Bolivia a similar situation is beginning to take shape. The export possibilities of Bolivia's petroleum products now exceed the capacity of existent facilities for their transport to Argentine centres of consumption. Once this obstacle has been removed, as it will be when the oil-pipe between Campo Durán and Embarcación is completed, the real growth of such exports will give rise to an imbalance in the corresponding clearing account between Bolivia's availabilities of official market currency and the free market currency it requires for the purchase of manufactured goods and other commodities which Argentina exports only against transferable foreign exchange.

Brazil. Under this country's existing foreign trade system, differing exchange rates are in force. On the exports side, a 4.06 per cent discount is applied to the foreign exchange accruing from sales against non-transferable currency. Where imports are concerned, the difference arises from the regulations for the auctioning of foreign exchange in force since the end of 1953; in practice these determine varying prices, deriving in each case from the bidding procedure, for the foreign exchange allocated to importers. In Rio de Janeiro the survey showed this auction system to be flexible enough for it to be operated in such a way that the price of foreign exchange would be the same for more than one country in the region. To this end, it would in theory be necessary for at least two or more Latin American countries engaging in reciprocal trade with Brazil to reach an agreement with this latter on the establishment of a common exchange certificate for bidding purposes, and for the appropriate foreign exchange to be allocated through the auction system with a view to its indiscriminate use for payments to any of the contracting parties to the relevant agreement.

Chile. The treatment accorded to units of account under the Chilean exchange system, whether for exporting or importing, bears as a rule no predetermined relation to the price of transferable currency. The only exception is the Argentine-Chilean agreement-dollar, since the parties have agreed to maintain parity between this currency and the United States dollar. Otherwise, with few exceptions, quotations for units of account on Chile's bank market are invariably lower than those recorded for transferable currencies. The incentive that should be provided for imports from clearing account areas when the corresponding currency is undervalued in relation to the price of convertible foreign exchange has been little in evidence on the Chilean market during the last few months.[23] The growth of the balances in Chile's favour existing in certain bilateral channels is proportionate to the increasing interest shown by importers in purchasing from the large world markets, as a result of the freer régime established by the exchange reform in April 1956. The problem of the accumulation of balances and of the consequences for trade on clearing accounts is well illustrated in the case of the payments agreement between Argentina and Chile. On 31 July 1956 a real balance of 7.1 million dollars was registered in favour of Chile in the account in question. Furthermore, credits had been opened for Argentine importers to make purchases from Chile to a value of 14.5 million agreement-dollars. Credits for Chilean purchases from Argentina amounted to only 2.1 million.[24] The balance in Chile's favour thereby rises to 19.4 million dollars. As the reciprocal credit provided for in the agreement is only 15 million, Chilean exporters to Argentina are concerned lest their sales be reduced if the real balance attains or exceeds the credit margin, and the Central Bank's intervention in the market may therefore possibly be confined to the purchase of foreign exchange—at the parity price—only up to a sum equivalent to the credit in question. Competent opinion holds that handicaps of this kind might be eliminated if in such circumstances the creditor country could transfer to third parties that proportion of the balance which is in excess of the credit stipulated.

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[23] Many Chilean holders of exchange deriving from exports to treaty areas seem to have gradually liquidated it during the last few months, to avoid further depreciation.

[24] This sum does not include the value of purchases of wheat and meat for approximately 6 million dollars, already agreed upon, but for which the corresponding credits had not yet been opened.

Before closing these remarks on the problems created for Latin American trade by the lack of parity between units of account and transferable currencies, it is worthwhile to stress the three instances in which solutions would be facilitated if they could be put into practice by means of simultaneous agreement among several countries.

The first of these, linked to the peculiar conformation of Argentina's free market, concerns the drawing-up of schedules of the products to be negotiated on that market with a view to promoting relative equilibrium between the values of exports and imports. The ultimate adoption of this formula, which seems feasible on multilateral bases, could not be easily secured through isolated bilateral negotiation, since a prerequisite for its application would be the co-ordination of specific rulings in the exchange régimes of the various countries interested in finding a solution to the problem.

The second instance, inherent in the Brazilian system of auctioning foreign exchange for imports, is the establishment of a system whereby auctioned exchange could be used indiscriminately by the importer for purchases from more than one Latin American country.

On a broader plane, the third point relates to the introduction of a system of predetermined parities. Such an aim might be partly attained through bilateral agreements. But if these were concerted between only some of the countries that maintain clearing accounts and not between the majority, the resultant differences in the purchasing power of the agreement-dollar would hinder multilateral transfers of balances, which would in every case be subject to special negotiation as to the rate of exchange to be used.

(b) *Invisible and frontier trade*

Because of the new conditions set up by the existence of free markets for the sale of foreign exchange, most of the countries which conduct their reciprocal trade through clearing accounts display a wish to exclude invisible items, exempting them from controls in the shape of licences or selection of the currencies to be utilized. This would mean that operations on account would cover only the f.o.b. value of the commodities traded.[25]

2. Multilateral negotiations

For some months—and in certain cases for almost a year—the Latin American countries conducting their intra-regional trade on clearing accounts have been seeking devices whereby the functioning of this system can be reconciled with the new exchange régimes. Despite the interest displayed, at the date of completion of the present report no progress which can properly be termed substantial can as yet be observed. To overcome certain bilateral difficulties it is expected that some agreements will be concluded within a short space of time, but there is widespread scepticism in Latin America as to the value of the results that can be obtained through isolated bilateral negotiations alone. As was previously pointed out, such action—in relation, moreover, with the problems of the lack of parity—

[25] See annex II, (5).

Table 5

LATIN AMERICA: INTRA-REGIONAL TRADE TOTALS AND BALANCES, 1954 AND 1955
(f.o.b. values in millions of dollars)

Country	1954			1955		
	Exports to Latin America	*Imports from Latin America*	*Balances*	*Exports to Latin America*	*Imports from Latin America*	*Balances*
Argentina	186.8	197.8	— 11.0	195.7	211.4	— 15.
Bolivia	3.2	10.9	— 7.7	4.5	12.1	— 7.
Brazil	145.3	215.1	— 69.8	146.1	240.6	— 94.
Chile	59.8	100.9	— 41.1	61.1	91.9	— 30.
Paraguay	17.9	14.6	+ 3.3	17.0	16.3	+ 0.
Peru	46.1	20.8	+ 25.3	57.1	24.0	+ 33.
Uruguay	39.9	60.2	— 20.3	31.7	55.0	— 23.
Colombia	8.7	19.1	— 10.4	5.9	14.0	— 8.
Ecuador	12.7	4.8	+ 7.9	11.2	7.3	+ 3.
Venezuela	132.6	14.5	+118.1	160.3	14.3	+146.
Costa Rica	2.2	1.3	+ 0.9	2.4	3.3	— 0.
Cuba	13.1	15.2	— 2.1	12.0	20.4	— 8.
Dominican Republic	0.6	1.0	— 0.4	1.2	1.7	— 0.
El Salvador	2.4	6.5	— 4.1	3.8	7.0	— 3.
Guatemala	0.4	4.7	— 4.3	0.4	7.0	— 6.
Haiti	0.1	0.8	— 0.7	0.1	0.8	— 0.
Honduras	6.9	1.5	+ 5.4	8.5	2.7	+ 5.
Mexico	14.2	3.4	+ 10.8	14.2	2.5	+ 11.
Nicaragua	2.9	1.1	+ 1.8	3.4	0.9	+ 2.
Panama	0.9	2.5	— 1.6	0.6	4.0	— 3.
Total Latin America	*696.7*	*696.7*	*0*	*737.2*	*737.2*	*0.*

Source: Official foreign trade statistics.

Table

LATIN AMERICA: INTRA-REGIONAL

(F.o.b. export values

Exporter country \ Importer country	Argentina	Bolivia	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay
									1954
Argentina	×	2.7	96.7	0.6	51.5	0.1	11.6	15.2	2.4
Bolivia	1.3	×	0.9	...	1.0	...	...	...	...
Brazil	100.0	0.5	×	0.4	11.9	0.1	0.2	...	30.8
Chile	36.4	1.2	8.5	0.8	×	1.1	0.1	2.2	7.1
Colombia	1.6	...	...	×	0.1	0.5	...	0.9	0.4
Ecuador	1.6	...	...	7.8	2.1	×	0.1	0.1	0.3
Paraguay	14.7	...	...	...	...	...	×	...	3.2
Peru	6.0	4.8	0.6	3.0	26.2	2.3	...	×	1.7
Uruguay	...	0.5	34.3	1.4	0.2	...	2.6	0.3	×
Venezuela	36.2	...	72.5	1.6	0.8	...	...	0.4	13.3
Costa Rica	...	...	...	1.6	...	...	...	...	...
Cuba	...	...	...	0.8	6.7	...	...	0.3	0.6
Dominican Republic	...	...	...	...	...	...	...	...	0.3
El Salvador	...	...	...	...	...	0.1	...	0.1	...
Guatemala	...	...	...	...	...	...	...	...	...
Haiti	...	...	...	0.1	...	...	...	...	...
Honduras	...	...	...	...	...	...	...	...	...
Mexico	...	1.2	1.6	0.6	0.4	0.5	...	0.3	0.1
Nicaragua	...	...	...	0.1	...	...	...	1.0	...
Panama	...	...	...	0.3	...	0.1	...	...	...
TOTAL	197.8	10.9	215.1	19.1	100.9	4.8	14.6	20.8	60.2
									1955
Argentina	×	3.7	124.6	0.4	28.6	...	15.6	14.8	1.3
Bolivia	1.8	×	2.0	...	0.5	...	...	0.2	...
Brazil	99.8	0.4	×	0.1	11.4	0.9	...	0.1	32.8
Chile	44.6	1.0	8.5	0.4	×	0.9	...	2.9	0.6
Colombia	...	...	0.3	×	0.1	1.3	...	0.3	0.5
Ecuador	1.6	0.2	...	5.6	1.3	×	...	0.1	...
Paraguay	16.0	...	...	...	...	...	×	...	1.0
Peru	4.8	6.3	0.6	3.1	36.3	3.9	0.2	×	1.0
Uruguay	...	0.5	26.2	0.8	0.2	...	0.5	3.3	×
Venezuela	42.4	...	77.6	0.4	8.7	...	...	0.8	16.4
Costa Rica	...	...	...	1.4	...	...	...	...	...
Cuba	0.2	...	0.1	1.0	4.3	0.1	...	0.2	0.9
Dominican Republic	...	...	...	...	...	...	...	...	0.1
El Salvador	...	...	...	...	...	0.2	...	...	...
Guatemala	...	...	...	...	...	...	...	...	...
Haiti	...	...	...	0.1	...	...	...	...	...
Honduras	...	...	...	...	...	...	...	...	...
Mexico	0.2	...	0.7	0.3	0.5	...	...	0.1	...
Nicaragua	...	...	...	0.1	...	...	...	1.2	...
Panama	...	...	...	0.3	...	...	...	...	...
TOTAL	211.4	12.1	240.6	14.0	91.9	7.3	16.3	24.0	55.0

Source: Official foreign trade statistics.

would be simplified if in each case the agreements concerned were signed by more than two countries. This would permit a more rapid approach to multilateralism in inter-South-American trade. On this plane very clearly defined ideas exist, which are reinforced by the failure, up to now, of efforts to discover a bilateral solution for the problems created by the reforms. The necessary reconstruction of the system of payments agreements would be more practicable if it were founded on collective negotiations. The examples provided by the constitution of The Hague and Paris Clubs are also encouraging. But at the same time it is emphasized that the success of any attempt to build up inter-Latin-American trade on bases permitting the multilateral transferability of balances would call for previous co-ordination of the relevant clauses in the various bilateral agreements, and, as far as possible, the establishment of a standard type of agreement for payments on account.[26] In this con-

[26] As has been seen, The Hague Club is constituted by a number of bilateral agreements of identical wording.

6

TRADE TOTALS, 1954 AND 1955
in millions of dollars)

Venezuela	*Costa Rica*	*Cuba*	*El Salvador*	*Guatemala*	*Haiti*	*Honduras*	*Mexico*	*Nicaragua*	*Panama*	*Dominican Republic*	*Total Latin America*
4.3	...	0.8	...	...	...	...	0.7	...	0.2	...	186.8
...	...	...	...	...	...	...	...	...	...	...	3.2
0.4	...	0.9	...	...	...	...	0.1	...	...	...	145.3
0.5	0.1	0.8	0.3	0.1	...	...	0.5	...	0.1	...	59.8
3.8	0.3	0.2	...	...	0.1	...	0.1	...	0.7	...	8.7
0.3	...	0.1	...	...	...	...	...	...	0.3	...	12.7
...	...	...	...	...	...	...	...	...	...	...	17.9
1.0	0.2	0.1	...	...	...	...	0.1	...	0.1	...	46.1
0.2	...	0.3	...	...	...	...	0.1	...	...	...	39.9
×	0.1	6.4	0.5	0.2	...	...	...	...	0.2	0.4	132.6
...	×	0.1	0.3	...	0.2	...	...	...	...	...	2.2
2.4	...	×	0.1	...	...	0.3	1.7	...	0.1	0.1	13.1
0.3	...	...	...	...	...	...	...	...	...	×	0.6
...	0.1	...	×	0.6	0.1	0.7	...	0.6	0.1	...	2.4
...	...	...	0.4	×	...	...	...	...	...	...	0.4
...	...	...	...	...	×	...	...	...	...	...	0.1
0.5	0.1	1.3	3.5	1.4	...	×	0.1	...	...	...	6.9
0.4	0.3	3.9	0.3	2.4	0.4	0.5	×	0.5	0.3	0.5	14.2
...	...	0.3	1.1	...	...	...	...	×	0.4	...	2.9
0.4	0.1	...	...	...	...	...	...	...	×	...	0.9
14.5	1.3	15.2	6.5	4.7	0.8	1.5	3.4	1.1	2.5	1.0	696.7
4.9	0.6	...	...	...	...	...	0.9	...	0.3	...	195.7
...	...	...	...	...	...	...	...	...	...	...	4.5
0.4	...	0.1	...	...	...	...	0.1	...	...	...	146.1
0.3	0.1	1.1	0.2	...	...	...	0.2	...	0.3	...	61.1
1.9	0.4	0.2	...	...	...	...	0.1	...	0.4	...	5.9
0.1	1.0	0.1	0.5	0.2	...	...	...	0.1	0.4	...	11.2
...	...	...	...	...	...	...	...	...	...	...	17.0
0.6	...	0.1	...	...	...	...	...	...	0.1	0.1	57.1
0.2	...	...	...	...	...	...	...	...	...	...	31.7
×	0.1	11.1	0.2	0.5	0.2	...	...	0.2	0.8	0.9	160.3
0.1	×	0.1	0.1	0.1	0.2	...	...	...	0.4	...	2.4
2.4	0.1	×	0.1	0.1	0.1	0.4	1.2	0.1	0.4	0.3	12.0
0.7	...	0.2	...	0.1	...	0.1	...	...	...	×	1.2
0.2	0.2	...	×	0.8	0.1	1.9	...	0.3	0.1	...	3.8
...	...	...	0.4	×	...	...	...	...	...	...	0.4
...	...	...	...	...	×	...	...	...	...	...	0.1
1.2	0.3	1.9	4.1	0.7	...	×	...	...	0.3	...	8.5
0.6	0.3	5.0	0.6	4.5	0.2	0.3	×	0.2	0.3	0.4	14.2
0.6	0.1	0.5	0.7	...	...	...	...	×	0.2	...	3.4
0.1	0.1	...	0.1	...	...	...	...	...	×	...	0.6
14.3	3.3	20.4	7.0	7.0	0.8	2.7	2.5	0.9	4.0	1.7	737.2

nexion, annex II of the present study contains a brief summary of concrete ideas, gathered in responsible Latin American circles, as to the principal points that it would be useful to bear in mind in grappling with such a task. If the Latin American countries resolve to undertake it, the material in question would supply the information required for preparing a draft standard agreement and for facilitating certain aspects of the practice of multilateral negotiations. As the annex itself will show, the most important points are those relating to parity between units of account and transferable currencies, to the invisible trade and re-export system, to private credits and to the concerting of special measures for maintaining and expanding inter-Latin-American trade patterns.

3. Settlement of balances

An attempt to establish multilateral practices within the clearing account systems would meet with little or no success if the aggregate balances of these accounts

Table

LATIN AMERICA: INTRA-REGIONAL
(Millions

	Argentina	*Bolivia*	*Brazil*	*Colombia*	*Chile*	*Ecuador*	*Paraguay*	*Peru*
								1954
Argentina	×	— 1.4	+ 3.3	+ 1.0	—15.1	+ 1.5	+ 3.1	— 9.2
Bolivia	+ 1.4	×	— 0.4	...	+ 0.2	...	...	+ 4.8
Brazil	— 3.3	+ 0.4	×	— 0.4	— 3.4	— 0.1	— 0.2	+ 0.6
Chile	+15.1	— 0.2	+ 3.4	— 0.7	×	+ 1.0	— 1.0	+24.0
Colombia	— 1.0	...	+ 0.4	×	+ 0.7	+ 7.3	...	+ 2.1
Ecuador	— 1.5	...	+ 0.1	— 7.3	— 1.0	×	— 0.1	+ 2.2
Paraguay	— 3.1	...	+ 0.2	...	+ 0.1	+ 0.1	×	...
Peru	+ 9.2	— 4.8	— 0.6	— 2.1	—24.0	— 2.2	...	×
Uruguay	+ 2.4	— 0.5	— 3.5	— 1.0	+ 6.9	+ 0.3	+ 0.6	+ 1.4
Venezuela	—31.9	...	—72.1	+ 2.2	— 0.3	+ 0.3	...	+ 0.6
Costa Rica	...	...	...	— 1.3	+ 0.1	...	...	+ 0.2
Cuba	— 0.8	...	+ 0.9	— 0.6	— 5.9	+ 0.1	...	— 0.2
Dominican Republic	...	...	...	...	...	...	...	...
El Salvador	...	...	...	...	+ 0.3	— 0.1	...	— 0.1
Guatemala	...	...	...	...	+ 0.1	...	...	...
Haiti	...	...	...	...	...	...	...	...
Honduras	...	...	...	...	...	...	...	...
Mexico	+ 0.7	— 1.2	— 1.5	— 0.5	+ 0.1	— 0.5	...	— 0.2
Nicaragua	...	...	...	— 0.1	...	...	...	— 1.0
Panama	— 0.2	...	...	+ 0.4	+ 0.1	+ 0.2	...	+ 0.1
NET BALANCES	—11.0	— 7.7	—69.8	—10.4	—41.1	+ 7.9	+ 3.3	+25.3
								1955
Argentina	×	— 1.9	—24.8	— 0.4	+16.0	+ 1.6	+ 0.4	—10.0
Bolivia	— 1.9	×	— 1.6	...	+ 0.5	+ 0.2	...	+ 6.1
Brazil	+24.8	+ 1.6	×	+ 0.2	— 2.9	— 0.9	...	+ 0.5
Chile	—16.0	— 0.5	+ 2.9	— 0.3	×	+ 0.4	...	+33.4
Colombia	+ 0.4	...	— 0.2	×	+ 0.3	+ 4.3	...	+ 2.8
Ecuador	— 1.6	— 0.2	+ 0.9	— 4.3	— 0.4	×	...	+ 3.8
Paraguay	— 0.4	...	...	...	...	...	×	+ 0.2
Peru	+10.0	— 6.1	— 0.5	— 2.8	—33.4	— 3.8	— 0.2	×
Uruguay	+ 1.3	— 0.5	+ 6.6	+ 0.1	+ 0.4	...	+ 0.5	— 2.3
Venezuela	—37.5	...	—77.2	+ 1.5	— 8.4	+ 0.1	...	— 0.2
Costa Rica	+ 0.6	...	...	— 1.0	+ 0.1	+ 1.0	...	...
Cuba	— 0.2	...	...	— 0.8	— 3.2	...	...	— 0.1
Dominican Republic	...	...	...	...	...	...	...	+ 0.1
El Salvador	...	...	...	...	+ 0.2	+ 0.3	...	...
Guatemala	...	...	...	...	...	+ 0.2	...	...
Haiti	...	...	...	— 0.1	...	...	...	...
Honduras	...	...	...	...	...	...	...	...
Mexico	+ 0.7	...	— 0.6	— 0.2	— 0.3	...	...	— 0.1
Nicaragua	...	...	...	— 0.1	...	+ 0.1	...	— 1.2
Panama	+ 0.3	...	...	+ 0.1	+ 0.3	+ 0.4	...	+ 0.1
NET BALANCES	—15.7	— 7.6	—94.5	— 8.1	—30.8	+ 3.9	+ 0.7	+33.1

Source: Official foreign trade statistics.

did not offer a wide margin for reciprocal compensation, or, at least, prospects of securing it within a reasonable space of time. Latin America's position must therefore be examined from this point of view.

The theoretical possibilities for the settlement of intra-regional balances have already been investigated in the *Study of Inter-Latin-American Trade*,[27] in the light of statistics for the two decades ending in 1953—to which the figures for 1954 and 1955, shown in tables 5, 6 and 7, have now been added. In the most favourable years, that is, when there was least disequilibrium between bilateral export and import values according to official foreign trade statistics, the twenty Latin American countries had at their disposal a hypothetical margin for mutual compensation which did not represent as much as 80 per cent of inter-Latin-American trade. It should be remembered that in estimates of this kind, given the possibility of errors or defects in statistical valuations, allowance must be

[27] Chapter V.

7

TRADE BALANCES, 1954 AND 1955
of dollars)

Uruguay	*Venezuela*	*Costa Rica*	*Cuba*	*El Salvador*	*Guatemala*	*Haiti*	*Honduras*	*Mexico*	*Nicaragua*	*Panama*	*Dominican Republic*
— 2.4	+31.9	...	— 0.8	...	...	...	...	— 0.7	...	— 0.2	...
+ 0.5	...	...	...	...	...	...	...	+ 1.2	...	...	...
+ 3.5	+72.1	...	— 0.9	...	...	...	...	+ 1.5	...	...	...
— 6.9	+ 0.3	— 0.1	+ 5.9	— 0.3	— 0.1	...	...	— 0.1	...	— 0.1	...
+ 1.0	— 2.2	+ 1.3	+ 0.6	...	...	...	...	+ 0.5	+ 0.1	— 0.4	...
— 0.3	— 0.3	...	— 0.1	+ 0.1	...	...	...	+ 0.5	...	— 0.2	...
— 0.6	...	...	...	...	...	...	...	...	...	...	...
— 1.4	— 0.6	— 0.2	+ 0.2	+ 0.1	...	...	...	+ 0.2	+ 1.0	— 1.0	...
×	+13.1	...	+ 0.3	...	...	...	...	...	...	...	+ 0.3
—13.1	×	— 0.1	— 4.0	— 0.5	— 0.2	...	+ 0.5	+ 0.4	...	+ 0.2	— 0.1
...	+ 0.1	×	— 0.1	— 0.2	...	— 0.2	+ 0.1	+ 0.3	...	+ 0.1	...
— 0.3	+ 4.0	+ 0.1	×	— 0.1	...	...	+ 1.0	+ 2.2	+ 0.3	+ 0.1	+ 0.1
— 0.3	+ 0.1	...	+ 0.1	...	...	...	...	+ 0.5	...	...	×
...	+ 0.5	+ 0.2	+ 0.1	×	— 0.2	— 0.1	+ 2.8	+ 0.3	+ 0.5	— 0.1	...
...	+ 0.2	...	...	+ 0.2	×	...	+ 1.4	+ 2.4	...	...	...
...	...	+ 0.2	...	+ 0.1	...	×	...	+ 0.4	...	...	...
...	— 0.5	— 0.1	— 1.0	— 2.8	— 1.4	...	×	+ 0.4	...	...	...
...	— 0.4	— 0.3	— 2.2	— 0.3	— 2.4	— 0.4	— 0.4	×	— 0.5	— 0.3	— 0.5
...	...	...	— 0.3	— 0.5	...	...	...	+ 0.5	×	— 0.4	...
...	— 0.2	— 0.1	+ 0.1	+ 0.1	...	...	...	+ 0.3	+ 0.4	×	...
—20.3	+118.1	+ 0.9	— 2.1	— 4.1	— 4.3	— 0.7	+ 5.4	+10.8	+ 1.8	— 1.6	— 0.4
— 1.3	+37.5	— 0.6	+ 0.2	...	...	...	...	— 0.7	...	— 0.3	...
+ 0.5	...	...	...	...	...	...	...	...	...	...	...
— 6.6	+77.2	...	...	...	...	...	...	+ 0.6	...	...	...
— 0.4	+ 8.4	— 0.1	+ 3.2	— 0.2	...	...	...	+ 0.3	...	— 0.3	...
— 0.1	— 1.5	+ 1.0	+ 0.8	...	...	+ 0.1	...	+ 0.2	+ 0.1	— 0.1	...
...	— 0.1	— 1.0	...	— 0.3	— 0.2	...	...	...	— 0.1	— 0.4	...
— 0.5	...	...	...	...	...	...	...	...	...	...	...
+ 2.3	+ 0.2	...	+ 0.1	...	...	...	...	+ 0.1	+ 1.2	— 0.1	— 0.1
×	+16.2	...	+ 0.9	...	...	...	...	...	...	...	+ 0.1
—16.2	×	...	— 8.7	...	— 0.5	— 0.2	+ 1.2	+ 0.6	+ 0.4	— 0.7	— 0.2
...	...	...	...	+ 0.1	— 0.1	— 0.2	+ 0.3	+ 0.3	+ 0.1	— 0.3	...
— 0.9	+ 8.7	...	×	— 0.1	— 0.1	— 0.1	+ 1.5	+ 3.8	+ 0.4	— 0.4	— 0.1
— 0.1	+ 0.2	...	+ 0.1	...	— 0.1	...	— 0.1	+ 0.4	...	...	×
...	...	— 0.1	+ 0.1	×	— 0.4	— 0.1	+ 2.2	+ 0.6	+ 0.4	...	...
...	+ 0.5	+ 0.1	+ 0.1	+ 0.4	×	...	+ 0.7	+ 4.5	...	...	+ 0.1
...	+ 0.2	+ 0.2	+ 0.1	+ 0.1	...	×	...	+ 0.2	...	...	...
...	— 1.2	— 0.3	— 1.5	— 2.2	— 0.7	...	×	+ 0.3	...	— 0.3	+ 0.1
...	— 0.6	— 0.3	— 3.8	— 0.6	— 4.5	— 0.2	— 0.3	×	— 0.2	— 0.3	— 0.4
...	— 0.4	— 0.1	— 0.4	— 0.4	...	...	...	+ 0.2	×	— 0.2	...
...	+ 0.7	+ 0.3	+ 0.4	...	...	...	+ 0.3	+ 0.3	+ 0.2	×	...
—23.3	+146.0	+ 0.9	— 8.4	— 3.2	— 6.6	— 0.7	+ 5.8	+11.7	+ 2.5	— 3.4	— 0.5

made for annual differences in each direction amounting to rather more than 10 per cent of effective commodity trade payments.

With this reservation, the situation may be viewed from the following two standpoints: (*a*) taking into account reciprocal trade statistics for the ten countries of South America, but excluding petroleum values, because of the special features characterizing payments for this product;[28] and (*b*) considering in particular the figures for the intra-regional trade on clearing accounts conducted by the eight republics employing this system, i.e., Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay and Uruguay.

In the first case—that of South America as a whole—an approximate idea of the situation can be formed from table 8, which reveals a certain trend towards extending the limits of possible compensation. Up to 1952 the maximum annual figure reached had been 76 per cent of the total value of the commodities traded. In 1954 and 1955 the proportion compensatable rose to about 90 per cent.

[28] *Ibid.*

Table 8

LATIN AMERICA: POSSIBILITIES FOR COMPENSATION IN INTER-SOUTH-AMERICAN TRADE[a]
(percentages)

	1934–38[b]	*1946–51*[b]	*1952*	*1953*	*1954*	*1955*
Bilaterally compensated	57	71	58	61	80	76
Multilaterally compensatable	17	7	18	10	9	14
Net non-compensatable balances ...	26	22	24	29	11	10
TOTAL TRADE	*100*	*100*	*100*	*100*	*100*	*100*
Total trade (millions of dollars) ..	*192*	*861*	*789*	*1,041*	*991*	*1,013*

Source: Official foreign trade statistics.
Note: This table, like tables 9 and 10, is based on the figures for visible foreign trade at f.o.b. export values. To extend the study of possibilities for compensation to invisible trade, it would first be necessary to assemble statistics—up to the present only fragmentary—based on balance-of-payments situations.
[a] Excluding petroleum products. Including the inter-South-American trade of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.
[b] Average.

An examination of table 9 will clarify the situation from the standpoint of the eight countries taking part in the system of inter-Latin-American trade on clearing accounts. Up to 1954, the peak figure for possible compensation had been attained during the period 1946-51, when it seems to have represented 84 per cent of trade in both directions. During 1954 and 1955 the proportion compensatable rose to 93 per cent. This means that, if in those two years the fifteen bilateral payments mechanisms existing in Latin America had had a common regional clearing-house at their disposal, a margin equivalent to 7 per cent of the value of the commodities traded would have had to be covered with foreign exchange from other sources or absorbed by reciprocal credits between the Central Banks concerned. In 1955 this 7 per cent meant about 60 million dollars in both directions. In the same year the Central Bank credits for which the payments agreements provided, also in both directions, reached as much as 170 million dollars (see again table 1).

Table 9

LATIN AMERICA: POSSIBILITIES FOR COMPENSATION IN THE INTER-LATIN-AMERICAN TRADE ON ACCOUNT OF EIGHT COUNTRIES[a]
(percentages)

	1934–38[b]	*1946–51*[b]	*1952*	*1953*	*1954*	*1955*
Bilaterally compensated	62	84	67	67	89	85
Multilaterally compensatable	15	4	6	6	4	8
Net non-compensatable balances	23	12	27	27	7	7
TOTAL TRADE	*100*	*100*	*100*	*100*	*100*	*100*
Total trade (millions of dollars)	*163*	*668*	*584*	*870*	*850*	*861*

Source: Official foreign trade statistics.
[a] Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay and Uruguay.
[b] Average.

The improvement in compensatory capacity recorded in 1954 and 1955 was weakened by the decline, slight thought it was, in the total trade values negotiated during those same years in units of account. In 1955 the decrease totalled 9 million dollars. In the same year the non-compensatable sum, which had been 233 million dollars in 1953, dropped to 62 million. Hence there seem to be signs of a relative increase in the proportion compensatable, though this is partly due to import controls.[29]

On the other hand, the tendency towards equilibrium noted in the last two years relates to a period too short for any conclusions to be drawn. But a development which has been manifesting itself in recent years may well be recalled here; countries which are traditionally importers of foodstuffs, and which often show a deficit in their accounts with Latin America, increased their capacity to reduce their unfavourable balances by expanding their exports to the supplier country. This was true of Brazil and Chile with respect to Argentina, and the same thing is beginning to happen in Bolivia in relation to the other three countries.

As Argentina, Brazil and Chile play the chief role in intra-regional trade based on payments agreements, the situation of each of these countries with respect to limits of compensatability may usefully be defined (see table 10). It should be recalled that the movement of trade among these three nations represents three-quarters of total inter-Latin-American trade on account. Hence, their reciprocal position exerts a decisive influence on the level and evolution of the possibilities for compensation within such trade.

[29] In practice the result might be slightly different, because of the usual margin of error in annual foreign trade statistics.

Table 10

LATIN AMERICA : LIMIT OF COMPENSATABILITY IN TRADE AMONG ARGENTINA, BRAZIL AND CHILE
(percentages)

	1934–38[a]	*1946–51*[a]	*1952*	*1953*	*1954*	*1955*
Bilaterally compensated	64	93	65	69	93	86
Triangularly compensatable	1	3	1	2	1	7
Net non-compensatable balances	35	4	34	29	6	7
TOTAL TRADE	*100*	*100*	*100*	*100*	*100*	*100*
Total trade (millions of dollars)	*102*	*500*	*434*	*723*	*610*	*635*

Source: Official foreign trade statistics.
[a] Average.

In 1954 and 1955 the proportion of the reciprocal trade of Argentina, Brazil and Chile susceptible of bilateral or triangular compensation was practically the same as that recorded for the fifteen inter-Latin-American clearing account mechanisms as a whole during the same years—about 93 per cent. The remainder could be covered either with exchange from other sources or by the granting of credits. It was this latter that took place among the three countries mentioned. Moreover, it is important to emphasize that for six years now their reciprocal trade has involved no disbursements in convertible currency for the settlement of balances. Consequently, from this point of view, there would have been no obstacle to a triangular agreement among the countries in question.

Stress must be laid on some of the points emerging from table 10. In 1952-53, the proportion of compensatable trade among Argentina, Brazil and Chile dropped to less than 70 per cent, mainly because of the fall in Argentina's exports of wheat in the former year. This decrease brought about a corresponding though smaller decline in Brazil's sales to Argentina. While wheat exports were resumed in the following year, the sale of Brazilian products to Argentina did not recover so quickly. Commodity trade movements in 1953 therefore left a substantial balance in favour of Argentina. In these years, as before, trade between Argentina and Brazil, despite the very sharp short-term fluctuations, revealed a trend towards equilibrium when periods of not less than three years are taken into account.

Much the same was true of Argentina's trade with Chile in 1954 and 1955, since the former country's 1954 credit balance switched over to Chile's favour in the following year. At the close of 1955, however, symptoms of a persistence of Argentina's deficit began to appear. Although they became serious in the first half of 1956, since at one time the balance on account, according to statistics, exceeded the credit provided for in the payments agreements, in August the heavy purchases which Chile was planning to make from Argentina gave grounds for anticipating a considerable reduction of this disequilibrium.

To return to the possibilities for the compensation of balances in the Latin American clearing accounts as a whole, attention must also be drawn to some developments favourable to the achievement of greater equilibrium at increasingly high levels, provided that no serious setbacks occur to affect the principal commodities traded. Such developments apparently mark the incorporation of new goods into the traditional trade flows. Iron ore and manganese from Brazil, as well as Chilean iron, will be imported to supply the new steel works at San Nicolas in Argentina, and Bolivia is beginning to export petroleum products to Argentina, Brazil and Chile. Mention may also be made, *inter alia,* of pulp and newsprint, which in a short time, thanks to the development of this industry in Chile, will be sold to Argentina, and of the steel plate surplus that will result from the forthcoming installation of a second blast furnace by the Compañia de Acero del Pacífico in Chile. All these would be exports from countries that usually have deficit balances with the region, and in some cases might bring about a reversal of traditional balance positions. Apart from this—as has already been pointed out elsewhere[30]—trade in manufactured goods could undoubtedly make an important contribution to the stabilization of balances, if existing obstacles in the sphere of payments and trade policy were successfully removed.

4. CONCLUSIONS

The conclusions to be deduced from the foregoing considerations will now be reviewed.

1. The new conditions created by recent exchange reforms in some of the Latin American countries have considerably reduced the efficacy of the clearing accounts system as an instrument of trade policy. But as at the moment it does not seem that the purpose of safeguarding and expanding intra-regional trade for which this system is used can be equally well served by the customs tariff in Latin America, the intention is to retain it—at least for a time—but to remodel the structure of the accounts.

2. The simultaneous negotiation of agreements by more than two countries would seem to be the most suitable means of reconciling trade and payments agreements with the trends towards the adoption of multilateral trade practices that are now becoming apparent.

3. Certain specific difficulties in trade on clearing accounts for which the reforms are responsible have not yet been successfully overcome by means of isolated bilateral agreements. In view of the nature of these

[30] See *Study of Inter-Latin-American Trade,* op. cit., chapter III.

problems—as in the case of the reconciliation of the clearing accounts with multilateral trends—it would seem that their solution would be less difficult if it were attempted through collective negotiations among the group of countries affected.

The matters which could be satisfactorily dealt with only if they were jointly considered by several countries include some of such importance as the setting-up of machinery on the exchange markets for the negotiation—on bases of some degree of equilibrium between supply and demand—of inter-Latin-American units of account at parities which will not discourage exports. Stress must also be laid, in connexion with multilateral agreements, on the question of the exclusion of invisible items from the clearing accounts system, as well as on the adoption of uniform rulings as to re-exports.

4. The evolution of the balances in inter-Latin-American trade on clearing accounts during the last few years shows trends which, if stimulated by the reciprocal co-ordination of national trade policies, would create conditions favourable to the progressive extension of multilateral practices in intra-regional trade. In this context it must be emphasized that the non-compensatable annual balances in the trade on account conducted by eight countries have in the last two years only represented about one-third of the aggregate credits granted by the appropriate Central Banks for such trade operations in each financial year. Again, among three countries whose trade on account covers 75 per cent of total trade of this type in Latin America, no disbursements in transferable currencies for the settlement of balances have been registered since 1950.

5. The conclusion of multilateral agreements designed to impart some degree of transferability to inter-Latin-American units of account, in order to encourage the expansion of the market which the region can offer to its own countries' trade, does not seem impossible in present circumstances given the adoption of a trade and payments policy designed to stabilize balances at increasingly higher levels.

ANNEXES

I. New international exchange rulings

1. *Argentina*

When the reform was decreed in October 1955, the Government declared that the "unifying of official market rates and the creation of the free market should be regarded as a transitional phase preparing the way for the establishment of a single exchange market, where one conversion value only will be assigned to the national currency, and foreign transactions will not be subject to the issue of licences, certificates or other restrictive expedients".[31]

Before the reform there were two exchange markets operating in Argentina. One of these was official, with rates of 5, 7.50 and 13.98 Argentine pesos to the dollar, plus the several variants due to the existence of the regulation that proportions of the exchange accruing from certain exports should be liquidated at different rates; for example, 50 per cent had to be negotiated at 5 and 50 per cent at 7.50 pesos to the dollar, giving an average rate of 6.25. In addition there was the so-called "free" market, which was not so in reality, as the operations for which it was used—specific exports and imports of a marginal nature, freight payments and other invisible items—were transacted at the fixed rate of 13.98 pesos to the dollar.

Under the reform two markets were set up, one official and one free. The former was subject to the fixed rate of 18 pesos to the dollar, intended for the liquidation of foreign exchange corresponding to exports and imports of those goods whose economic significance for the country is greatest, and to official services, a licence being required for every operation. At the same time, to simplify the method of controlling exports on the official market, a system of official base values was instituted. Its purpose is to determine the minimum value in foreign currency which the exporter must negotiate at the rate of 18 pesos to the dollar. This aspect of the régime has a special feature designed to promote sales to convertible currency areas; exports on the basis of units of account are subject to a surcharge of up to 4 per cent on the official base value in force. Furthermore, in pursuit of what was already traditional Argentine exchange control policy, the reform reaffirmed the regulations under which freight charges on official market imports from countries with which an agreement is extant, i.e., those with which Argentina conducts trade on clearing accounts, can be defrayed only in the currency used to pay for the commodity purchased.

On the new free market transactions can be negotiated without licences, at the rate resulting from the inter-action of supply and demand—about 30 pesos to the dollar in August 1956—provided that such operations, whether relating to visible or invisible trade, are not among those scheduled on the official market.[32] But a feature of the free market bound to hamper certain sectors of inter-Latin-American trade is that units of account are not negotiated; transactions are confined to actual national currencies susceptible of reciprocal arbitration.

Such a procedure means in effect that the clearing accounts in force between Argentina and other countries are restricted to official market operations. Although there are no administrative difficulties to prevent Argentine exporters from accepting units of account in payment for products scheduled on the free market, when this occurs the Buenos Aires price which they receive for each agreement-dollar is only that of the official market (18 pesos), not that of the free market, which is much higher.[33] In the case of imports scheduled on the free market and purchased from countries with which an agreement is in force, the Argentine importer is not at liberty to cover their value in units of account. For this purpose he must buy foreign exchange negotiable on the free market. Hence sales of free market commodities effected against units of account are much less lucrative for the exporter than those to transferable currency areas, unless a surcharge is imposed on the foreign purchaser, who thus bears the burden of the difference. On the other hand, imports of free market products from countries with which an agreement has been concluded, in terms of the exchange rate, imply for the Argentine purchaser a disbursement equivalent to that required for a similar purchase from convertible currency areas.

There are other aspects of the reform in Argentina. Under its new policy, Argentina concluded an agreement (the Paris Club) with countries members of the European Payments

[31] Press release issued by the Ministry of Finance of the Republic of Argentina, 28 October 1955.

[32] To protect domestic industry, a surtax of 20 or 40 pesos to the dollar is in force for imports of spare parts, which are scheduled on the free market.

[33] On 18 July 1956, the Central Bank of Argentina authorized arbitrage between units of account with adjacent countries and transferable foreign exchange for the negotiation of differences in the official base values, at the rate fixed by the Bank itself. Thus the parity problem was eliminated as far as such differences were concerned.

Union, so as to set up a multilateral trade system, which came into force on 2 July 1956. Contracting parties to this agreement were Austria, Denmark, the Economic Union of Belgium and Luxembourg, France, Italy, Netherlands, Norway, Sweden, Switzerland and the United Kingdom. Once certain pending questions relating to trade debts have been settled, it is hoped that Germany will also participate in this régime.

The area of the Club is one of limited transferability. Within it, payments between Argentina and the other members can be effected in the currency of any of the European contracting parties, whatever the market of origin or destination of the commodities traded.[34] Moreover, Argentina's balances in the currencies of the other contracting parties are reciprocally transferable in the arbitrage markets of any of the European countries mentioned. Arbitration of foreign exchange corresponding to balances resulting from operations on Argentina's official market is effected through its Central Bank. The currencies used in free market operations can be arbitrated among themselves directly by the Argentine commercial banks.

This system represents the repudiation of the strictly bilateral agreements which were in force between Argentina and each of the member countries of the new multilateral zone. Where imports are concerned, as the system excludes any kind of discrimination as to prices or rates of exchange, it will be the Argentine purchaser who will select, on competitive bases of price and quality, the market from which he buys. This means that exchange control has ceased to be a means of channelling trade towards one or other of the European contracting parties. In turn, Argentina's products will circulate freely among the other members of the Club, which are not entitled to adopt exchange measures that will alter parities between their currencies when this implies modification of the structure of prices of Argentine goods. Exports to the territory of contracting parties of the Paris Club of any product which is sold to other areas by a member country of the Club cannot be prohibited. Lastly, it should be noted that in principle the granting of reciprocal credits between Argentina and the European participants is not envisaged. Apparently it is anticipated that the operation of so wide an area of limited transferability will facilitate the intervention of private banking institutions in the role proper to them. This would at least partly counteract the effects of the abolition of the inter-Central-Bank credit system, which formerly played an important part in relations between Argentina and Europe.

2. *Bolivia*

There has been no extensive reform of this country's exchange régime, but in April 1956 some fairly important measures were adopted to simplify the import system. Certain variable duties on foreign goods existed in Bolivia under the title of "reversionaries". These were determined, after the goods had become Bolivian property, by local authorities in the consumer centres. Rates were not fixed, but were established in each case in accordance with the real sale price paid for the article concerned by the public. The measures mentioned above replaced such duties by the so-called "c.i.f. surcharge". The scale of this duty, which is highest for the least essential goods, rises to as much as 2,000 per cent of the c.i.f. value of imports, for which the official basic rate of 191.90 bolivianos to the dollar is still maintained.

In addition, an official market still exists in Bolivia with different rates for the liquidation of exchange accruing from exports and its sale to importers. The rate at which the Central Bank purchases the foreign exchange obtained for exports from the large tin mines administered by the Corporación Minera is 1,200 bolivianos to the dollar. The rate assigned to exports from the medium and small mines, effected through the Banco Minero, is 1,500 bolivianos.

[34] See circular No. 2530, dated 29 June 1956, of the Central Bank of the Republic of Argentina.

Besides the official market there is also a free market for invisible trade operations.

3. *Brazil*

The trends towards multilateralism in this country's foreign trade assumed concrete shape with the establishment of The Hague Club in August 1955. This originally comprised agreements for the settlement of debts deriving from imports previously effected by Brazil. In order to facilitate the multilateral use of a certain number of European currencies, The Hague Club is based on a common statute, which takes the form of a group of identically-worded bilateral agreements concluded between Brazil and each of the other contracting parties, i.e., Austria, the Federal Republic of Germany, Italy, the Netherlands (including Netherlands New Guinea), the United Kingdom and certain territories in the sterling area, plus the Economic Union of Belgium and Luxembourg, together with the Belgian Congo and the African territories of Ruanda-Urundi. Every European contracting party opens a credit account in Brazil's favour. Payments made by Brazil to the Club zone can be effected indiscriminately in any of the currencies stipulated in the relevant bilateral agreements: Austrian schillings, florins, Belgian francs, lire, marks and pounds sterling. For this purpose the authorized Brazilian banks open accounts in Europe and arbitrate the currencies in question. Furthermore, Brazilian exporters to countries in the Club zone are exempt from the 4.06 per cent discount in force in Brazil for the conversion into cruzeiros of foreign exchange accruing from sales against non-convertible currencies.

As regards imports, Brazil's general provisions had to be reconciled with The Hague Club system. The existing régime is of course based on the auctioning of foreign exchange to be utilized for payments in a specific country, the sum auctioned depending on current availabilities of the exchange concerned. For similar goods from different sources, the price of foreign exchange varies in every case. To prevent discrimination at the time of auction, the foreign exchange to be used for financing purchases from The Hague Club countries is now offered in a single group under the generic name of "dólares A.C.L." (limited-convertibility-area dollars). Once the exchange has been auctioned, the appropriate licences are issued in terms of some of the currencies mentioned above, according to the Brazilian importer's decision in each case. Purchases from Brazil made by the other contracting parties must be covered with the foreign exchange stipulated for such payments in the bilateral agreement concerned, that is, with the currency of the purchasing country or of any of the other European members of the Club.

From another point of view, the agreements on which the Club is based establish that its European members shall not adopt internal measures resulting in the abandonment of parity between their currencies and, consequently, in modifications of the structure of prices of Brazilian goods. Although these agreements do not prevent Brazil from utilizing the foreign exchange received from the other contracting parties for payments to the United States dollar area, on signing the instruments in question Brazil stated its intention of avoiding such transfers.

Shortly after the constitution of The Hague Club, and especially in the early months of 1956, the establishment of an integral exchange reform seemed to be imminent in Brazil. Although it has not yet been put into effect, the intention to carry it out does not seem to have been relinquished. Only a partial measure has been adopted. Through an increase in existing bonuses for exports of certain industrial products, the rate of exchange assigned to some of these was raised to 67 cruzeiros to the dollar, instead of 56.06.[35]

[35] Instruction 131 (19 June 1956) issued by the Superintendencia da Moneda e Crédito (SUMOC) raised the bonus in favour of certain exports, and improved the existing exchange rate for industrial products by 34 per cent.

4. *Chile*

The new exchange régime came into force in April 1956. It largely abolishes direct controls on foreign trade, replacing them by others of a more indirect nature deriving from monetary and fiscal policy. Before the reforms were adopted, measures were applied in relation to credit, the expansion of the money supply and the rate of readjustment of prices and wages. Next, the new exchange system froze excessively large resources in local currency by means of prior deposits on imports.[36]

All fixed exchange rates were annulled, as well as those resulting from the barter system, which up to that time had taken the form of equalizing, with official approval, the values of export and import operations, often on the basis of a subsidy in favour of exports at the expense of imports. The reform abolished this régime, and for both visible and invisible foreign trade operations instituted a free bank market, on which exchange is negotiated at the price determined by supply and demand.[37]

The available means of avoiding abrupt short-term variations in the price of foreign exchange derive from two factors. The first of these is the existence of an exchange control fund, amounting to 75 million dollars,[38] and the second and more important, the powers assigned to the Central Bank for this purpose under the reform. The Central Bank operates on the bank market as buyer and seller of the foreign exchange declared to be automatically convertible, i.e., United States dollars, pounds sterling and Swiss francs. It buys from the Government the exchange accruing from taxation of the large copper mining companies, and from these latter the exchange they sell in Chile to cover their production costs. As Chile's exchange earnings from copper represent a high proportion of total income from exports,[39] the intervention of the Bank in the exchange market is in effect a factor which exerts a decisive influence on the price of foreign exchange. The reason is clear. When demand exceeds supply in any commercial bank, this does not result in a rise in the price of foreign exchange if the bank concerned can purchase the difference from the Central Bank.

Chile's free market, unlike Argentina's, can also handle units of account, but when they are bought to pay for imports or invisible trade services they can be used only within the bilateral channel concerned. This is because the provisions on which the reform is based embody different regulations for the negotiation of exchange, according to whether it is convertible or not. Convertible foreign exchange, whatever its origin, can be purchased by the commercial banks, provided that the supply accumulated in each does not exceed proportions predetermined by the Central Bank. This exchange can only be sold to the public for purposes of covering the price of authorized imports or services. The commercial banks are at full liberty to arbitrate reciprocally convertible currencies. They can also translate non-convertible currencies—generally units of account—into convertible foreign exchange, but in practice it is difficult to carry out such operations because of the magnitude of the discount they would involve for the holder of the exchange in question. Furthermore, the system sets up no machinery for the arbitrage or transferability of units of account.

In these circumstances the price of such units will not necessarily correspond to the quotation in force on the same date for the negotiation of convertible currencies,[40] unless the Chilean authorities were to decide to intervene in the market with the aim of maintaining certain price levels for the units of account used in trade between Chile and those countries with which it had concluded some agreement on the reciprocal observance of parity.[41]

Another characteristic of the reform is the abolition of the direct instrument which Chile had been using to channel purchases of goods from abroad towards the market which balance-of-payments considerations rendered desirable. This instrument was the import licence. By eliminating the means of selection thus provided, the new rulings allow authorized commodities to be freely imported from any source whatever. Clearing agreements have thereby largely lost their capacity to direct trade flows into specific channels.

Besides the bank market, for operations which this does not cover (remittances of capital, profits, interest, tourist expenditure, etc.) there is a stock exchange or brokers' market, in which the rate is also that resulting from supply and demand.[42] Foreign exchange negotiated in this market can be used for payments proper to the bank market, when bought for this purpose by the commercial banks.

5. *Paraguay*

This country has radically altered its exchange system. Decrees issued in March 1956 unified the system of multiple rates, which ranged from 15 to 73.70 guaranies to the dollar, replacing them by a single quotation—60 guaranies to the dollar—on the official market.

This rate is in force for all exports and imports of essential goods, as well as for official transactions and for the payment of freight charges, insurance and commissions on essential commodities. To a second group of imports a temporary surcharge of 25 guaranies to the dollar is applied.

The Central Bank draws up a list of authorized imports; it then issues individual permits, taking into account the prices, quality and other conditions offered by the applicants, as well as existing availabilities of the various currencies. To give effect to the permits and to the opening of documentary credits, the importers make prior deposits in the proportion determined by the bank itself.[43]

The reform abolished the existing system of official base values for the negotiation of export exchange earnings. The whole of the value obtained by their sale must now be liquidated on the official market. On the other hand, the new system exempts the free market from controls, leaving it outside the sphere of intervention of the Central Bank. Payments unrelated to the official market, like movements of capital, are effected

[36] For purposes of the deposit, imports are classified in five categories, to which the following percentages of the Chilean port c.i.f. value are applied, converted into local currency on the basis of the most recent quotation registered for the foreign exchange to be used for payment: A—5 per cent; B—50 per cent; C—100 per cent; D—150 per cent; and E—200 per cent.

[37] Dollar quotations on the bank market fluctuate around 500 pesos, while before the reform the rate in force for the bulk of foreign trade was 300 pesos to the dollar.

[38] To establish the regulating fund, of which no use had been made up to the date of completion of the present report (beginning of August 1956), Chile negotiated credits for 35 million dollars with the International Monetary Fund, for 10 million with the United States Treasury and for 30 million with various United States private banks.

[39] The "Foreign Exchange Estimate" approved by the Consejo Nacional de Comercio Exterior on 16 February 1956 envisages a total export income of 389.8 million dollars for the year in question. Out of this sum, 218 million correspond to the legal costs of copper production and to the taxation established by Act No. 11828.

[40] While the United States dollar was quoted at 498 pesos on 1 August 1956, on the same day the following prices in Chilean pesos were registered for units of account: Chile-Brazil, 390; Chile-Argentina, 483; Chile-Spain, 430; Chile-France, 477.

[41] The Central Bank of Chile, by virtue of clause No. 24 in the Trade and Financial Agreement signed on 19 February 1954 between Argentina and Chile, intervenes in the market to maintain quotations for the unit of account concerned at a level close to that of the United States dollar.

[42] Dollar quotations on the stock exchange market are usually higher than the price on the bank market. On the same day —1 August 1956—when the latter stood at 498 pesos, the former was as much as 516 pesos.

[43] These deposits range from 30 to 70 per cent of the value of the imports concerned, according to the degree in which the goods are essential.

on the free market, where prices are determined by the interaction of supply and demand.

6. *Uruguay*

Uruguay also remodelled its exchange system at the beginning of August 1956, adopting a mixed régime of fixed and fluctuating rates. The reform established an official or controlled market for both United States dollars and units of account. On this market a certain proportion of the foreign exchange accruing from exports, varying according to the products,[44] will be negotiated at the rate of 1.519 Uruguayan pesos to the dollar. Exchange for the most essential imports will also be purchased on the official market, at a rate of 2.10 pesos to the dollar, whether the goods come from transferable currency areas or not. These imports are subject to the requisite of a prior deposit, the amount of which varies between 30 and 75 per cent of their value. A sworn declaration replaces the licence previously required.

Alongside the official market the free commercial market will function. In this exporters will sell, through a system of certificates[45] and at the price agreed upon with the purchaser, the freely negotiable proportion of any foreign exchange that they obtain from their sales abroad. Foreign exchange bought in this market can be used by the importer to pay for goods scheduled therein, subject on occasion to individual quotas established by the exchange authorities. A sworn declaration is also required, and a prior deposit must be made amounting to 30 per cent of the c.i.f. value of the product imported. In some cases the deposit is larger. As the units of account negotiated on the official free market can be utilized only for payments to the country concerned, it seems that in this market parities will probably not be officially maintained between the price of United States dollars and units of account.

Up to the present the schedules of export and import products to be included in each market have not yet been issued. However, the authorities have declared their intention of placing bans on less essential goods.

Apart from the two markets mentioned, the free financial market will continue to operate for transactions unconnected with foreign trade.

II. Inter-Latin-American trade and payments agreements. Points to be taken into account in negotiations

To complete this account of the findings of the ECLA survey carried out in various countries of the region on the characteristics of inter-Latin-American trade, its problems and their solutions, a summary follows of the replies given in competent circles to a questionnaire on possible bases for an organized system of trade and payments agreements. The opinions and suggestions gathered may be useful for the bilateral revision of the instruments in question, as well as for facilitating the application of the decisions which some countries may adopt to conclude certain multilateral agreements.

1. *Most-favoured-nation clause*

The idea that the special exchange treatments stipulated in bilateral agreements might be extended to other Latin American countries by the introduction of a most-favoured-nation clause into trade and payments agreements does not seem to be acceptable. It is thought, however, that this might be done on reciprocal bases, or in order to readjust clearing accounts on multilateral lines.

Although the most-favoured-nation clause was referred to in the survey in connexion not with tariffs but with the exchange and payments régime, some of the observations received may usefully be noted. As has been pointed out, among some Latin American countries there are no extant agreements establishing most-favoured-nation treatment for commodity trade. In some cases this situation arises between adjacent countries and, where it exists, products from the region itself are actually likely to receive more severe tariff treatment on certain frontiers than is applied to similar goods from extra-regional sources. There is, however, a want of reasonably exact data on the real importance of this fact for the inter-Latin-American trade flows. Hence attention was drawn in the survey to the usefulness of determining its significance through a study of the principal products affected by this situation. Such a study would have to be carried far enough to define what contractual margins are available for modifying the present state of affairs by means of fresh negotiations with suppliers of the same products in other regions. Furthermore, the suggestions collected seem to indicate that general aspirations towards the establishment of an inter-Latin-American minimum tariff treatment to facilitate the circulation of goods are hardly likely to gain much practical ground without a previous elucidation of the real bases of the problem from the economic and contractual points of view.

2. *Parities*

Should a constant relationship be established between units of account in intra-regional trade and the United States dollar? A brief outline of the replies received is given below.

(*a*) From a general standpoint, most opinions coincide as to the theoretical desirability of maintaining such a parity, although with the application of some sanction or discount because of the smaller extent of the area in which units of account can be used. Nevertheless, it is pointed out that to this end the corresponding trade would have to be conducted at competitive prices, since the observance of parity would not be justified if there were over-pricing of the commodities traded. In such an event the maintenance of parity might mean that the economy of the importing country absorbed the surcharge deriving from the exporter's lower productivity. Even were there over-pricing on both sides, to recognize parity between the unit of account and the dollar would imply the attribution to the former of a purchasing power greater than it really possesses. In this context there is a tendency, especially in countries which are attempting to extend the application of free market methods in their foreign trade, to recommend that units of account should seek their own level on the market. This of course largely depends, setting aside the effect of seasonal demand and supply, on the competitive capacity of the exports in question.

(*b*) Nevertheless, in view of the peculiar structure of inter-Latin-American trade, most experts recognize that its expansion may not be best promoted by the free negotiation of units of account. The fall in quotations for such units in the creditor country during periods when balances accumulate, in combination with the over-pricing of goods to which lower productivity often gives rise, is apt to interrupt the continuity of exports and to prevent specialization in the supply of certain markets. Although a decline of this nature should encourage imports and contribute to the restoration of equilibrium, various factors, including the seasonal nature of the movement of staple commodities in Latin America, slow up and often counteract its influence in this direction. Latin American trade offers many examples of the interruption of certain supply flows for this reason.

(*c*) The maintenance of parity with the United States dollar in the operation of the accounts safeguards the purchasing power of trade balances, a circumstance which may favourably affect the granting of higher and longer-term credits. On account of these and other considerations, and even though the result might be the application of a special régime to inter-

[44] Eleven categories of products were established, in accordance with the different proportions fixed for negotiation on the official and on the free commercial markets.

[45] Certificates can be utilized for imports effected by the exporter himself, or they can be sold to other importers. If this has not been done within eight days, they are bought by the Banco de la República Oriental del Uruguay at the price in force on the preceding day for the currency in question.

Latin-American trade, in the same countries which put forward the arguments summarized under point (*a*) some opinions were expressed in favour of the maintenance of a system of pre-determined parities in intra-regional trade, through the intervention in the market of the appropriate Central Bank, and on the basis of the acceptance of a margin of fluctuation, also agreed upon beforehand, in the price of the currencies used. Furthermore, as the effect of the recent exchange reforms in certain countries tends to do away with the practice of over-pricing, the importance of the objections which might on principle be raised to this position is weakened.

(*d*) It is useful to clarify the relationship that would exist between those clauses in trade treaties or payments agreements which establish parities and those which relate to the granting of reciprocal trade. Are these clauses interdependent? The answer is usually given in the affirmative. When the demand for imports is so small as to bring down the price of the unit of account, the contractual commitment to maintain it by Central Bank purchases should in any event cover a sum not less than that of the credit stipulated in the agreement.

3. *Inclusion or exclusion of certain highly essential products*

The regulations contained in the agreements are not uniform in their scope, since not all of them embrace the whole of the transactions conducted between the contracting parties. While in some of these instruments it is specified that all operations be included, others expressly exclude certain commodities from the clearing account, either because they are so essential that they can be sold on the open market or because, in addition, they are produced in consequence of special contracts with foreign enterprises. Lastly, in a number of agreements no attempt is made to define whether all the transactions between the parties are covered by the clearing account. Practical experience indicates that this omission exposes the trade concerned to the risk of interruption when one or other of the parties decides to exact payment for specific goods in dollar cash.

To facilitate the regular extension of the clearing system to goods of the kind described, it has more than once been suggested, and on some occasions agreed, that values on account shall be computed in two groups, one comprising first-category or essential goods and the other commodities of secondary importance. As far as possible, in the case of products in the first category, equally essential commodities to an equivalent value, quoted at world prices, would be delivered to the exporter country. In some countries it is thought that the device of dividing the accounts into two circuits of compensation would assist in the liquidation of final balances, as is already the case in certain channels.

It must be emphasized that the opinions gathered in the course of the survey, especially in those countries where there is an interest in purchasing from Latin American sources mining products generally quoted in the world market on a United-States-dollar basis, tend to advocate the inclusion of primary goods and their by-products in the agreements. It is pointed out that, as a rule, clearing-account balances in Latin America have been traditionally unfavourable for those countries which habitually need to import foodstuffs, and that such countries apparently find in mining products and by-products a means of stabilizing their balance of payments and increasing the volume of their trade. Trade between Argentina and Chile provides a good example.

In the countries that export mining products and their derivatives the views expressed on this point are cautious. Although it is admitted that the decision to include such products in the clearing accounts automatically strengthens their contractual capacity, these countries feel that if such a system is to prove acceptable there must be some possibility of obtaining equally essential products on reciprocal terms from the other contracting party, as in the case of the agreements of this kind already in existence. Stress is also laid on another aspect of the question, linked to a problem that is not always easy to solve. When goods of this same type are produced under special contracts with foreign enterprises, if the exporter country wishes to negotiate them through clearing accounts it must be willing to accept from the companies concerned the agreement-dollars received by these latter in payment for their exports, and to use them for covering in United States dollars the enterprises' liabilities to the State for production costs or taxation. If the agreement-dollars are not negotiated on the exchange market on a basis of parity with the United States dollar, the above procedure means that the State loses money. Hence it would seem that general rulings on this point cannot be introduced into the trade and payments agreements. For the same reasons, the most-favoured-nation exchange clause could not be extended to include an obligation to sell certain goods to third countries in Latin America itself against units of account, although the fact that sales are being thus effected under specific agreements with a given country might be adduced in favour of such a practice.

4. *Official base values*

In the sphere of foreign exchange, the so-called "official base values" procedure serves two important purposes in Latin America, i.e., (*a*) the regulation of the maximum sums per unit to be assigned for import licences, when the authorities see in this expedient a means of maintaining at a certain level the price paid by consumers for specific supplies, or of preventing exchange manoeuvres based on the alteration of commercial invoices;[46] (*b*) the determination of the minimum sum in foreign currency, also per unit, which the exporter must hand over to the appropriate Central Bank at a given rate of exchange.

As regards the first of these purposes, continued action on the basis of isolated national decisions is not felt to be desirable, since over and over again the maximum prices fixed by the buyer country for the sale of an imported commodity to the public have been lower than its real cost for the importer. When this is the case, the importer must either sacrifice quality or meet the difference by means of the free market. Sometimes the importer receives the difference through another channel; it is paid by those exporters in his own country that have effected sales within the same bilateral sector without finding a purchaser for the accruing foreign exchange. In order to sell this, they sacrifice part of its price in favour of the importer who buys it, so that he will thus be enabled to import goods which in the consumer country are subject to an official base value lower than the c.i.f. price. The distortion of trade through such procedures can be prevented by a system of prior consultation between the contracting parties on the establishment and modification of official base values.

The repercussions of the other use of the official base value —the fixing of the minimum sum which the exporter must liquidate at the pre-determined rate of exchange—have only recently made themselves felt. As has been shown, in order to increase sales against convertible currencies, some of the most recent exchange reforms allow that proportion of export exchange earnings which exceeds the official base value to be negotiated at the free market rate. Since the free market operates only with hard currencies, units of account cannot take advantage of this privilege, as there is no demand for them at

[46] Under the cloak of the system of multiple exchange rates, in some channels a surcharge is entered on the invoices, and the exporter in one country returns part of this extra sum to the importer in another, through the free market. In some cases, the importer receives, for every dollar bought in his own country's official market, the equivalent in local currency of almost double the price he paid for the dollar. In practice, such a curious "exchange profit" seems to be equally distributed between buyer and seller. With a view to eliminating incentives of this kind, some countries are considering the application of a system of official base values under which the Central Bank of the importer country would authorize the negotiation on its official market of only a part of the value of the invoice, so that the difference would have to be liquidated on the free market.

the free rate. To remedy the resulting situation, arbitrage machinery has been set up in Argentina to permit the extension of the benefit described to units of account with adjacent countries.[47]

5. *Exclusion of invisible items*

Is it considered advisable that clearing accounts include all visible and invisible items in movements of payments, or is it felt to be more useful for such accounts to be limited to the registration of items of visible trade on an f.o.b. basis, leaving the remainder to be liquidated through the free market?

On this point there was virtually a consensus of opinion, to the effect that invisible items should be excluded from the clearing accounts régime, and that the corresponding transfers should be authorized without licences or specification of the kind of currency in which payment must be made. This would be in line with current trends towards liberalization.

Two additional comments were made, however. These were as follows: (*a*) in some channels invisible items are larger than is commonly supposed, so that if they appear in the clearing account concerned they may at a given moment constitute factors of disequilibrium; and (*b*) any measure eliminating maritime freight charges from the accounts would have to be universally adopted by countries engaging in inter-Latin-American trade under the clearing system, not by some of them only, as otherwise the development of Latin America's shipping enterprises would be even more seriously handicapped than at present by the varying exchange treatment which different countries accord to the foreign exchange earmarked for or accruing from maritime transport. The validity of the first of these remarks can to some extent be measured by a study of table 11, which clearly shows the importance of the invisible items within total operations liquidated through clearing accounts in certain bilateral channels.

Table 11

ARGENTINA: OPERATIONS ON ACCOUNT WITH SELECTED COUNTRIES, 1955

Country	*Total movements on account (agreement-dollars)*	*Percentage of total trade represented by invisible items*
Bolivia	6.0	7.9
Brazil	248.0	12.2
Chile	89.0	10.1
Paraguay	37.5	15.5
Uruguay	4.0	45.9

Source: Banco Central de la República Argentina.

6. *Barter arrangements*

The value of those products, often more or less equally essential, which are traded, usually under short-term contracts, on a basis of quantitative barter arrangements, is liquidated as a rule through the clearing accounts. The survey indicated a clearly defined attitude to this subject which can be summed up as follows.

In the first place, it is not felt to be advisable that the remodelling of existing treaties should involve the discontinuance of the barter system, which is regarded as an instrument in the conclusion of agreements of a kind considered useful for the encouragement of given lines of production, since the availability of a buyer market among other Latin American countries provides them with an incentive. Practical experience bears witness to this in the case of agreements relating to certain cereals and to fresh and dried fruit. It is thought, however, that such arrangements ought to cover periods of at least three years, and that when the price adjustments are stipulated a procedure should be adopted for this purpose which need not interrupt the continuity of the trade flows concerned. This last remark recurred with particular frequency in sectors linked to the clearing-account trade in fresh fruit, the annual figures for which amount to more than 20 million dollars in each direction in the southern zone. Short-term agreements in this line of trade, and the interruptions of the trade flow caused by the interval between the expiry of the agreement in force and the application of the new one, are a source of anxiety for the producers concerned. In such conditions the farmer cannot plan his work on stable bases, nor can he accept the financial commitments involved in meeting disinfection and fertilization requirements.

In the industrial sectors of certain countries it is also thought that reciprocal agreements for trade in certain intermediate products and manufactured goods, though not the most desirable expedient from the standpoints of developing a regional market on competitive bases and of encouraging productivity, might sometimes be justifiable on the grounds that they stimulate trade.

Apart from these opinions in favour of limiting the barter system to specific cases, the majority of those consulted advocated trade based on the unrestricted circulation among the contracting parties of the products covered by the relevant agreement, especially when prices are competitive.

7. *Re-exports*

Trade and payments agreements reflect a variety of attitudes towards the possibility of re-exporting natural products of the countries concerned or intermediate products and manufactured goods obtained wholly or partly from imported raw material. Some instruments do not even mention re-exports. Most of them seem to imply disapproval of the practice, since they establish that the goods traded shall be exchanged only for the satisfaction of the domestic consumer or industrial requirements of the parties. Among the agreements in force, only one recognizes the possibility of re-exporting, inasmuch as it stipulates that applications to this effect shall not be granted without prior consultation. Some countries consider that, if the agreement in question says nothing of re-exports, the domestic consumption clause should be regarded as implicit. It must be noted that in practice, when the agreements do not contain specific provisions as to the ultimate destination of the goods negotiated, certain countries deem it legitimate to authorize re-exports provided that the applicant first pays the import duty, thus making the commodity in question national property. Again, the omission of the means of securing equilibrium which re-exports in some cases represent, since they facilitate the utilization of idle balances, fosters the clandestine transaction of certain triangular operations.

There is a widespread feeling that re-exports without previous consultation with the country of origin of the goods are incompatible with the system of trade on clearing accounts when this is carried on at non-competitive prices. Those who express such an opinion recall that exports for which over-pricing is authorized under the clearing accounts have frequently not been used for consumption in the country for which they were purchased, but have been diverted to transferable currency areas where they could be sold at low prices, through the non-observance of parity in the clearing accounts régime, and in some cases even in competition with the direct sales effected by the producer country itself. Consequently, unless proceedings are based on competitive prices and predetermined monetary parities, re-exports should in any case be subject to prior consultation, even when the goods have become the national property of the original buyer.

Other points of view were also put forward on this question. It is thought in some countries that re-exports are inadmissible in the case of goods sold by the producer country, whether or not at competitive prices, and re-exported by the

[47] See the circular issued by the Banco Central de la República Argentina on 18 July 1956.

first purchaser to areas where the country of origin habitually sells the same article. Again, in contrast with the opinions already stated, it was also emphasized in the survey that if a product is exported at soft currency prices—that is, with a surcharge—and is re-exported from the market of destination to a hard currency area, the operation is admissible, since profit will have accrued both to the producer country and to the first buyer, the former having received the surcharge and the latter convertible foreign exchange, provided that such re-exports do not compete with the producer country's direct sales against hard currencies.

Broadly speaking, despite the variety of opinions on the best way of controlling re-exports under the terms of the agreements, there is a general sense of the need for a system of prior consultation, with contractual pre-determination of the time limit for replies.

8. *Temporary exports and imports*

There are cases in Latin America of republics whose economies find it in their interest to contract for the transformation of domestic raw materials for their own consumption with other countries in the region itself. Problems of idle installed capacity also exist in relation to industrial equipment; so that better returns for the capital invested and lower prices for consumers would be ensured, if it were possible to arrange contracts for the transformation of raw material received from third countries. In the course of the survey various specific situations of this type were adduced to illustrate the advantages of taking them into due account in the system of agreements. According to the data collected, the flow of trade and services to which contracts of the above type might give rise is in practice obstructed by the lack of clauses exempting from the current payments mechanism those movements of goods which derive from such arrangements, and at the same time establishing a special financial system to cover the value of transformation. Attention was also called to the absence of regulations promoting the prompt circulation of matrices (industrial moulds) for the metallurgical, mechanical, plastic and other industries. Of course, the measures to be adopted in this sphere would not affect payments alone; they would also encourage the more widespread application in Latin America of the tariff procedure for temporary admission and the system of waiving duties, already instituted by some countries.

9. *Unregistered trade*

As the official payments systems obstruct the movements of goods resulting from the national complementarity of adjacent regions, or from certain vital subsistence requirements of neighbouring townships belonging to different countries, contraband commodity trade assumes exceptional proportions. This was the comment made during the survey in connexion with the difficulties created by the recent exchange reforms in various bilateral channels in South America. In addition to legal unregistered trade, such as is permitted under the terms of special frontier agreements and by administrative provisions authorizing each individual to take with him goods up to a certain value, and the already chronic smuggling carried on in some districts, a clandestine trade has recently grown up whose value in some cases is apparently far greater than that of the legitimate trade registered in official statistics.[48] Although these movements of goods up to a point represent actual barter of commodities, there are grounds for the belief that at the present time substantial use is made of the United States dollar for the liquidation of the values concerned.

There is widespread agreement on the need for introducing into the agreements realistic clauses on questions of frontier trade and adjacent and complementary areas, to define which products could be traded freely, without licences and without registration on the clearing account, but subject to payment of the appropriate customs duty in the case of every operation above a certain value. In some republics there is a tendency to adopt this system even when the products which it covers are not consumed in the frontier district proper of the importer country.

10. *Private credit*

Some of the comments made to the ECLA group underline the necessity for encouraging private credit within the clearing accounts mechanism, since the present structure of some national exchange régimes in effect precludes all possibility of operating on the basis of external financing other than the reciprocal credits agreed upon between the Central Banks. As a rule, with certain variations from one country to another, it is stressed that the value of exchange to be used for imports must now be deposited within inflexible time-limits, which makes it impossible to take advantage of the payment facilities granted by the foreign supplier. Certain countries will accept private credits granted abroad in the form of consignations or deferred payments only when they relate to essential goods. Nor is the importer usually permitted to finance his suppliers through the whole or partial transfer of the value of the product when he places the order in question, without waiting for notice of embarkation. In some bilateral channels the general rules in force have almost entirely prevented the utilization of credits granted to customers in other Latin American countries by certain producers of essential goods, especially fertilizers. The situation is similar for exports, as the usual practice is to authorize them against irrevocable documentary credit, that is, in effect, against the immediate receipt of the foreign exchange involved. Since inter-Latin-American trade lacks the support of any such private financial organization as gives backing to the firms engaged in trade between Latin America and other regions, it is intra-regional commerce that is most severely affected by restrictions on private foreign credit. Hence, in some countries, a certain number of those consulted definitely advocated the establishment of special regulations which, within inter-Latin-American trade, would allow and encourage the granting of private credit in favour of imports and exports. One of these regulations would provide for the acceptance of deferred payment operations, within certain time limits and in conformity with the clauses relating to the maintenance of parity. It would be useful if the Central Banks set up a service for the exchange of information on the solvency of persons interested in utilizing private credit of this kind. It was also suggested that it would be well to establish special insurance to cover the risks inherent in deferred payment for exports of intermediate and manufactured products, goods for immediate consumption being excluded from this system.

11. *Special measures*

The recent exchange reforms have confronted inter-Latin-American trade in certain bilateral channels with the inescapable alternative of either reducing its levels or resorting to special devices capable of safeguarding both its present volume and its possibilities of development. Although theoretically the best instruments for the latter purpose are customs measures, the fact is that the breadth of the tariff agreements between a large number of Latin American republics and States in other regions does not leave enough margin for the use of the customs tariff as a means of encouraging certain lines of intra-regional trade. Several countries are therefore considering the possibility of adopting special measures of another kind, at all events provisionally, in order to achieve the ends desired. There seems to be no doubt that the influence of payments agreements on the stability and expansion of trade will be seriously weakened unless *ad hoc* expedients are adopted.

What form might these measures take? Some, of course, are among those formerly agreed upon by certain Latin American countries in favour of other republics in the same region,

[48] According to authorized sources, the number of cattle on the hoof at present smuggled between Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay can be estimated at about 120,000 head yearly.

although as an exception to the usual rules of their exchange régime. Such measures have several features in common, as follows: (*a*) they assign to particular exports or imports an exchange rate more favourable than that generally in force; (*b*) they exempt specific goods from the effect of import bans or quantitative restrictions, or from the need for an individual licence in every case in countries where this régime still prevails; (*c*) they provide for Central Bank intervention in the bank market so that parity can be maintained between the price of the units of account concerned and the United States dollar, up to the sum stipulated as a credit margin in the relevant payments agreement; (*d*) they free imports from Latin America from the requirement of prior deposits in national currency; and (*e*) they grant certain domestic credit facilities.

With respect to the first feature—differential exchange rates—divergent opinions were gathered in the course of the survey. But, in countries whose inter-Latin-American commodity trade is among the heaviest, authorized circles declared themselves openly in favour of this procedure, especially when treaties with third countries hamper the use of the customs tariff for similar purposes. It is pointed out, however, that the utilization of the exchange rate with the aim of channelling trade in a given direction would call for certain contractual precautions, especially to ensure that the goods thus benefited were used for consumption by the contracting parties, as otherwise this system might encourage surreptitious re-exports.

On the second point—exemption from specific prohibitions or quantitative restrictions and from the compulsory licence for every operation—the general view supports this practice, which up to the present time has more than once been employed within inter-Latin-American trade relations, because of the need, among other reasons, to supply incentives for the utilization of units of account which otherwise would remain inactive.

The scope of the third aspect—the intervention of the Central Banks to maintain the price of units of account—has already been analysed with sufficient thoroughness elsewhere.[49] As for the fourth—exemption from the requisite of prior deposits for imports from Latin America—almost universal confidence is felt in the stimulating influence which such a measure would exert on the utilization of Latin American units of account. Because of the high rate of interest in force for internal credit, it is calculated in some countries that such exemptions would mean a difference of up to 10 per cent in the price paid by the importer for the goods purchased.

As regards the fifth and last of the devices mentioned—the granting of certain domestic credit facilities—it should be pointed out that, as part of the system of selective control of imports, some Latin American republics authorize domestic bank credit to importers only for the purchase of foreign exchange to pay for essential goods. Under this system, the importer finds himself compelled to cover wholly or partially, without assistance from the banks, the value of the foreign exchange he requires to purchase products of secondary importance or non-essential goods. In the case of inter-Latin-American trade, some experts consider it advisable to adopt more flexible measures in favour of domestic bank credit for intra-regional trade purposes, with the additional aim of offsetting in some degree, by this expedient and the others previously mentioned, the disadvantage at which some trade lines are placed as regards competitive prices, trademark prestige and other factors.

12. *Official credits and balances*

The trend towards imparting as much flexibility as possible to the mechanism of reciprocal Central Bank credits is patent both in the establishment of maximum levels, and in the waiving of the right to claim payment of the balance in convertible currencies. While in some channels a virtually unlimited margin of credit is granted,[50] most countries refrain from exercising their contractual right to request that once the critical level has been reached the surplus be covered in dollars. At the time of the survey at least two republics in South America were following this course in connexion with substantial assets accumulated in bilateral accounts, which represented sums higher than the credit limit agreed upon. The well-known depressive effects on trade of insistence on claiming the balance in convertible currencies are among the considerations on which such conduct is based. Another, in the same connexion, is bred of the fact that certain bilateral disequilibria, very marked if they are assessed within the short term of one year, tend to right themselves spontaneously over the medium or long term. The policy governing the granting of official credits thus displays adaptability to the real situation of trade.

Another important contributory factor is the chronic shortage of convertible currencies in almost all the South American countries. It is for this reason that the attitude described is largely determined by the aim of preventing resources needed for the development of foreign trade with other regions from being deflected towards inter-Latin-American payments. Herein also lies the explanation of why the South American republics included in the transferable sterling area only on rare occasions make use of this currency to settle their reciprocal balances. Neither is the United States dollar generally utilized for this purpose. Fundamentally, the motives are the same as those that impel the Latin American countries of the southern zone to carry on their reciprocal trade in units of account.

From another point of view it can be seen that the inter-Latin-American accounts usually register frozen balances for considerable periods. Their existence has an adverse effect on both the regularity and the expansion of trade within the bilateral channel concerned, since it often happens that the debtor country reduces its purchases so as not to increase its liabilities. The replies received during the survey as to the system which would seem advisable for the liquidation of balances approach the question from the two following points of view: (*a*) that of the purely bilateral agreements and (*b*) that of arrangements for transfers among more than two countries.

In the first instance, some agreements already existing in Latin America give grounds for the idea that payments agreements should contain a formula providing for an extra credit, over and above the credit normally stipulated, which would enter into effect as soon as the predetermined limit had been attained. In this case the ordinary credit would be converted into a long-term debt to be paid off by instalments. In addition, as long as this last debt still registered balances outstanding, sums whereby the extra credit was exceeded would have to be liquidated in convertible currency, at the request of the creditor. Moreover,[51] it was emphasized in some countries that the granting of credits should be understood not solely as an official engagement to permit the export of goods whose equivalent value in commodities will be received after a long period, but also as a commitment to buy the corresponding units of account from the exporters in good time, especially when the agreement concerned contains the clause providing for the maintenance of parity between the unit of account and the United States dollar. Although it seems difficult to adopt any other feasible means of effectively observing parity in periods when there is a decline in the demand for imports, it is recognized that the application of principles such as these would expose the Central Banks to certain risks of loss through exchange differences, which would, however, be lessened if that part of the balances which exceeded the ordinary credit level could be transferred to third countries.

In the second case—the liquidation of balances by means of agreements among more than two countries—quite a number of foreign trade authorities in Latin America consider that, in view of the present shortage of convertible currencies, the best solution of the problem would be to establish some coordinated system of payments which was really regional and

[49] See the present annex, 2. *Parities*, (*d*).

[50] In practice it sometimes exceeds 50 per cent of the value of trade in each direction.

[51] See *Study of Inter-Latin-American Trade*, chapter V.

calculated to promote the building-up of an integrated regional market, as well as to facilitate financial movements between member countries and those monetary groups in other regions by means of which an attempt is being made to impart flexibility to trade relations among the countries that compose them. The expression of this desire is accompanied by the recognition that the existing disequilibrium in some bilateral trade channels, together with other circumstances arising from the separation between economic and monetary policy in the Latin American countries, would militate against the success of any proposal for the establishment of a regional clearing mechanism, unless the first steps were taken with the greatest possible caution.[52] It would therefore be necessary in the initial phase to envisage objectives which were not too ambitious, and the pursuit of which would prepare the way for more far-reaching solutions.

Nor is it felt that there would be serious difficulties in the way of a short-term approach, should the countries concerned definitely desire it, to co-operation in attaining the targets established for this opening phase. The aim would be twofold: (*a*) to supply the Latin American Central Banks and the other appropriate authorities with periodical and regular information on the balance situation in each bilateral channel; and (*b*) to set up a simple system of voluntary proposals and counter-proposals for the transfer of balances above a certain level among more than two countries, through operations to be effected in each case at the exchange rate agreed upon between the parties.

Although in principle this idea emerged only in relation to payments within Latin America, it became clear during the survey that in some countries consideration was being given to the possible usefulness of extending this mechanism to payments with other regions.

Apart from the fact that one of the most important benefits aimed at in the first stage is the opportune supply of basic data, the lack of which at present constitutes a regettable lacuna, it is felt that this procedure might in addition open up the way to closer collaboration among the institutes concerned with inter-Latin-American payments. The method would also have to be adopted on bases that would not interfere with the special monetary arrangements which any individual contracting party in isolation, or several in a body, might concert in future, either reciprocally or with countries in other regions.[53]

III. Text of the resolution creating the Trade Committee

Resolution 101 (VI), adopted on 15 September 1955 (E/CN.12/410)

The Economic Commission for Latin America,

Mindful of resolutions 20 (IV) and 69 (V),

Considering that the report of the secretariat (E/CN.12/369) constitutes a very considerable advance in the sphere of research into the problems of inter-Latin-American trade, and, by representing such clear progress in the field of information and analysis, enables an examination of specific solutions aimed at intensifying such trade to be undertaken, and

Aware that the countries of Latin America are engaged in a broad and increasingly intensive campaign for economic development, essential to a higher standard of living for their peoples, and that the pursuit of this campaign may require in certain circumstances adequate tariff protection as well as the broadening and complementing of the markets for specific products,

Resolves:

1. To set up within the Economic Commission for Latin America a Trade Committee formed by member countries for the purpose of intensifying inter-Latin-American trade—without prejudice to the expansion of trade with other regions and mindful of the fundamental necessity of increasing over-all world trade—through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations;

2. To this end, the Trade Committee shall concern itself with the preparation of specific proposals, in harmony with the present and future bilateral and multilateral commitments of member governments, and the modifications they may make to them, and taking into consideration national or regional economic conditions. In carrying out its functions the Committee shall bear in mind the topics covered in the secretariat's report (E/CN.12/369), such as the problems of inter-Latin-American payments; trade policy; specific questions of maritime transport and the trade in given products; and, similarly, the other studies and subjects the analysis of which may lead to the achievement of the objectives which caused its establishment, and the comments and information of member governments on all such studies and subjects;

3. In addition, as soon as possible, the Committee shall propose solutions to the specific inter-Latin-American trade problems of the land-locked countries of the region, to which item 4 of resolution 69 (V) refers;

4. The Committee, after each of its sessions, shall submit a report on its work to the Commission. The Executive Secretary shall transmit the report of the Committee to member governments as soon as possible;

5. In discharging its functions, the Trade Committee shall consider in detail and make full use of the studies, on the subjects recommended by the present resolution, carried out by the Inter-American Economic and Social Council and other international organizations;

6. The sessions of the Trade Committee shall be held at ECLA headquarters, or wherever circumstances and the object of the meeting demand, at the discretion of the Executive Secretary of the Commission and after prior consultation with the government of the country acting as host to the session;

7. The secretariat shall convene the sessions of this Committee and shall provide governments with the agenda and background documentation for the meeting not less than 30 days previously. The first meeting shall be convened as soon as possible and the secretariat shall prepare the provisional agenda on the basis of the contents of this resolution;

8. The 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; and

9. For the purposes of the meetings, the Committee shall consist of the representatives of the governments participating in each session.

[52] See *Study of Inter-Latin-American Trade*, chapter V.

[53] See document E/CN.12/C.1/4, in part II of this volume, for a recapitulation of the ideas and suggestions gathered during the survey, as elements that might be taken into account in the drawing-up of a programme of work for the Trade Committee.

2. INTER-LATIN-AMERICAN COMMODITY TRADE IN 1954 AND 1955: SITUATION AND PROSPECTS IN 1956 (E/CN.12/C.1/5)

Chapter I

INTER-LATIN-AMERICAN COMMODITY TRADE: SITUATION AND PROBLEMS

1. Main changes in 1954 and 1955

The total value of inter-Latin-American trade, which was more than 720 million dollars (f.o.b. export values) in 1953, fell to 697 million in 1954 but rose again in 1955 to a little over 737 million, the highest level it has reached so far (see table 33 below, and also, for purposes of comparison, table 34). Within this movement, however, there have been unequal and marked fluctuations in the exports of some countries and in the trade in certain commodities.

The most noteworthy change in trade by countries occurred in the exports of Argentina, the value of which fell from 261 million dollars in 1953 to only 196 million in 1955. This was due mainly to a reduction by 56 million dollars of its sales to Brazil and by 14 million of its sales to Chile, the result, in the former case, of the decline in value of exports of wheat,[1] edible fats, fruit and other commodities, and, in the latter instance, of the contraction in the exports of edible oils, butter, cattle, etc. In general, Argentine exports were affected mainly by the decline in the price at which wheat had to be sold to neighbouring countries, but also, to a smaller extent, by the shortage of exportable surpluses of certain commodities, chiefly edible fats and oils, and by some problems arising out of the changes introduced in the Argentine exchange regulations in October 1955.

Between 1953 and 1955 Chile and Cuba too suffered fairly large reductions (12 and 10 million dollars respectively) in the value of their exports to other Latin American countries. This was due, in the case of Chile, to reduced sales of iron and steel and to the suspension of crude oil exports to Uruguay. In the case of Cuba, there was a reduction, and in some instances an interruption, of sales of sugar to Central America, Chile, Uruguay and Venezuela.

On the other hand, the reductions referred to above, and some others of a smaller amount, were counterbalanced by considerable increases in the exports of Brazil and Venezuela between 1953 and 1955, and, to a smaller extent, in those of Uruguay, Peru, Paraguay and other countries. During this period Brazilian exports increased by 54 million dollars, mainly owing to larger sales of timber (the value of which doubled), fruit and maté to Argentina and of cotton and sugar to Uruguay. Venezuela's sales of crude oil to Brazil expanded greatly; so, to a smaller extent, did its sales of crude oil to Argentina, Chile and Uruguay and of petroleum products to Argentina and Cuba. As a result, its total exports to the rest of Latin America rose from 132 million dollars in 1953 and 1954 to 160 million in 1955. Paraguay, Peru and Uruguay increased their exports to other Latin American countries between 1953 and 1955 by 11, 14 and 15 million dollars respectively, reflecting increased Uruguayan exports of wheat to Brazil, larger Peruvian exports of sugar and cotton and expanded sales by Paraguay of timber and maté to Argentina.

With regard to trade by commodities, there was, first and foremost, a decline, both absolute and by percentage, in the trade in foodstuffs, which accounted for 51.7 per cent of all trade within the group of sample commodities in 1953 and 50.1 per cent in 1954, but only 44.8 per cent in 1955. In absolute terms, the fall in value of trade in foodstuffs between 1953 and 1955 was about 43 million dollars. The 20-million-dollar reduction over that period in the value of trade in wheat and wheat-flour, due to the lower prices Argentina and Uruguay obtained for these commodities in their sales to neighbouring countries, was undoubtedly mainly responsible for this fall. In addition, there were reductions of 14 million dollars in the value of trade in fats and oils (largely caused by the shortage of exportable surpluses in Argentina), of 7 million dollars in trade in cattle (owing to reduced exports from Argentina to Chile) and of the same amount in trade in coffee, the value of which fell from 1954 to 1955 even more markedly than it had risen from 1953 to 1954. On the other hand, there were increments in the value of trade in various foodstuffs, in particular in maté, which rose by some 6 million dollars, owing mainly to increased Brazilian exports to Argentina, and in malted barley, the value of Argentina's exports of this commodity to Brazil being over 5 million dollars higher than in 1953.[2]

Regional trade in the raw materials group fell off by some 10 million dollars from 1953 to 1954 and

[1] As is mentioned briefly below, and in more detail in chapter II, section 4 of this report the volume of Argentine wheat exports (including flour) increased by 10 per cent between 1953 and 1955, but the heavy fall in their price caused a 25 per cent reduction in value.

[2] In addition to the changes mentioned, there were marked fluctuations in the value of trade in other foodstuffs, which were for the most part cancelled out because their direction from 1954 to 1955 was opposite to that from 1953 to 1954. This was the case with meats, butter and particularly cacao, the value of the trade in which rose from 1953 to 1954 but then fell from 1954 to 1955, and with fruits, sugar, etc., which moved in the opposite direction.

then increased by more than 33 million from 1954 to 1955, so that there was a net increment of more than 23 million over the two years. This was primarily due to the remarkable increase in value of the timber trade, which rose by some 33 million dollars from 1953 to 1955 as a result of the larger quantity and higher price of Paraguayan and Chilean timber exported to Argentina in 1954 and of Brazilian timber exported to the same market in 1955.

There were also increases, far smaller than in the case of timber but still considerable, in the trade in cotton, raw hides and copper in primary and semi-finished forms (by 5 million, 3.2 million and 2.8 million dollars respectively). The increase was due, in the case of cotton, to larger exports from Peru to Chile and Argentina, and, in the other two instances, to an expansion of trade between Argentina and Chile under the stimulus of the trading facilities provided in the agreement of February 1954. On the other hand, the value of Chilean sales of iron and steel to other Latin American countries fell by some 12 million dollars because smaller quantities were available for export. Other raw materials in which trade suffered a decline were sulphur and wool. Chilean exports of sulphur to Argentina, after reaching almost 3.6 million dollars in 1953, fell off to low levels in the following two years. The value of wool sales decreased by about 1.5 million dollars, mainly as a result of reduced Argentine exports to Chile.

In the case of fuels, their tendency, noticeable for several years, to become increasingly important, both absolutely and relatively, in inter-Latin-American trade was maintained in 1954 and 1955. This tendency was very marked in 1955, during which year the value of the trade in fuels amounted to over 182 million dollars, or almost a quarter of all inter-Latin-American trade. The greater part of the 30 million dollar increase in this group from 1953 to 1955 was due to crude oil, the volume and value of which increased by about 50 per cent during the last two years, whereas there was a distinct drop in the volume and value of the petrol trade over the same period. It may be noted that side by side with the increase in inter-Latin-American trade in fuels there is a shift within the group in favour of crude oil and heavy derivatives, no doubt as a result of the increase in refining capacity (in which cracking plants are becoming of increasing importance) in the importing countries. The sharp rise of the trade in crude oil in 1955 was mainly due to the considerably increased refining capacity of Brazil and, to a smaller extent, to that of Argentina, Colombia and Chile. Brazil raised its imports of crude oil from 30,400 tons in 1953 to 3,513,000 tons in 1955 (of which 1,846,000 tons were from Venezuela).

The increased fuel exports were attributable almost entirely to Venezuela. Peruvian exports to the rest of Latin America have risen slightly in value in the last two years, there has been no change in Ecuadorian exports, Colombian exports are apparently tending to fall, and Chilean exports, after doubling from 1953 to 1954, ceased in 1955. With regard to oil exports from Bolivia, Bolivian statistics show only some small shipments to Argentina. Argentine statistics, however, show larger imports of Bolivian oil, the volume of which increased sixfold from 1954 to 1955, reaching a value of about 1.5 million dollars in the latter year.

Finally, the trade in manufactured goods has changed very little over the last two years, either in absolute value or relative importance, and it still remains small in comparison with trade as a whole. Apart from copper wire, which accounts for the bulk of trade in manufactured goods[3] and which rose very markedly in volume and in value from 1954 to 1955 on account of increased sales by Chile to Argentina, there was a fairly large increment from 1953 to 1954 in exports of wool yarn from Argentina and in pharmaceutical products from Mexico and Ecuador.

To sum up, the increase of 17 million dollars in the value of inter-Latin-American trade from 1953 to 1955 was due primarily to the increments of 33 million dollars in the value of trade in timber and 30 million in the value of trade in oil and its derivatives; the value of the trade in maté, copper, malted barley, cotton, raw hides and other commodities also rose considerably. These improvements were offset, at least partly, by falls in the value of trade in wheat and wheat-flour, edible oils and fats, iron and steel, cattle, coffee, etc.

2. Some of the problems which affected inter-Latin-American trade in 1954 and 1955

The changes just mentioned in the positions of countries or specific commodities in inter-Latin-American trade in 1954 and 1955 are not really the result of new problems, nor do they represent fundamental modifications in the structure of trade. Most of them were due to circumstantial causes, such as price variations, or arose from the intensification of trends and problems which had been apparent for several years.

It may be mentioned in this connexion that exportable surpluses of certain Argentine and Uruguayan commodities (especially animal fats and edible oils from Argentina and meat from Uruguay) continued to decline as a result of a falling-off in production. A similar shortage of exportable surpluses affected iron and steel exports from Chile in 1954 and 1955 (although the reason in this case was not a decline in production but a considerable expansion of demand in the domestic market), and the same situation has arisen again in 1956 in the case of Argentine wheat.

Another problem which became acute in the last two years was that of prices, which continued to show the effects of inflationary processes, of the maintenance of overvalued exchange rates and, in some cases, of transactions under the barter system and trade in units of account. Over-pricing of certain commodities resulted and trade in these was adversely affected, especially in some instances where the same commodities could be obtained from other sources of supply. This happened, for instance, in the cases of Brazilian cotton in the Chilean market and, for a certain time, of Brazilian timber in the Argentine market. The problem has, however, tended to disappear or to be-

[3] The item "copper wire" is accounted for almost wholly by wire rod, so that it should come under semi-finished products (classified in the raw materials group) rather than manufactured goods.

come less serious as a result of general or partial devaluations in the exporting countries and of a growing tendency to carry on regional trade on the basis of international prices, or at any rate at prices close to the world market levels. This was particularly evident in the case of Argentine and Uruguayan wheat, the price of which fell considerably in intra-regional trade, but not as a result of international price fluctuations.

A problem which also cropped up again was the slowing-down and even stoppage of trade in some commodities, transactions in which are based on annual bilateral contracts or schedules or on sales operations concerted between State agencies, when delays occurred in the annual renewal of such contracts or schedules or in the negotiation of such operations. This was the case, for example, with Brazilian timber exports to Argentina, Argentine fruit exports to Brazil and Argentine cattle exports to Chile. Needless to say, this situation creates conditions of uncertainty for producers in the exporting country and for consumers in the importing country.

The intervention of State agencies in the marketing of certain commodities does not appear to have been altogether satisfactory in some cases, especially as regards the timing of purchase, which affects the regularity of supplies, or with respect to appropriate selection of the kinds, qualities, etc. in demand on the domestic market. In some instances, intervention by State agencies caused artificial inflation of the prices of certain commodities, especially in barter transactions, to which attention has already been drawn. In other cases, however, the centralization of selling or buying operations in the hands of official agencies helped to regularize trade or to facilitate the application of arrangements aimed at reconciling conflicting national interests. Perhaps the clearest example of this was the export of Chilean copper to Argentina.

Regional trade was also adversely affected by increased production of certain kinds of goods in countries which were normally importers, owing to a policy of self-sufficiency or to other causes. The increased cotton production in Colombia meant a direct drop in its imports of Peruvian cotton. In other cases, the registered trade in some commodities (particularly cattle) underwent further contraction in consequence of an expansion in unregistered trade which was encouraged by the widening of the margin of difference between the return the exporter received on the official market and the return he received on the free market.

Trade agreements and treaties of economic union proved to be effective means of expanding trade when they provided for specific concessions, obligations or facilities. A clear example of this is the trade and payments agreements between Argentina and Chile of February 1954, which freed certain commodities from the requirement of prior exchange or import licensing. On the other hand, agreements which were limited to a mere statement by both parties that they would undertake to facilitate trade, without providing specific measures for doing so, appeared to be of far less practical value. Finally, it may be mentioned that trade in manufactured goods continued to be affected by the traditional obstacles and that its expansion was restricted by administrative difficulties and by the absence of stable trade régimes.[4]

3. The situation created by the recent exchange reforms[5]

The Argentine exchange reforms of October 1955, followed by similar reforms in Paraguay, Chile and Uruguay, together with the change which occurred in the basic principles of the trade policies of almost all the southern countries of Latin America, created a new situation to which many of the formulae previously adopted for facilitating and promoting regional trade were not suited. Indeed, in some cases these formulae seriously hindered trade itself, as is obvious from the new problems which have arisen.

Outstanding among these problems is that created by the new Argentine exchange regulations as they affect exports from that country to its neighbours, which, under the agreements in force, must be paid for in units of account. These so-called dollar-units of account, or "agreement-dollars", are negotiable in Argentina only through the official market, even in the case of such exports as fruit, lard, etc., transactions in which may be carried out on the free market under the new exchange arrangements in Argentina. This situation, which for some months[6] also affected those commodities the foreign currency for which can be negotiated on the free market only in the amount exceeding the official base value, obliges the Argentine exporter to ask a considerably higher price in agreement-dollars for those commodities which he may export through the free market than he would ask in other foreign currencies, in order to reimburse himself for the difference between the return he receives on the agreement-dollars (at the official rate of exchange) and the return he receives on other currencies at the free rate. The result is that Argentine products which are classified as free market commodities are over-priced when exported to agreement areas; this has seriously limited, and even in some instances prevented, their disposal in neighbouring markets. Such has been the case, for example, with fruit exports to Brazil and lard and wool exports to Brazil and Chile, as also with the greater part of the Argentine sales to Paraguay.

A similar situation exists in Chile, under the new exchange regulations in the case of exports to those countries with which trade is carried on in agreement-dollars. These currencies (except the agreement-dollar applicable under agreements with Argentina and Ecuador) are quoted at much lower rates on the Chilean foreign exchange market than the United States dollar, with the result that Chilean commodities exported to

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[4] See the annex to this chapter, in which the implementation of the agreement between Argentine and Chilean metallurgical industries is discussed.

[5] For a more complete analysis of this problem, see document E/CN.12/C.1/3, in part I of this volume, especially chapter I, section 2 (*a*) and the whole of section 3.

[6] Until July 1956.

Table

LATIN AMERICA: ANALYSIS BY COMMODITIES AND BY COUNTRIES OF AGREEMENTS

(Title I of United States Law

		Value in millions of dollars						
Date of agreement	*Country of destination*	*Wheat*	*Feed grains*	*Cotton*	*Tobacco*	*Dairy products*	*Fats and oils*	*Frozen meat*
						I. Agreements concluded during the		
April 1955	Argentina	—	—	—	—	—	5.7	—
January 1955	Chile	2.2	—	—	—	—	2.4	—
June 1955	Colombia	1.6	—	1.6	—	0.7	1.0	—
February 1955	Peru[c]	6.4	—	—	—	0.2	—	—
	TOTAL	10.2	—	1.6	—	0.9	9.1	—
						II. Agreements concluded during the		
December 1955	Argentina	—	—	—	—	—	24.7	—
November 1955	Brazil	32.1	3.0	—	0.2	—	1.8	—
March 1955	Chile	6.2	2.5[d]	5.3	0.2	1.0	13.6	3.7
December 1955	Colombia	3.4	—	6.0	—	—	1.5	—
October 1955	Ecuador	1.1	—	0.9	0.2	—	1.5	—
May 1956	Peru[e]	2.5	—	—	—	—	3.0	—
May 1956	Paraguay	1.7	—	—	—	0.4	0.5	—
	TOTAL	47.0	5.5	12.2	0.6	1.4	46.6	3.7

Source: Agreements, United States official reports and publications, and estimates and calculations by ECLA.

[a] Includes only sea freight financed by the Commodity Credit Corporation.

agreements areas (other than Argentina and Ecuador) suffer a price increase.[7]

Furthermore, the devaluation which accompanied these exchange reforms in Argentina and Chile has made it difficult, and in some cases impossible, for those countries to import certain commodities from other Latin American republics. In some instances, this situation has been remedied by a partial or general devaluation on the part of the exporting country, specifically in the case of timber exports from Brazil, Chile and Paraguay to Argentina, but in other cases the problem remains unsolved. Furthermore, the abolition, in Chile, or liberalization, in Argentina and Uruguay, of the import licence system means that considerations of price, quality, prestige, etc., play a greater part than before in the choice of the source of imports. This sharpens the competition encountered by commodities of Latin American origin in those markets and aggravates the problem of over-pricing, especially in the case of manufactured and semi-finished goods.

Added to these new problems is the uncertain situation that the exchange reforms and the changed trend of the trade policies of the southern countries of South America have brought about with regard to the trade and payments agreements in force between them. There is even more uncertainty with regard to the arrangements or practices that had been established for the purpose of permitting, facilitating or controlling bilateral trade in some commodities, since, in the changed conditions prevailing in regional trade, their application is being seriously impeded, and in some cases prevented. Thus, the new features of trade, especially the abolition in some cases of the intervention of official bodies in the export or import of certain commodities, and the removal or restriction of the control that used to be provided by the licensing requirements, have made it difficult to negotiate the renewal of some sales contracts and to apply arrangements based on the barter system established to deal with specific problems, such as that of the export of Chilean copper to Argentina.

Although it has no connexion with the problems mentioned above and their causes, we may in conclusion draw attention to a further factor in inter-Latin-American trade, namely, the possible effect of sales of United States agricultural surpluses.[8] As may be seen from table 12, the value and volume of the commodities covered by agreements between the United States and

[7] In addition, Chilean sales against agreement-dollars seem to be hindered by the imbalance in Chile's favour in its trade with other Latin American countries. This imbalance is the result of a shift in its imports in favour of non-Latin-American countries, due to its new exchange regulations, the over-pricing of regional commodities, the shortage of exportable surpluses in Argentina, etc.

[8] During the financial year July 1954 to June 1955 the United States Government initiated a programme for the disposal of farm surpluses under the Agricultural Trade Development and Assistance Act of 1954, better know as Law 480. Title I of this Act provides for sales of surplus agricultural commodities to foreign countries, under agreements with their Governments, against the local currencies of those countries, and with payment facilities; title II deals with the granting of assistance in the form of free shipments, and title III with donations of farm surpluses through private charitable institutions or in exchange for strategic materials. Tables 12 and 13 show in detail the agreements signed with Latin American countries under title I and the quantities or values authorized for different countries under titles II and III.

12

FOR THE PURCHASE OF AGRICULTURAL SURPLUSES FROM THE UNITED STATES

480 — Sales for foreign currency)

				Approximate quantity in tons						
Total value of goods	*Cost of sea freight* [a]	*Value of goods including sea freight*	*Cost to CCC*[b] *including sea freight*	*Wheat*	*Feed grains*	*Cotton*	*Tobacco*	*Dairy products*	*Fats and oils*	*Frozen meat*
financial year July 1954/June 1955										
5.7	0.1	5.8	8.7	—	—	—	—	—	19,780	—
4.6	0.4	5.0	7.7	32,714	—	—	—	—	7,860	—
4.9	0.4	5.3	7.1	22,320	—	1,860	—	1,500	2,880	—
6.6	0.8	7.4	12.5	97,161	—	—	—	282	—	—
21.8	1.7	23.5	36.0	152,195	—	1,860	—	1,782	30,520	—
financial year July 1955/June 1956										
24.7	0.6	25.3	25.3	—	—	—	—	—	80,000	—
37.1	4.7	41.8	78.0	517,000	50,000	—	45	—	5,000	—
32.5	2.1	34.6	42.0	100,000	2,500	6,800	136	4,500	40,000	6,000
10.9	0.7	11.6	14.8	48,780	—	7,780	—	—	3,530	—
3.7	0.3	4.0	4.8	15,250	—	1,130	147	—	4,540	—
5.5	0.5	6.0	8.8	40,000	—	—	—	—	10,000	—
2.6	0.4	3.0	5.2	27,000	—	—	—	1,400	1,400	—
117.0	9.3	126.3	178.9	748,030	52,500	15,710	328	5,900	144,470	6,000

[b] Commodity Credit Corporation.
[c] Extended in June and September 1955.
[d] Hayseed and feed grains.
[e] Also includes the extension of the agreement concluded in February 1955 concerted in September of the same year.

certain Latin American countries increased very markedly during the financial year 1955/56 as compared with 1954/55. The total market value attributed to these commodities rose from 22 to 117 million dollars, and comprises for the most part commodities which are traditional in inter-Latin-American trade, such as wheat, cotton, fats and oils, frozen meat, etc. In the case of the cotton trade, it is clear that these sales might have repercussions on the levels of exports of Peruvian and Brazilian fibres to other Latin American countries; in the case of other commodities, such as wheat, fats and oils, they are not of such importance so long as the shortage of exportable surpluses in Argentina persists. It may also be assumed that it was precisely because they foresaw this shortage that several countries of the southern part of Latin America decided to include those commodities, or larger quantities of them, in the agreements made at the end of 1955 and the beginning of 1956 to purchase United States agricultural surpluses[9] (see also table 13).

ANNEX

A case in regional trade in manufactured goods; the agreement between representatives of the metallurgical industries of Argentina and Chile

An event which set a noteworthy precedent in regard to trade in metal products between Argentina and Chile and which may be regarded as a valuable experiment in inter-Latin-American trade in manufactured goods was the signing of the agreement concluded on 19 July 1954 by representatives of the Chilean Association of Metal Industries (Asociación de Industriales Metalúrgicos de Chile) (ASIMET) and the Argentine Metal Industry Federation (Federación Argentina de la Industria Metalúrgica) on behalf of the metal industries of the two countries. The agreement was the outcome of the direct contacts established between the two bodies for the purpose of reaching a joint decision on the metal products which each country might export to the other; and it was submitted to the commissions representing the two countries in the Argentine-Chilean Economic Union with the request that it should be taken into consideration in the preparation of the new schedules appended to the current Commercial and Financial Agreement. Moreover, the institutions which subscribed to the metal agreement decided "to state as a basic objective that the Governments of the two countries should adopt measures to expedite their import and export licence procedure, and to endeavour to reduce to a minimum the operation of State organizations in this field with a view to achieving direct trade between industrialists and merchants". Under the provisions of the agreement, these measures aim at the expansion of trade "because some means must be found to complement the iron and steel industry in the two countries".

The lists of items produced by the metal industry in the two countries which the industrialists recommend as possible additions to the Argentine-Chilean trade lists were prepared taking into account which industries were in a position to export and to meet the minimum standards of quality, care being taken at the same time, where possible, not to include goods from one country which are also produced in the other, so as not to interfere with local industries. The Argentine metal industry is more developed in some branches[10] and the Chilean industry in

[9] It is understood that sales of United States wheat surpluses to Latin American countries were effected only after United States officials had informally consulted with the Argentine authorities as to these sales in conformity with the United States Government's intention to ensure as far as possible that such transactions shall not affect the normal pattern of trade

[10] Machine-tools, motors and generators, refrigeration equipment, sewing-machines, spare parts for motor vehicles, etc.

Table 13

LATIN AMERICA: ANALYSIS BY COUNTRIES AND BY COMMODITIES OF UNITED STATES AGRICULTURAL SURPLUSES SHIPPED TO LATIN AMERICAN COUNTRIES UNDER TITLES II AND III OF LAW 480, AND UNDER SECTION 402 (LOANS) OF THE MUTUAL SECURITY ACT

Countries	*Wheat and flour*	*Milk and milk products* [a]	*Coarse grains*	*Cotton-seed oil*	*Rice*	*Cotton*	*Dried beans*	*Corn meal*	*Butter*	*Butter fat*	*Cheese*	*Total value (in thousands of dollars)*
A. Title II: Grants during the period July 1954-June 1956 (authorized quantities in thousands of dollars at CCC cost prices)												
Bolivia	9,432	391	—	1,137	1,100	2,500	—	—	—	—	—	14,590
Costa Rica	—	—	39	80	63	—	58	—	—	—	—	240
Guatemala	—	—	3,348	—	—	—	—	—	—	—	—	3,348
Haiti	169	34	125	180	1,100	—	1,049	198	—	—	—	2,660
Honduras	—	—	60	—	87	—	70	—	—	—	—	211
Peru	3,500	1,000	2,500	—	—	—	—	—	—	—	—	7,000
TOTAL	13,101	1,425	6,072	1,397	2,350	2,500	1,177	198	—	—	—	28,049
B. Title III: Donations through private charitable institutions, July 1954-March 1956 (in tons[b])												
Bolivia	—	2,887	—	—	454	—	—	—	—	160	—	1,218.0
Peru	—	470	73	—	36	—	36	—	27	—	—	300.7
Honduras	—	710	—	—	—	—	—	—	—	—	—	379.9
Ecuador	—	45	—	—	—	—	—	—	27	—	14	73.6
Brazil	—	1,450	500	—	544	—	—	—	132	—	717	1,776.0
Chile	—	54	—	—	—	—	—	—	9	—	5	29.1
Colombia	—	2,720	—	—	—	—	—	—	—	—	680	1,371.3
Haiti	—	181	82	27	36	—	—	—	—	91	91	350.2
Mexico	—	145	145	—	45	—	73	—	41	14	41	238.5
Panama[e]	—	..	..	..	..	..	..	..	..	..	..	378.6
TOTAL	—	8,662	800	27	1,115	—	110	—	236	265	1,548	6,115.7
C. Title III: Barter for strategic materials, July 1954-June 1956 (in tons[c])												
Colombia	10,600	—	—	—	—	—	—	—	—	—	—	652.0
Peru	21,477	—	—	—	—	—	—	—	—	—	—	1,479.0
Venezuela	453	—	—	—	—	—	—	—	—	—	—	24.0
Mexico	67,910	453	—	—	—	—	—	—	—	—	—	9,616.0
Costa Rica	—	—	45	—	—	—	—	—	—	—	—	17.0
Guatemala	—	—	2,120	—	—	—	—	—	—	—	—	141.0
Panama	—	—	400	—	—	—	—	—	—	—	—	25.0
TOTAL	100,440	453	2,520	—	—	—	—	—	—	—	—	11,964.0
D. Mutual Security Act, Section 402. Supplied against foreign currencies (loans) to be used to finance Mutual Defence and Economic Development Programmes. Fiscal years 1954/55 and 1955/56 (value in thousands of dollars at current United States export prices[d])												
Bolivia	7,559	720	—	2,700	826	2,000	—	—	—	—	—	13,806
Guatemala	2,000	—	1,768	—	—	—	62	—	—	—	—	3,830
TOTAL	9,559	720	1,768	2,700	826	2,000	62	—	—	—	—	17,636

Source: As for table 1.

[a] Almost all skimmed milk.

[b] The commodities supplied to Latin American countries under title III of Law 480 belong for the most part to the financial year 1955/56. The only countries to receive goods during the period July 1954-June 1955 under this title were Bolivia (1,566,000 dollars), Honduras (380,000 dollars) and Peru (63,000 dollars). These figures were accounted for almost entirely by milk products, chiefly skimmed milk. The remaining goods received by Bolivia and Peru and all the goods received by the other countries belong to 1955/56. The total values transferred under the programme for each country (given in the last column) cover the financial years 1955 and 1956, i.e., the period July 1954-June 1956, and represent the cost to the Commodity Credit Corporation plus sea freight.

[c] Only four Latin American countries participated in the programme during the year 1954/55; Colombia (600,000 dollars), Mexico (100,000 dollars), Peru (900,000 dollars) and Venezuela (20,000 dollars). All other transactions belong to 1955/56. The total values transferred under the programme for each country (given in the last column) are the values in the export market.

[d] The figures given are for the financial year 1955/56, with the exception of 505,000 dollars for wheat and 1,186,000 dollars for oils and fats delivered to Bolivia during the financial year 1954/55. The figure given for Bolivia under cotton-seed oil (2,700,000 dollars) belongs to oils and fats in general and the figure under skimmed milk (720,000 dollars) to milk products. There may be errors in the sources used for these data. According to them, the total value of supplies to Bolivia and Guatemala under the programme during the two years would amount to 17,636,000 dollars, whereas other information, though also unconfirmed, would make this total value 5 million. It should also be mentioned that, according to the information available, Bolivia received wheat to the value of 8 million dollars (at CCC cost prices) under Law 216 during the financial year 1953/54.

[e] For Panama, only the total value is given.

others.[11] It was felt that trade in these branches should be established before production was begun in the importing country, since this would mean adopting protective tariffs later on and would prove anti-economic and inefficient in the long run owing to the limitations of the market. For want of a sufficiently brisk and free trade, the iron and steel industry in the two countries has tended to develop along parallel lines instead of being complementary; as a result, the national economy in both countries has suffered.[12]

Most of the goods suggested in the agreement reached by the industrialists were included in the schedules for the second year of the Argentine-Chilean Agreement when they were prepared in the middle of 1955. While some of these goods had already been included in the schedules prepared for the first year of agreement, they were, with few exceptions, placed in schedules A-2 and C-2 of Argentine and Chilean goods respectively, trade in which is to be promoted while remaining subject to prior import or exchange permits.

The metal agreement had little real effect, owing chiefly to administrative obstacles and, more specifically, to the fact that a permit for the commodities had to be obtained beforehand. The procedure for obtaining permits in order to import or export machinery, in itself complicated and unwieldy under the regulations then in force,[13] proved to be a much more serious obstacle when an effort was made to establish new channels of trade, as these involved goods of little known brands or types and, moreover, the very novelty of such channels gave rise to difficulty. In practice it was apparently virtually impossible in many cases to obtain permits in Argentina to export or import equipment and machinery to or from Chile.[14]

There are other obstacles, less apparent but perhaps more serious in the long run, affecting again not only the trade in metal products but trade in manufactured goods in general. One of these is lack of trading experience in such products. This is particularly true of exporting but it is also true of importing from other Latin American countries. The organization needed to reach potential buyers and to advertise the products is lacking. Before orders are forthcoming an advertising campaign must be launched in order to open up the market. This means considerable expense, particularly if it involves competition, as it usually does, with the industrialized countries, whose goods are already known and have the advantage of a well-established trade organization. On the other hand, industrialists are as a rule reluctant to go to the expense of advertising their products when the trade régime is unstable, as is frequently the case with manufactured goods.

In the particular case of metal exports from Chile to Argentina, there is a further problem which also affects other commodities and other countries, namely, the fact that the requirements of the Argentine market exceed those of the Chilean market. This means that if the Chilean metal industry aims at satisfying the requirements of both markets, it must concentrate mainly on the export trade in order to meet the needs of a market which at any moment may become inaccessible if the trade régime is modified. That is why some Chilean industrialists are inclined rather towards the Bolivian, Ecuadorian and Peruvian markets, which are more in line with Chile's export potential.

However, in spite of the difficulties referred to above, the impression prevails among representatives of the Chilean metal industry that the direct contacts established among the industrialists who negotiated the agreement referred to earlier is a promising step, provided that trade relations between the two countries remain more or less stable and administrative obstacles are either removed altogether or substantially reduced. The metal industry apparently intends to use this method again when the treaty between Chile and Argentina is re-negotiated and possibly if another trade agreement is negotiated with Brazil also.

Chapter II

RECENT DEVELOPMENTS AND PROSPECTS OF TRADE IN SPECIFIC PRODUCTS

1. Fruit

In 1954 and 1955 no substantial changes occurred in the principal aspects of the inter-Latin-American fruit trade, practically all of which was confined to the South American republics, and particularly the southern countries of the zone. The distinctive pattern of the main trade currents was maintained, as was the very preponderant position held by the fruit trade between Argentina and Brazil. As in previous years, this represented some 90 per cent of total inter-Latin-American fruit trade (see tables 14 and 15). However, reference should be made to other currents which, while less important than the foregoing, are nevertheless traditional, and of major significance in some bilateral trade areas. These include, in order of importance, Ecuador's exports of fresh fruit to Chile, Brazil's fruit exports to Uruguay, the fruit trade between Argentina and Paraguay, and Argentina's fruit exports to Venezuela, these last having again reached significant proportions in the past two years after a period of decline. Mention might also be made of Chile's exports of dried fruit to Brazil and, to a lesser extent, to Argentina; these are now increasing again after a sharp decline.

The fruit trade between Argentina and Brazil in recent years has continued to operate under special regulations designed to facilitate a more or less balanced flow of trade in both directions (i.e., the values involved are approximately the same), in accordance with the basic annual programme estimated in the lists appended to the Argentine-Brazilian trade agreement of March 1953 at 380 million cruzeiros, or over 20 million dollars, in either direction. At the time when the agreement was signed, notes were exchanged providing, with respect to fresh, dried and dehydrated fruit, for "a free trade system within the framework of mutual compensation of the export and import ac-

[11] Copper tubing, electric conductors and cables, railway material and equipment, etc. The list of Argentine goods is much longer than the corresponding list of Chilean goods.

[12] For a more detailed analysis of the regional market and the integration or co-ordination of industrial development among Latin American countries, see document E/CN.12/C.1/4, chapter II, in part I of this volume.

[13] This is particularly true of Argentina. Every permit was subjected to close scrutiny in the Central Bank, the Ministry of Industry and other government bodies to make sure that the proposed imports would not be prejudicial to home industry or that the exports would not deplete domestic stocks.

[14] It should be noted that the basic objective of the metal agreement was the adoption by Governments of measures to expedite the procedure in respect of import and export licences in the two countries. This has been achieved largely through the new trade regulations, under which this requirement has been either abolished or considerably simplified.

Table 14

SOUTH AMERICA: EXPORTS OF FRESH FRUIT FROM SELECTED COUNTRIES[a]

(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Brazil	67,171	19,919	47,207	13,398	64,720	16,805
Latin American countries[b]	67,378	19,978	47,780	13,579	67,692	17,594
All countries	87,007	23,791	71,221	17,967	97,015	22,780
Brazil, exports to:						
Argentina	153,373	11,277	215,059	14,458	202,899	15,453
Latin American countries[c]	167,048	12,274	231,325	15,471	222,125	16,657
All countries	209,286	16,945	280,856	18,414	276,191	19,942
Chile, exports to:						
Peru	1,145	167	926	147	954	121
Latin American countries[d]	2,239	390	2,085	298	1,716	267
All countries	29,147	4,053	15,554	1,969	14,621	1,944
Ecuador, exports to:						
Chile	22,983	1,383	24,174	1,848	18,345	1,049
Latin American countries[e]	24,275	1,429	26,244	1,915	21,499	1,158
All countries	405,946	24,600	482,926	28,082	611,174	36,760
Peru, exports to:						
Chile	256	14	254	13	507	26
Latin American countries[f]	317	15	254	13	532	29
All countries	317	15	254	13	809	36
Paraguay, exports to:						
Argentina	4,374	123	—	—	2,660	554
Latin American countries	4,374	123	—	—	2,660	554
All countries	4,778	277	4,770	619	3,034	565
Uruguay, exports to:						
Brazil	11,064	1,029	—	—	86	63
Latin American countries	11,064	1,029	—	—	86	63
All countries	11,064	1,029	—	—	—	—
TOTAL EXPORTS TO LATIN AMERICAN COUNTRIES[g]	276,695	35,238	307,688	31,276	316,310	36,322

Sources: Statistics and other official data.

[a] Includes only those countries with a sizable volume of fruit exports to other Latin American countries.

[b] Other Latin American markets for Argentine fruit are Venezuela and Paraguay, usually in that order.

[c] Next to Argentina, Uruguay constitutes the only other Latin American market.

[d] In addition to Peru, the other main Latin American markets for Chilean fruit are Venezuela and Ecuador.

[e] Chile and Peru.

[f] Chile and Ecuador.

[g] Excluding Paraguay's 1954 exports.

counts". The understanding is that trade is balanced if the disequilibrium does not exceed 50 million cruzeiros (about 2.8 million dollars) in any one year. Provided that the imbalance does not reach or exceed that figure, import licences are granted automatically, subject to the control regulations in force in both countries. If the difference specified is attained, the country adversely affected may control its imports during the following year in order to restore the balance in the fruit accounts.

Moreover, the agreement specifies that in respect of this particular trade each country will grant the other most-favoured-nation treatment in tax, customs, exchange and administrative matters. With respect to tinned fruit, pulses and vegetables, each country has undertaken to grant import licences to the other up to an amount specified for each item.

The agreement—which continues the fruit trade agreement signed by the two countries in June 1950 and maintains its chief provisions—runs from 1 January 1953 to 31 December 1956, and is considered part of the trade agreement signed on the same date.

The fruit trade, particularly in the case of Argentina's exports to Brazil in 1954, has nevertheless been hampered by difficulties which have arisen from time to time. Brazilian imports of fresh and dried fruit from Argentina were considerably restricted at the beginning of 1954 by certain exchange regulations then

Table 15

SOUTH AMERICA: EXPORTS OF DRIED FRUIT FROM SELECTED COUNTRIES
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Brazil	3,768	4,571	1,260	820	2,842	2,009
Latin American countries[a]	3,950	4,768	1,309	852	2,893	2,039
All countries	4,595	5,327	1,509	1,000	3,611	2,444
Brazil, exports to:						
Argentina	—	—	1,057	389	819	298
Latin American countries[b]	158	53	1,057	389	824	305
All countries	4,918	5,322	5,471	5,744	25,084	9,471
Bolivia, exports to:						
Brazil	53	22	—	—	—	—
Latin American countries	53	22	—	—	—	—
All countries	335	134	1,102	492	—	—
Chile, exports to:						
Argentina	428	628	578	538	195	112
Brazil	23	14	193	98	744	390
Peru	304	87	660	134	233	156
Latin American countries	907	800	1,550	831	1,208	671
All countries	5,051	1,801	3,681	1,872	4,741	1,496
TOTAL EXPORTS TO LATIN AMERICAN COUNTRIES[c]	5,068	5,643	3,916	2,072	4,925	3,015

Sources: Official statistics.

[a] After Brazil, Uruguay was the second important market for Argentine dried fruit until 1953, being supplanted by Paraguay in 1954 and 1955.

[b] Exports to Latin American countries in 1953 consisted only of exports to Chile.

[c] Excluding Bolivia's 1954 and 1955 exports.

in force in Brazil and by the fact that the sales contract was delayed and was not signed until the month of March (see again tables 14 and 15). Subsequently, an exchange of notes took place in June 1954 in which Brazil, taking its exchange regulations into account, agreed to the auctioning, under the minimum premium of category I, of sufficient foreign exchange for imports of fresh, dried, dehydrated and processed fruit to ensure the fulfilment of a minimum non-limitative annual programme of 20 million agreement-dollars.[15] Argentina in turn pledged itself to grant import licences automatically for Brazilian fruit, in accordance with the provisions referred to earlier.

Once the difficulties in 1954 were settled, an expansion of trade followed, though Argentina's exports to Brazil did not reach the level attained in 1953. The extent to which the balance of trade has been maintained within the proposed limit cannot be readily determined. To judge from the export figures, during the three years in question Argentina enjoyed a favourable trade balance which, in 1953 and again in 1955, exceeded the limit prescribed in the agreement (see again tables 14 and 15). The import figures, on the other hand, show the balance to have been highly favourable to Argentina in 1953 (about 10 million dollars) and to Brazil in 1954 and 1955 (about 14 million dollars and 6 million dollars respectively).

It might be useful at this point to consider the present situation and future prospects of the fruit trade. So far, the fruit trade between Argentina and Brazil in 1956 has been seriously affected by the changes made in Argentina's foreign exchange regulations. When the new regulations came into force, fruit was included among the commodities for which the foreign exchange accruing from exports had to be negotiated in the official market. However, on 6 December 1955 it was transferred to the free market, in which fruit exporters may conduct their transactions at whatever rate of exchange and in whatever currency they and the buyers agree upon. While stimulating Argentina's fruit exports by providing a more favourable rate of exchange, this measure nevertheless adversely affected sales in Brazil, since transactions with that country may be effected solely in agreement-dollars negotiable in Argentina only on the official market. Argentine exporters are thus compelled to raise their prices when selling to Brazil in order to obtain the same amount—in terms of domestic currency—as they do for their exports to other areas.[16]

[15] For the purposes of auctioning of foreign exchange, Brazil at present classifies Argentine fruit in category II (with a minimum premium of approximately 25 cruzeiros). Fruit from other countries is classified in category IV, with a minimum premium of 40 cruzeiros to the dollar. In practice, both premiums are much higher than the stated minima, particularly for category IV. The treatment which Brazil grants to Argentine fruit has not been extended to any other country since it is a concession to an adjacent country from which Brazil receives most of its supplies of foreign fruit.

[16] The exchange rate for foreign exchange negotiated on the official market in Argentina is 18 pesos to the dollar. On the other hand, the exchange rate on the free market has at times exceeded 40 pesos to the dollar. The present rate is slightly over 30 pesos to the dollar.

Moreover, in February 1956 the Brazilian Government suspended auctioning foreign exchange for fruit imports from Argentina and also stopped issuing the necessary licences.[17] This virtually paralysed Argentina's fruit exports to Brazil, which had already declined in January and February in comparison with the same period in 1955. Out of a total of 61,700 tons of fruit exported from Argentina between January and April 1956, only 18,300 tons, or 30 per cent, were exported to Brazil, as compared with 65 per cent in 1955. On the other hand, Argentina's improved competitive position resulted in substantially increased fruit exports to the European countries and the United States. The diverting of exports to the European markets was facilitated, moreover, by the reduction in Europe's fruit crops as a result of bad weather. In Latin America itself, there was an increase in exports to countries like Venezuela which pay for their purchases in dollars.

Brazilian fruit exports to Argentina were greatly affected by devaluation in that country and by the changes in the marketing of bananas,[18] as well as by the want of a price agreement. Subsequently, after exports to Argentina were resumed on the basis of an f.o.b. price of 1.50 dollars per bunch, the Central Bank of Argentina occasionally withheld import permits. Moreover, the importers were reluctant to use any but Argentine and Brazilian ships to carry the bananas.[19] An additional difficulty was the relatively low price ceiling in Argentina for the sale of bananas to the public.[20]

In addition to the immediate difficulties referred to earlier, the fruit trade between Argentina and Brazil is affected by other problems of a more lasting nature, including the system of short-term agreements (which prevents the grower from planning his production on stable bases and creates an element of uncertainty in the market), and the system of irrevocable credit applied to importers in Argentina. The latter particularly affects the banana trade, since the importer is required to make payment for the whole shipment as if it had arrived in good condition. The exporter has subsequently to make restitution to the importer, outside the compensation account, in respect of that part of the shipment which arrived in poor condition.

Both countries appear to have considered the possibility of paying for fruit imports and exports in their respective domestic currencies as a short-term solution for some of the existing difficulties.[21] Another step considered is the conclusion of a fruit agreement based on compensation and extending over an approximately three-year period, with prices to be fixed in advance by the two Governments at regular intervals.

With regard to trade between Argentina and Paraguay, this has been adversely affected by the absence of medium- and long-term agreements and by the prevalence of plant diseases which reduced the output of oranges in Paraguay and hence the volume of exports to Argentina. Moreover, Paraguayan exporters of citrus fruit were unable to compete on the Argentine market owing to price considerations. As a means of solving the problem, Paraguay decided in April 1956 to allow the foreign exchange accruing from fruit exports to be negotiated on the free market at a rate of about 105 guaraníes to the dollar instead of at the official rate in force for exports of other commodities, which is 60 guaraníes to the dollar.

2. Cattle and meat

The downward trend of trade in cattle on the hoof over the past few years among the southern countries of South America continued in 1954 and 1955. The volume of Argentine exports, amounting to only 30,500 tons in 1953 as compared with nearly 71,500 tons in 1950, was reduced further in 1954 and again in 1955 to a little over 19,000 tons and 10,000 tons respectively. The increase in Uruguayan exports to Brazil was not sufficient to make up the loss (see table 16).

As in previous years, the bulk of the trade was represented by Argentine exports of cattle on the hoof to Chile, and it was precisely these exports which declined most sharply, dropping from 25,000 tons in 1953 to a mere 6,500 tons in 1955. Argentine cattle exports to Bolivia, next in order of importance, also

[17] It is not unlikely that, unless an agreement is reached which will end the present situation, Brazil will abolish the preferential treatment granted to Argentine fruit in its foreign exchange classification.

[18] The bulk of Brazil's fruit exports to Argentina consists of bananas. In this country they were imported exclusively through the Argentine Institute for the Promotion of Trade (Instituto Argentino para la Promoción del Intercambio) (IAPI) which effected purchases on the basis of annual contracts under a consignment agreement. Since January 1956 bananas have once again been marketed exclusively through private channels, and the consignment agreement has not been renewed.

[19] Argentine and Brazilian ships can handle only 30 per cent of the bananas exported from Brazil to Argentina. Ships from other countries must therefore be used, but the freight (35 U.S. cents per bunch) must be paid by the Argentine importer with exchange obtained on the free market, whereas exchange for freight payments can be obtained on the official market when Argentine or Brazilian ships are used.

[20] In 1956, in an effort to stimulate fruit exports and to counteract the adverse effects of the Argentine devaluation, the Brazilian Government has considerably improved exchange treatment for such exports, particularly with respect to bananas. For the purpose of auctioning the foreign exchange accruing from banana sales abroad, bananas have been classified in category II, in which, over and above the basic rate of 18.36 cruzeiros to the dollar, the exporter receives a bonus of 18.70 cruzeiros to the dollar for exports to areas having a fully or partially convertible currency, and 17.19 cruzeiros to the dollar for exports to areas covered by agreements, including Argentina. At the beginning of April 1956 bananas were transferred once more to category III, the corresponding bonuses being thereby increased to 24.70 and 22.95 cruzeiros to the dollar respectively. Towards the end of that month, bananas were yet again transferred, this time to category IV (along with all other fruit), in which the respective bonuses were 31.70 and 29.67 cruzeiros to the dollar. Finally, under the revised exchange regulations of 19 May 1956, category IV became category III, and the bonuses were increased to 36.64 and 34.41 cruzeiros to the dollar respectively. In other words, the bonuses for banana exports were doubled within a few months as a result of these various changes, the total number of cruzeiros which the exporter receives for each dollar being increased from 37.06 and 35.55 to 55.00 and 52.77, depending upon whether the fruit is exported to areas having fully or partly convertible currency or to those with which agreement-dollars are used. With respect to exports of fruit other than bananas—formerly classified in category IV—their bonuses were increased when that category became category III under the new regulations.

[21] For further details of this and other devices for the possible solution of the fruit problem, see document E/CN.12/C.1/3, chapter II, section 1 (a), in part I of this volume.

Table 16

ARGENTINA AND URUGUAY: EXPORTS OF CATTLE ON THE HOOF
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Bolivia	4,095	1,520	1,899	1,025	3,316	1,545
Chile	25,349	8,854	17,041	6,561	6,515	1,903
Latin American countries[a]	30,469	11,055	19,222	7,838	10,185	3,902
All countries	30,475	11,056	19,225	7,844	10,185	3,902
Uruguay, exports to:						
Brazil	526	550	3,586	1,691	1,049	632
Paraguay	—	—	45	33	146	81
Latin American countries	526	550	3,631	1,724	1,195	713
All countries	526	550	3,631	1,724	1,195	713
TOTAL EXPORTS TO LATIN AMERICAN COUNTRIES	30,995	11,605	22,853	9,562	11,380	4,615

Sources: Annual statistics and other official data.

Note: Bolivia's registered exports of cattle to Brazil, relatively substantial until 1953, were practically nil in 1954 and 1955. Brazilian statistics (and Bolivian data for certain years only) disclose imports of Paraguayan cattle, often in substantial amounts; however, the export of these cattle is not indicated in Paraguayan statistics.

[a] Other destinations within Latin America are Brazil, Paraguay and Peru. Exports to Peru were on a very minor scale in 1954 and 1955 and much lower than in previous years.

decreased by more than 50 per cent from 1953 to 1954, and despite an increase in 1955 failed to regain their previous level. Argentine exports to other neighbouring countries were also lower.

The sheep trade increased in 1954 compared with 1953, thanks to an expansion of Uruguayan exports to Brazil (which constitute the bulk of the sheep trade among the southern countries of South America), but declined sharply in 1955. The chief reason for the decline was the reduction in Argentine exports to Chile and, to a lesser extent, in Uruguayan exports to Brazil (see table 17).

Table 17

ARGENTINA, CHILE AND URUGUAY: EXPORTS OF LIVE SHEEP
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Chile	4,070	639	4,011	760	957	206
Latin American countries	4,085	683	4,012	795	1,035	262
All countries	4,095	687	4,022	801	1,035	264
Chile,[a] exports to:						
Peru	87	108	35	56	37	56
Latin American countries	87	108	36	68	37	56
All countries	87	108	36	68	37	56
Uruguay, exports to:						
Brazil	1,296	492	4,185	1,850	2,322	962
Latin American countries	1,297	495	4,185	1,850	2,340	965
All countries	1,297	495	4,185	1,850	2,340	965
TOTAL EXPORTS TO LATIN AMERICAN COUNTRIES	5,469	1,286	8,233	2,713	3,412	1,283

Source: Yearbooks of Statistics.

[a] Chilean exports to Peru consisted of sheep for breeding.

With regard to the trade in chilled and frozen meat, Argentine exports in 1954 and 1955 followed a different trend from trade in cattle on the hoof, being higher than in the preceding years, particularly 1953. The reason for this was the substantial rise in exports to Chile, which were practically non-existent until 1952 and only 277 tons in 1953, but amounted to more than 6,500 tons in 1954 and 1955. Chile thus became the main Latin American outlet for Argentine beef, taking the place of Peru. Exports to Peru decreased from 1952 to 1953 and again from 1953 to 1954, but rose slightly in 1955 (see table 18).

Table 18

ARGENTINA AND URUGUAY: EXPORTS OF CHILLED AND FROZEN MEAT[a]
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Chile	277	204	6,757	3,979	6,574	4,780
Peru	6,022	3,170	3,700	1,878	3,776	2,331
Latin American countries[b]	6,395	3,586	10,468	5,885	10,340	7,111
All countries	196,079	94,194	197,660	93,150	194,151	108,711
Uruguay, exports to:						
Brazil	3,123	1,652	6,200	3,091	—	—
Latin American countries[c]	4,285	2,268	6,363	3,276	—	—
All countries	50,371	22,309	51,991	24,206	4,093	2,322
TOTAL exports to:						
Latin American countries	10,680	5,854	16,831	9,161	10,340	7,111
All countries	246,450	116,503	249,651	117,356	198,244	111,033

Source: Official statistics.
[a] Including beef, mutton, pork, and poultry and game.
[b] Including exports to Brazil in 1953 and 1954.
[c] Including exports to Peru in 1953 and to Bolivia in 1954.

On the other hand, Uruguayan exports of chilled and frozen meat to the rest of Latin America, which began in 1952 with a shipment to Brazil, continued only until 1954; there were none in 1955, chiefly because no surplus was available for export. Faced with a shortage of cattle, the Uruguayan frozen meat industry was compelled to restrict its exports, which were subjected to strict quotas that reduced them by more than 90 per cent in relation to previous years.

The decline which has taken place in recent years in registered Argentine exports of cattle on the hoof to Chile continued in 1954 and 1955, despite the fact that cattle and sheep are included in schedule A-1, comprising those Argentine commodities which under the agreement now in force may be exported to Chile without a foreign exchange permit. Although the schedule fixes quotas for the Chilean cattle imports which can be effected under this franchise, the quotas do not constitute any real obstacle, since they are higher than the actual volume traded. The probable reasons for the decline are, first, the growing volume of unregistered exports, which appear to have reached substantial proportions in the past three years,[22] and, secondly, the fact that part of Chile's 1954 and 1955 beef, imports consisted of frozen meat in place of cattle on the hoof.[28] A third reason is the sharp decrease which has occurred in the past few years in Chile's *per capita* consumption of meat as a result of the rise in prices. Other factors in 1955 also had an effect on the trade in cattle on the hoof between the two countries and brought it down to the low level already mentioned. Among these were the delay in preparing the schedules for the second year of the agreement; the problem of price adjustments,[24] which was not settled until April 1956, after purchases had been suspended for several months; the shortage of railway rolling stock for the transportation of cattle; and the fact that more domestic cattle were available for slaughter owing to the winter drought.

These problems also affected the trade in chilled and frozen meat. During the first year of the agreement, the Argentine export quota to Chile of 6,000 tons of beef and 1,000 tons of pork was virtually filled. For the second year of the agreement, the beef quota was raised to 12,000 tons and the pork quota reduced to 600 tons. However, because of the difficulties already mentioned, only a little over 50 per cent of this quota was filled.

Both prices and future price modifications, as well as the conditions of delivery for cattle and meat exported from Chile to Argentina, were fixed in notes appended to the agreement signed by the two countries in February 1954. It was also agreed that, in view of the desire to replace shipments of cattle on the hoof with frozen meat, the Chilean Government would allow Argentine meat to be imported on a scale rising each year and would apply to it the same tariff and exchange regulations as for cattle on the hoof.

Argentina's cattle exports to Bolivia, another important market, are also governed by agreements covering quotas, conditions of delivery, prices, etc., which form part of a régime set up when the Economic Union Agreement between Argentina and Bolivia was signed in September 1954—a régime which is based on the barter of Argentine cattle for Bolivian oil. For the first year of the agreement it was estimated that 5 million dollars' worth of cattle would be bartered for an

[22] A good deal of smuggling of cattle, particularly beef cattle goes on in Latin America, especially in the southern countries, owing, *inter alia*, to the discrepancy, often substantial, between the official exchange rates and the rates on the unofficial or free market.

[23] A ton of meat may be estimated as approximately equivalent to four steers.

[24] These adjustments were proposed by INACO pursuant to the provisions of the notes appended to the agreement of February 1954, whereby cattle prices were to be reviewed on the basis of the agreed prices for the first half of that year and in accordance with meat price fluctuations on the world market.

equivalent amount of oil. A monthly quota of Argentine cattle was established of 800 head of Santa Fe and 1,500 head of Formosa cattle at 270 dollars and 130 dollars per head respectively. In May 1955 the monthly quotas were raised to 1,500 head of Santa Fe and 500 head of Formosa cattle, and the rates reduced to 240 dollars and 110 dollars respectively from 1 April to 31 December 1955. However, statistics show that Argentina's cattle deliveries to Bolivia in 1955 were in fact lower than the agreed quotas, although considerably higher than in 1954.

Argentina's exports of cattle and frozen meat to Chile were resumed, though on a reduced scale, following the settlement of the problem of price adjustments early in 1956 when prices were reduced by about 20 per cent. Imports of sheep and cattle under the agreement were seriously affected by the increase in unregistered trade, estimated at about 25,000 head for the first four months of 1956.[25] At the same time the increase in the value of the agreement-dollar on the free bank market as a result of the revision of the Chilean exchange regulations in April 1956 raised the price of Argentine cattle on the hoof above the Chilean price. Other factors are the lack of funds available to official organizations for the financing of cattle purchases and the fact that domestic cattle are plentiful on the market as a result of credit restrictions and the unfavourable weather conditions referred to earlier. Hence, only the northern countries' imports of Argentine cattle are normal, the area having virtually no other source of supply. As long as these factors prevail, imports by the central zone will be seriously affected.

Frozen meat imports were suspended in Chile with the termination of the customs duty exemption previously granted. Since frozen meat is now subject to the same regulations as cattle on the hoof and the franchise in question is no longer granted, prices on the Chilean market are too high. However, the Chilean Government has decided to make these exemptions available again for one year as from 1 August 1956. In that connexion, the Chilean National Trade Institute (*Instituto Nacional de Comercio*) (INACO) had already placed contracts in Argentina for the purchase of 6,000 tons of frozen meat, and it is expected in official quarters that this organization will purchase another 6,000 tons to fill the quota prescribed under the agreement, since, at the same rate of exchange, frozen meat works out cheaper than fresh meat from imported cattle. On the other hand, because of the price factor, INACO is unlikely to purchase frozen meat from the United States as provided for in the agreement on agricultural surpluses signed with the United States early in 1956, and involving 3.7 million dollars, the equivalent of 6,000 tons.

With respect to Argentina's cattle and meat exports to other neighbouring countries, the improvement in its livestock situation will presumably make it possible for Argentina to supply all their requirements.[26] It is already expected that higher export quotas for Argentina will be fixed during the next revision of its agreement with Bolivia. In recent years the quotas have been generally lower than Bolivia has requested.[27] An agreement was reached with Uruguay in February 1956 whereby Argentina will provide the Uruguayan meat-packing industry with 60,000 head of cattle for canning purposes The cattle will be paid for in Uruguayan currency, although the sale was deemed to be a loan, since the cattle may be returned by Uruguay when its own livestock population is again built up. With this end in view, negotiations are under way to allow Uruguayan cattle-breeders to import cows from Argentina. In addition, an export quota of 10,000 head of cattle to Peru was authorized in April 1956, although Peru may reduce its imports of cattle and meat during the remainder of the year, as a result of the drought which caused an increase in the number of animals slaughtered.

Finally, it is now expected that, when the trade agreement between Argentina and Paraguay is renewed, Argentine exports of beef cattle to Paraguayan meat-packing plants in the vicinity of the frontier will be resumed. Although these plants are in a better position now that more domestic cattle is available in Paraguay, the San Antonio and Bovril plants were set up as natural outlets for cattle surpluses from the Formosa area of Argentina. Provisions are therefore expected to be included in the revised trade agreement which would enable these plants to use Argentinian cattle on the basis of an agreement for the joint negotiation of the resulting foreign exchange proceeds which would give them a reasonable return. The tinned meat from these plants would be exported chiefly to the sterling area.

Under the foreign exchange regulations governing Argentina's cattle and meat exports, these are effected through the official market up to the official base value (which for these products is higher than the actual price), and are subject to a deduction of 15 per cent in the case of breeding cattle and meat and 25 per cent for beef cattle, sheep and pigs. Moreover, exports of these three types of livestock have since March 1956 been subject to payment of a provisional differential of 60 centavos per kilogramme on the hoof.

The tendency in Argentina's policy regarding cattle and meat exports is to replace the quota system by free exports, the only condition being the fixing of official base values or of prices in the case of transac-

[25] Under the exchange regulations at present in force in Argentina, proceeds from exports of cattle and sheep are negociated on the official market, subject to a deduction of 25 per cent and a provisional differential of 60 centavos per kilogramme on the hoof for slaughter animals. This means that the exporter receives only 13.50 Argentine pesos to the dollar (less the differential mentioned above) if he exports his cattle through the regular channels, whereas from unregistered trade he receives much more—at times over 40 pesos to the dollar. Moreover, under these conditions the Argentine exporter can then offer his cattle at a price below the official base value and thus compete favourably on the Chilean market, at the same time avoiding the difficulties created for the sale of cattle by the relatively high official base values for such exports.

[26] It may be pointed out that cattle and meat, like wheat, are among the few important commodities exported by Argentina to other southern Latin American countries which can be traded without the problems arising from the use of agreement-dollars as the trading is conducted by official organs.

[27] According to some sources, the monthly quotas have apparently already been increased as from April 1956 to 750 head of Formosa cattle and 2,250 head of Santa Fe cattle.

tions in which official institutes take part. This policy has been facilitated by the increase in cattle supplies on Argentine markets.

3. Edible fats and oils

Few commodities in inter-Latin-American trade have fluctuated so markedly in recent years as edible fats and oils. The volume had reached a high level in 1953 (about two-and-a-half times higher than the average for the five-year period 1946-51), but fell off severely in 1954 and even more in 1955. The greatest decrease took place in edible oils, and its main cause was the drop in exportable surpluses in Argentina, by far the largest, and for some items almost the only, Latin American source of fats for the traditional importers of the area.

This decline in exportable surpluses of fats and oils in Argentina had begun some years earlier,[28] but up to the end of 1953 it mainly affected Argentina's exports outside Latin America, while at the same time there was a shift in favour of Latin American markets. In 1950 total exports reached almost 119,000 tons of oils and 45,000 tons of fats, of which only 6 per cent and 12 per cent respectively were for other parts of Latin America. In 1953, on the other hand, out of total sales abroad of only 24,450 tons of edible oils and 12,062 of fats, 20,094 tons and 11,281 tons respectively were absorbed by other Latin American countries. In the two following years these countries received almost the whole of Argentina's by then relatively small exports of fats and oils (see table 19).

Table 19

SOUTH AMERICA: EXPORTS OF EDIBLE FATS AND OILS FROM SELECTED COUNTRIES

(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
A. *Edible oils*						
Argentina[a], exports to:						
Brazil	184	200	304	363	1	1
Chile	19,473	8,910	2,609	1,194	36	35
Paraguay	60	72	361	359	364	359
Latin America[b]	20,094	9,422	3,290	1,933	416	409
All countries	24,450	11,026	4,188	2,247	416	409
Uruguay, exports to:						
Paraguay	757	354	733	343	—	—
Latin America[c]	764	356	896	422	—	—
All countries	8,455	2,557	3,362	1,082	—	—
B. *Edible fats*[d]						
Argentina, exports to:						
Bolivia	—	—	167	60	104	94
Brazil	7,943	6,403	634	449	1,444	881
Chile	2,297	1,571	9,969	6,151	2,158	1,528
Peru	1,040	864	794	553	1,250	830
Latin America[e]	11,281	8,838	11,564	7,213	5,471	3,730
All countries	12,062	9,028	11,595	7,280	5,471	3,730
C. *Butter*						
Argentina, exports to:						
Chile	890	1,483	1,724	2,277	219	210
Peru	356	590	803	1,056	923	965
Latin America[f]	1,280	2,172	2,553	3,370	1,344	1,438
All countries	15,000	17,645	15,374	15,133	10,107	9,317

Sources: Statistical year-books and other data from official sources.

[a] The figures for Argentina are based on data for eleven months of the year.

[b] Including exports to Bolivia, which were fairly substantial up to the end of 1953.

[c] Including exports to Peru and Brazil in 1954.

[d] There were no exports of fats from Uruguay in 1954 or 1955.

[e] Including the export of rather more than 500 tons to Paraguay in 1955.

[f] Argentina also exported small quantities of butter to Bolivia, Brazil and Paraguay; in 1955, 164 tons were exported to Uruguay.

[28] Argentina's production of edible oils dropped considerably as a result of a sharp decline (almost 75 per cent from 1951 to 1955) in sunflower seed production, together with a reduced peanut harvest (see table 20). Argentina's production of edible fats was affected by the falling-off in the number of cattle slaughtered from 1951 onwards, and by the breeding of a leaner type of cattle, a process caused or encouraged by the Government price policy. In addition there was probably some substitution of fats for oils in diet because of the scarcity of the latter.

Table 20

SOUTH AMERICA: PRODUCTION OF OIL SEEDS IN SELECTED COUNTRIES
(Thousands of tons)

Country	1953	1954	1955
Cotton-seed			
Argentina	238.2	257.8	220.6
Brazil	695.0	741.7	765.5
Paraguay	23.7	25.7	25.0
Peru	145.9	157.9	139.6
TOTAL	1,102.8	1,183.1	1,150.7
Sunflower seed			
Argentina[a]	428.3	344.8	282.8
Chile	55.8	75.2	67.8
Uruguay	91.7	81.4	68.0
TOTAL	575.8	501.4	418.6
Peanuts			
Argentina	204.0	169.7	118.0
Brazil	146.5	168.0	218.9
Paraguay	10.0	9.9	10.0
Uruguay	3.9	5.7	6.0
TOTAL	364.4	353.3	352.9

Sources: Statistics and estimates from official sources.
[a] Production in Argentina had exceeded a million tons in some previous years, having amounted to 930,000 tons in 1948, 1,088,000 in 1949, and 1,021,000 in 1951; it then dropped to 692,000 tons in 1952.

The sharp drop in the production of edible oils not only led to the reduction of exports, but forced Argentina to prohibit them altogether, and to resort to the importation of considerable quantities, a course which had not been followed since pre-war times. In 1954 almost 12,000 tons[29] were imported and in 1955 more than 50,000 tons (see table 21), the imports consisting of cotton-seed oil, nearly all from the United States.[30]

Chile was the principal market for Argentine exports of edible oils in 1953 and 1954 and of fats in 1954 and 1955. In the case of oils this seemed to suggest that Chile might regain the position held prior to 1952, when it was the largest purchaser of Argentine oils in Latin America.

For Argentina's exports of fats, on the other hand, the Chilean market (like the Brazilian) did not become important until recent years, when the traditional Latin American markets (Peru and Bolivia), were relegated to secondary positions. This was especially true in Bolivia's case.

The main reason for the diversion to Chile of Argentine exports of edible fats, including butter, was undoubtedly the Trade and Finance Agreement of February 1954 between Argentina and Chile. The schedules drawn up for the first year that the agreement was in force included, among the Argentine products that could be exported to Chile without an exchange permit, lard, edible beef fat and butter, to estimated values of 100,000 dollars, 95,000 dollars and 500,000 dollars respectively. But in response to an unusually high demand from Chile, and to the trading facilities granted, exports of edible fats from Argentina to Chile in 1954 exceeded the estimates. The actual figures were 4,000 tons of lard, with a value of nearly 3.5 million dollars; 3,100 tons of edible beef fats and tallow, with a value of 1.5 million dollars, and something over 1,700 tons of butter, with a value of 2.3 million dollars. This represented a total value of 7.3 million dollars,[31] compared with an estimate in the Agreement schedules of barely 700,000 dollars.

Apparently in the belief that such a heavy increase in the imports of fats had affected the marketing and prices of similar products in Chile, the Chilean authorities, in drawing up the schedules for the second agreement-year, fixed the quotas for imports without an exchange permit at 2,500 tons for lard and 900 for butter.[32] In the case of edible beef fat the increasing scarcity of exportable surpluses in Argentina made it necessary to include this item without any quota or estimated value, but with the designation "p.m.", meaning that the trade in this product would have to depend on how much it was possible for Argentina to export.

Owing to these restrictions, to the frequent increases in the prices quoted for Argentine lard and tallow, and to the effect of the Argentine currency reform of October 1955 on the trade in fats with countries with which it was necessary to deal in units of account, exports of these products to Chile dropped sharply in 1955, amounting to only 2,158 tons of edible fats[33] and butter. On the other hand, during the same year there was some recovery in the export of fats from Argentina to Brazil and Peru.

Uruguay, normally an exporter of edible fats and oils to non-Latin-American markets,[34] found itself in much the same situation as Argentina, with a pronounced decline in production and in exportable surpluses of both oils and fats.[35] Nevertheless, none of this has had as much effect on inter-Latin-American trade as the drop in production in Argentina, since Uruguay's exports of fats and oils to the other countries in the area are relatively small.

[29] Other sources give a figure as high as 20,000 tons.

[30] In 1955 Argentina obtained from the United States 30,000 tons of cotton-seed oil purchased directly for dollars, together with 19,400 tons (with a value of 5.7 millions dollars) obtained under an agreement for the purchase of United States farm surpluses signed in April of that year. By a similar agreement of December 1955 another 80,000 tons of cotton-seed oil were obtained for delivery during 1956. The value in this case was 24.7 million dollars. (See again table 12.)

[31] The figures for Argentina's exports to Chile given in table 8 also include 2,460 tons of edible mutton fat and tallow (with a value of 1.15 million dollars) which in Chile are considered as commercial tallow and are used in soap manufacture.

[32] With an estimated value of 1.25 million dollars and 700,000 dollars respectively.

[33] Mainly lard.

[34] With a few exceptions, such as its exports of edible oils to Paraguay, and in much smaller quantities to Peru and Brazil, in 1953 and 1954.

[35] This was due to the lower production of sunflower seed, the country's principal source of edible oils, and a falling-off in the slaughter of animals attributable both to a shortage of slaughter stock and to strikes in the packing plants. Uruguay exported no edible fats in 1954 and 1955 (their export having been prohibited in the latter year), and no oils in 1955. There is some prospect that the situation may improve in 1956, but not to any great extent.

Table 21

SOUTH AMERICA: IMPORTS OF EDIBLE FATS AND OILS IN SELECTED COUNTRIES

(Volume in tons; value in thousands of dollars)

Importer country	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
A. *Edible fats and oils, excluding butter*						
Argentina — Total	—	—	11,919	3,061	50,475[a]	...
From Latin America	—	—	14	12	1,075[b]	890[b]
Brazil — Total	17,557	12,570	25,749	15,416	10,607	8,300
From Latin America	7,541	4,297	26	20	1,300	560
Chile — Total	21,353	9,235	26,488	11,179	20,422	7,169
From Latin America	11,146	4,705	22,681	9,877	4,364	2,112
Bolivia — Total	6,286	3,816	5,478	3,003	4,401	1,822
From Latin America	3,848	3,037	...	...	...	...
Paraguay — Total	664	1,049	...	...	...	...
From Latin America	655	1,028	...	...	1,296	482
Peru — Total	9,832	3,128	5,934	2,571	12,501	4,204
From Latin America	1,101	415	708	276	1,490	448
B. *Butter*						
Peru — Total	1,035	946	1,560	1,571	1,921	1,728
From Latin America[c]	788	668	833	770	1,076	878
Chile — Total	1,016	1,219	...	...	...	...
From Latin America[c]	1,016	1,219	1,589[d]	1,775[d]	381[d]	347[d]

Sources: Statistical yearbooks and other data from official sources.

[a] These figures cover purchases of cotton-seed oil from the United States, and the exports of edible oils to Argentina shown in Paraguay's 1955 statistics.

[b] From the statistics of Paraguay on exports to Argentina.

[c] From Argentina alone.

[d] Figures corresponding to credits opened in Chile for the importation of butter from Argentina under the Agreement in force, and relating to the first and second years of the agreement (March 1954-February 1955 and March 1955-February 1956).

A recent feature worthy of note in connexion with the supply of edible oils and fats to the southern countries of South America, apart from the sharp decline in the resources of Argentina and Uruguay in these products (particularly in edible oils)—and partly as a consequence of this decline—is the inclusion of ever-increasing quantities of these products in agreements concluded by various countries with the United States in connexion with the purchase of United States farm surpluses (see again table 12). It has already been mentioned that Argentina, under agreements signed in April and December 1955, purchased cotton-seed oil from the United States.[36] In the same way Chile obtained some 7,300 tons of cotton-seed oil in 1955 and expected to receive 36,000 tons in 1956, in addition to 1,500 tons of lard and 2,500 tons of edible animal tallow. Brazil agreed to take 5,000 tons of lard; Peru 10,000 tons of cotton-seed oil and soya-bean oil; Paraguay 825 tons of edible oil and 575 tons of lard, and Colombia and Ecuador 6,400 and 4,540 tons respectively of cotton-seed oil, to be imported at the end of 1955 or during 1956. To this should be added fats and oils sent by the United States to Bolivia between July 1954 and June 1956 to a value of almost 4 million dollars, either as aid or in exchange for local currency to be used to finance defence programmes or economic development; and account should also be taken of smaller quantities of oil and butter sent to various Latin American countries (see again table 13).

[36] See footnote 30 above.

It should be pointed out that, as stipulated in the agreements on the sale of United States farm surpluses, purchases of oils and fats in exchange for local currency have to be accompanied by direct dollar purchases of these products, in amounts corresponding to the normal purchases from the United States in earlier years.

Up to middle of 1956 the principal obstacle to the revival of the intra-regional trade in edible oils continued to be the shortage of exportable surpluses in Argentina. Nevertheless, a substantial improvement may be looked for, since in response to better prices the area sown with sunflower seed in 1955/56 was about 150 per cent greater than in 1954/55. Although the harvest will be less than originally hoped for, it is still expected to be double the preceding crop. If to this are added a 25 per cent increase reported in the ground nut harvest, a slight increment in that of cotton-seed, and the import of 80,000 tons of oils from the United States, it can be anticipated that the exportable surpluses ef edible oils in Argentina for 1956 will exceed 100,000 tons (see table 22), which may perhaps induce the Government to lift its ban on exports.[37] Moreover, the output of edible oils in Uruguay is expected to be somewhat higher than in 1955.

[37] It was reported in mid-1956 that Argentina had sold 500 tons of semi-refined sunflower oil to Paraguay, at the price of 350 dollars a ton f.o.b. in bulk.

Table 22

ARGENTINA: PRODUCTION, AVAILABILITIES AND DISTRIBUTION OF EDIBLE OILS EXCLUDING OLIVE OIL
(Thousands of tons)

	1954	1955	1956a
A. *Sunflower seed oil*			
Availabilities			
Stocks[b]	10	10	5
Production	78	75	158
TOTAL	88	85	163
Distribution			
Internal consumption	76	80	65
Exports	2	—	
			98
Stocks[c]	10	5	
TOTAL	88	85	163
B. *Peanut oil*			
Availabilities			
Stocks[b]	45	15	10
Production	55	34	46
TOTAL	100	50	56
Distribution			
Internal consumption	83	40	40
Exports	2	—	
			16
Stocks[c]	15	10	
TOTAL	100	50	56
C. *Cotton-seed oil*			
Availabilities			
Stocks[b]	5	20	20
Production	30	23	25
Imports	20	50	80
TOTAL	55	93	125
Distribution			
Internal consumption	35	73	60
Exports	—	—	
			65
Stocks[c]	20	20	
TOTAL	55	93	125
D. *Total*			
Availabilities			
Stocks[b]	60	45	35
Production	163	132	229
Imports	20	50	80
TOTAL	243	227	344
Distribution			
Internal consumption	194	193	165
Exports	4	—	
			179
Stocks[c]	45	35	
TOTAL	243	227	344

Sources: Foreign Crops and Markets, 21 May 1956.
[a] Estimates.
[b] 1 January.
[c] 31 December.

Nevertheless it is not likely that Latin America will provide an extensive market for edible oils from Argentina in 1956. In fact, as already mentioned, Chile expects to receive 36,000 tons of cotton-seed oil in 1956 from United States surpluses, and in addition has already obtained some 13,000 tons of semi-refined oil by direct dollar purchases. These quantities will more than cover the Chilean shortage of this product in the current year, since they greatly exceed the normal imports. Similarly Bolivia and Peru have also received edible oils from United States surpluses in sufficient quantity to fill their needs, while Brazilian imports of oils from Argentina have always been small.

In the case of edible fats, the situation varies according to the particular product. There is no great problem relating to exportable surpluses of lard in Argentina, but there is a price problem, due mainly to the exchange reform. As explained above, the export of lard to Chile has been made difficult through the quotation of excessively high prices. Since authorization was given in April 1956 to negotiate on the free market the whole of the foreign exchange obtained from the export of lard, there has been a further price rise in terms of units of account for sales payable in agreement-dollars.[38] This particularly affects sales to Chile and Brazil, although it has made it possible to lower prices in terms of dollars and thus to encourage sales to countries trading in that currency. This is the case, for instance, as regards the export of lard to Peru, which Argentina was able to effect (as soon as it had been transferred to the free market) at prices as low as 228 dollars a ton. If the problem created by the use of agreement-dollars could be solved, it is estimated that Argentina could sell to Chile all the lard that country needs (approximately 3,000 tons a year) at a cost lower than that of lard coming from the United States, quite apart from the fact that Argentina also benefits from a preferential tariff arrangement.[39] Nevertheless it should be noted that the quota under the current agreement limits the export of Argentine lard to Chile to 2,500 tons a year, and that in 1956 Chile will probably receive some 1,500 tons of lard and 2,500 tons of edible animal tallow from United States surpluses and a further 540 tons of lard by direct dollar purchase. Much the same holds

[38] As already pointed out, agreement-dollars can be negotiated in Argentina only on the official market; for this reason an exporter gets only 18 pesos for each agreement-dollar, a much lower rate than can be obtained for other foreign currency in the free market. The exporter makes up for this loss on his agreement-dollars by increasing his prices.

[39] By virtue of articles 2 and 3 of the Trade Treaty concluded between Argentina and Chile on 3 June 1933, various Argentine products, including edible fats, lard and butter, were exempted from the additional charges imposed by the Chilean customs in compensation for currency depreciation. When the treaty was signed, the sixpenny gold peso used in the customs tariff for purposes of conversion into existing currency was subject to a surcharge of 100 per cent. That surcharge has now risen to 9,760 per cent. As the non-application of the surcharge for currency depreciation is a contractual benefit exclusive to Argentina, and therefore does not apply for purposes of the most-favoured-nation clause, the import of edible fats from the United States would mean a much higher price to the Chilean consumer than if they were obtained from the neighbouring country. Taking edible fat as an example, while the duty on fats from Argentina would amount to about 9 Chilean pesos per kilogramme, the product from the United States would be dutiable at the rate of about 110 pesos.

true for exports to Brazil and Paraguay, which would rise sharply if a solution could be found to the problem of the agreement dollar, although here again purchases by these countries of United States surpluses[40] might have an inhibiting effect.

It appears that Argentina now has sufficient availabilities in edible beef fat to increase its exports to neighbouring countries. In fact exports are once again being made to Chile, although the volume is comparatively small. Here, as in respect of exports to Brazil and Paraguay, the use of agreement-dollars is not such a stumbling-block as it is in the case of lard, since only the foreign currency obtained over and above the official base value set by Argentina can be sold on the free market. In any case this difficulty has been removed by a decision of the Central Bank of Argentina[41] providing that, when an official base value has been set for a product and it is sold for agreement-dollars to adjacent countries, the additional amount of such units of account obtained because the purchase price is higher than the official base value may be exchanged through the commercial banks by the exporter for foreign currency of limited convertibility at a rate fixed in relation to the quotation for United States dollars. This appears likely to encourage the export to adjacent countries of beef fat and other products for which an official base value has been set for exports. But this system does not apply to agreement-dollars obtained for products for which no official base value has been set, which is the case with lard.

Exports of edible beef tallow, as of mutton fats and tallow, are likewise hampered by the shortage of exportable surpluses. If this shortage were to disappear, exports for agreement-dollars would be affected in the same circumstances as in other areas, since this product has an official base value set for it, and is therefore governed by the system outlined above.

Lastly, as regards butter, Chilean imports from Argentina became practically impossible after the devaluation in Chile; when the exchange rate for agreement-dollars with Argentina was raised, the price of butter went up considerably. There was also a duty of 260 Chilean pesos per kilogramme on imported butter to encourage domestic milk production, while the maximum retail price in Chile was fixed at 640 Chilean pesos per kilogramme. Argentine butter was thus priced out of the market and could not be exported to Chile. But when the maximum price was abolished at the beginning of September 1956 and the price of butter in Chile almost doubled in a few days, the import of Argentine butter not only became possible but received such an impetus that orders for increasing amounts began to be placed at once. In these circumstances it appears that Argentina will be able to meet the whole of Chile's deficit in this product.

Table 23

ARGENTINA AND URUGUAY: EXPORTS OF WHEAT[a]
(Volume in thousands of tons; value in thousands of dollars)

Countries of origin and destination	*1953*		*1954*		*1955*[b]	
	Volume	*Value*	*Volume*	*Value*	*Volume*	*Value*
Argentina, exports to:						
Bolivia	14.1	1,375	—	—	—	—
Brazil	1,177.2	128,347	767.3	68,682	1,233.3	92,255
Chile	88.8	8,948	262.7	17,819	127.7	8,258
Paraguay	48.0	6,134	57.3	5,737	71.4	5,877
Peru	102.0	8,632	181.4	12,253	131.0	8,106
Latin American countries	1,430.5	153,472	1,268.7	104,491	1,563.6	114,505
All countries	2,535.9	244,774	3,041.9	215,469	3,676.5	255,297
Uruguay, exports to:						
Brazil	44.0	4,815	256.9	24,242	271.0	23,847
Paraguay	26.0	3,121	18.6	2,098	0.5	52
Peru	—	—	5.6	316	53.7	3,228
Latin American countries	70.0	7,936	281.1	26,656	325.2	27,127
All countries	70.0	7,936	334.0	29,693	515.1	37,895
TOTAL, exports to:						
Bolivia	14.1	1,375	—	—	—	—
Brazil	1,221.2	133,162	1,024.3	92,924	1,504.3	116,102
Chile	88.8	8,948	262.7	17,819	127.7	8,258
Paraguay	74.0	9,255	75.8	7,835	71.9	5,929
Peru	102.0	8,632	186.9	12,569	184.7	11,334
Latin American countries	1,500.5	161,408	1,549.8	131,147	1,888.8	141,632
All countries	2,605.9	252,710	3,375.9	245,162	4,191.6	293,192
Percentage of exports to Latin America over total exports	57.6	63.9	45.9	53.5	45.1	48.3

Source: Official statistics and estimates.

[a] Includes wheat-flour in terms of wheat.
[b] Provisional figures.

[40] 5,000 tons in the case of Brazil. The 575 tons bought by Paraguay are enough to cover import needs.
[41] See circular dated 18 July 1956.

As in the case of beef fat, foreign currency produced by the export of butter can be negotiated at the official rate up to the amount of the official base value, and above that value at the free rate. If sales are made for agreement-dollars, these can be exchanged for foreign currency of limited convertibility at a rate of exchange equivalent to the quotation of the dollar on the free market.

At the end of 1955 and the beginning of 1956, Argentine prices for fats were too high both in the Chilean market and in other southern countries of South America, owing to the necessity of dealing in agreement-dollars, and also because from April 1956 onward Chile could import these products from whatever source it wished. To these factors which helped to discourage the demand for edible fats from Argentina must be added the existence of some smuggling through the mountain passes in the south.

4. Wheat and wheat flour[42]

In 1954 and 1955 the trade in wheat and wheat flour among the southern countries of South America, which comprises almost the whole of the inter-Latin-American trade in these products, reached record levels in volume, though its value was somewhat less than in 1953 because of the lower prices quoted by Argentina and Uruguay in sales to neighbouring countries.[43] Indeed, exports of wheat and flour from these two countries to the rest of Lain America amounted in 1954 to almost 1.55 million tons and in 1955 to nearly 1.89 million tons, as compared with an average of something under 1.2 million tons for the period 1934-1938, and 834,000 tons for the period from 1946 to 1951 (see table 23).

This increase in the volume of the wheat trade is due on the one hand to expanded production in the two exporting countries mentioned, and to increased consumption in the importing countries, and on the other hand, to the existence of trade agreements and sales contracts, or barter arrangements.

Wheat production in the seven southern countries of South America reached the maximum figure of 10,683,500 tons in 1955, an increase of more than 40 per cent over the average yearly production for the periods 1934-1938 and 1949-51 (see table 24).

Table 24

SOUTH AMERICA: WHEAT PRODUCTION IN SEVEN COUNTRIES
(Thousands of tons)

Country	*Average 1934–1938*	*Average 1949–1951*	*1953*	*1954*	*1955*	*1956*	*Average 1954–1956*
Argentina	6,127.7	5,380.0	7,633.7	6,200.0	7,690.0	5,250.0	6,380.0
Bolivia	33.0	28.0	20.0[a]	20.0[a]	20.0[a]	20.0[a]	20.0[a]
Brazil	144.2	458.3	689.5	771.7	871.3	982.9	875.3
Chile	849.9	904.4	989.2	928.4	1,077.6	951.5	985.8
Paraguay	1.0	1.2	1.6	1.0[a]	1.0[a]	1.0[a]	1.0[a]
Peru	76.3	143.2	168.7	162.5	170.0	150.0[a]	160.8
Uruguay	360.7	468.3	462.5	818.6	853.6	825.0[a]	832.4
Total	7,592.8	7,384.4	9,965.2	8,902.2	10,683.5	8,180.4	9,255.3

Source: Official data and estimates.
[a] Estimates.

Although 1954 production was over a million tons lower than that of 1953, mainly owing to the fall in Argentina's production, the latter country had to devote a large part of the 1953 crop to re-establishing the normal level of its stocks, which had been all but exhausted owing to the low production in 1952. On the other hand, since Uruguayan production rose by almost 80 per cent from 1953 to 1954, the stocks available for export from both countries increased substantially between those two years. There was a similiar increment between 1954 and 1955, attributable in this instance to the record crop (see table 25).

[42] The term "wheat" in this section includes wheat flour as far as trade is concerned.

[43] The average f.o.b. price per ton for wheat sold by Argentina to Brazil was 112 agreement-dollars in 1953, 81 in 1954, 71.25 in 1955 and 61.90 for the first delivery in 1956. The price of wheat sold by Argentina to Chile dropped from 70 agreement-dollars per ton in 1954 to 62.25 in 1955. Uruguay sold wheat to Brazil at 71.25 agreement-dollars per ton in 1955 and 59.30 in 1956.

Table 25

ARGENTINA AND URUGUAY: PRODUCTION, CONSUMPTION, STOCKS AND EXPORTS OF WHEAT
(Thousands of tons)

	Argentina			*Uruguay*			*Total*		
	1953	*1954*	*1955*	*1953*	*1954*	*1955*	*1953*	*1954*	*1955*
Stocks on 1 January	160.8	1,111.6	1,100.0	...	102.0	206.0	...	1,213.6	1,306.0
Production	7,633.7	6,200.0	7,690.0	462.5	818.6	853.6	8,096.2	7,018.6	8,543.6
Total availabilities	*7,794.5*	*7,311.6*	*8,790.0*	...	*920.6*	*1,059.6*	...	*8,232.2*	*9,849.6*
Exports	2,535.9	3,041.9	3,676.5	70.0	334.0	515.1	2,605.9	3,375.9	4,191.6
Apparent consumption	4,147.0[a]	3,169.7	3,189.5	...	381.1	417.9	...	3,550.8	3,607.4
Stocks on 31 December	1,111.6	1,100.0	1,924.0	102.0	206.0	130.4	1,213.6	1,306.0	2,054.4

Estimates for 1956

	Argentina	*Uruguay*	*Total*
Stocks on 1 January	1,924.0	130.4	2,054.4
Production	5,250.0	825.0	6,075.0
Total availabilities	*7,174.0*	*955.4*	*8,129.4*
Estimated consumption	3,500.0	400.4	3,900.4
Normal reserves	1,000.0	80.0	1,080.0
Exportable surplus	2,674.0	475.0	3,149.0
Probable exports to Latin America	1,120.0[b]	340.0	1,460.0[b]

Source: Official data and estimates.
[a] Including replacement of stocks held by flour mills and other commercial and industrial enterprises.
[b] Including more than 80,000 tons of wheat shipped by Argentina to Chile in 1956 as a result of sales made in 1955.

Table 26 shows how the imports of Latin American countries with a wheat deficit increased from 1953 to 1955 and the growing part played during that period by wheat from Argentina and Uruguay, which in 1955 amounted to 82.5 per cent of wheat imports as compared with 59.5 per cent in 1953.

Table 26

SOUTH AMERICA: WHEAT IMPORTS IN SELECTED COUNTRIES[a]
(Thousands of tons)

	Bolivia	*Brazil*	*Chile*	*Paraguay*	*Peru*	*Total*	*Percentage*
1953							
From Latin America	8.6	1,149.5	1.6	48.4	71.1	1,279.2	59.5
From the rest of the world	78.5	508.3	93.3	2.1	188.4	870.6	40.5
TOTAL	87.1	1,657.8	94.9	50.5	259.5	2,149.8	100.0
1954							
From Latin America	—	1,026.1	202.8	57.3	206.7	1,492.9	65.6
From the rest of the world	95.7	620.0	16.5	—	49.9	782.1	34.4
TOTAL	95.7	1,646.1	219.3	57.3	256.6	2,275.0	100.0
1955							
From Latin America	—	1,623.8	183.0	69.1	193.6	2,069.5	82.5
From the rest of the world	77.0	231.0	19.9	—	112.3	440.2	17.5
TOTAL	77.0	1,854.8	202.9	69.1	305.9	2,509.7	100.0
1956[b]							
From Latin America	—	1,120.0	230.0	50.0	140.0	1,540.0	54.2
From the rest of the world	80.0	880.0	130.0	30.0	180.0	1,300.0	45.8
TOTAL	80.0	2,000.0	360.0	80.0	320.0	2,840.0	100.0

Source: Official statistics and ECLA estimates.
[a] Including wheat-flour in terms of wheat.
[b] Estimates.

As in former years, sales by Argentina to Brazil accounted for the bulk of the wheat trade among the southern countries of South America. These sales are generally made on the basis of yearly contracts. In the contract concluded between the two countries at the beginning of 1953 it was agreed that 1.2 million tons should be exported for that year, at 112 agreement-dollars per ton. The following year the signing of the contract was delayed for various reasons until the end of June, and, as a result, purchases were limited

to 750,000 tons of grain and 26,250 of flour, at 81 and 113.50 agreement-dollars per ton respectively, f.o.b. Argentine ports. In January 1955, a new transaction was agreed upon, comprising a contract for the sale in 1955, 1956 and 1957 of 1.2 million tons of grain per year, within the terms of the trade and payments agreements in force. An important feature of this contract is that the full quantity must be delivered, provided the annual exportable surplus of Argentina is 3 million tons or more; if it should be less, the Government of Argentina must make every effort to supply as much as possible of the quantity agreed upon, undertaking in any case to sell to Brazil at least 30 per cent of the surplus. For its part, the Brazilian Government "during any year that this agreement is in effect shall be released from the engagement to buy any part of the 1.2 million tons of wheat which cannot be absorbed by the resources resulting or expected to result during that year from Argentine purchases on the payments-agreement account in force between the two countries".

It was agreed that the price of the wheat to be shipped in 1955 would be 71.25 agreement-dollars per ton, f.o.b. Argentine ports; that approximately 100,000 tons would be shipped per month; and that Brazil would import 48,000 tons of wheat grain, or 4 per cent of the total for the year, in the form of flour, to be deducted from the total. The price of the flour would be computed on the basis of the price fixed for wheat grain, at an extraction index of 70 per cent.

To judge by Argentine statistics, both the 1954 and the 1955 agreements were fully implemented, with exports of wheat and wheat flour amounting to 767,300 tons in 1954 and 1,221,800 tons in 1955.

Argentina's exports to Chile were much greater in 1954 and 1955 than in earlier years (see table 23). This is due largely to the trade and payments agreement concluded between the two countries in February 1954. Wheat to a quantity of 250,000 tons and wheat flour up to 5,000 tons are included in the schedule for the year 1954 of products exportable to Chile which do not require an exchange permit. The wheat exports, estimated at a value of 17.4 million dollars, were considered to be the counterpart of shipments to Argentina of Chilean iron and steel to the same value, also included in the schedule of products not requiring exchange permits. In addition, it was agreed, by an exchange of notes, to amend the terms of a contract for the sale of wheat concluded between the Argentine Institute for the Promotion of Trade (IAPI) and the Chilean National Trade Institute (INACO) in June 1953, for a quantity of 200,000 tons. The price of the wheat, which had been fixed at 100 dollars per ton f.o.b. Buenos Aires, was reduced to 73 dollars for the 95,000 tons already shipped and to 70 dollars for the 105,000 tons awaiting shipment. With the addition of a further purchase made subsequently by INACO from IAPI, the total quantity of wheat to be delivered after February rose to 215,000 tons.

The full quota of wheat and flour agreed upon for 1954 was exported. According to Argentine statistics, 262,700 tons were exported to Chile as compared with 88,800 tons in 1953 and considerably less in earlier years. In the schedules for the second year of the agreement,[44] the amount of Argentine wheat to be exported to Chile was reduced to 200,000 tons and the amount of wheat flour was fixed at 5,500 tons, inasmuch as Chilean needs were estimated to have decreased, both because of increased domestic production and because of an agreement Chile concluded with the United States in January 1955 for the purchase of farm surpluses, which included some 33,000 tons of wheat (see again table 12). In September 1955, INACO concluded an agreement with the National Grain Institute (Instituto Nacional de Granos) (ING) in Argentina for the purchase of 150,000 tons of wheat at 62.25 agreement-dollars f.o.b. per ton. Some 70,000 tons of that quantity were delivered by the end of 1955, bringing the total exports for that year to 128,000 tons. As indicated, the decrease as compared with 1954 exports is attributable to the smaller deficit in Chilean supplies of wheat and to the purchase of United States wheat under the programme for the liquidation of surpluses. This purchase amounted to 37,000 tons at 58.96 dollars f.o.b. per ton.

Like Chile, Peru has greatly increased its imports of Argentine wheat in the last two or three years; Argentina, which has become Peru's main source of supply, exported 181,400 tons to that country in 1954 and 131,000 in 1955. This increase is all the more remarkable in that the schedules of commodities annexed to the trade and payments agreement concluded between these two countries in August 1949 does not mention wheat among the commodities of major importance in Argentine-Peruvian commercial exchanges. Moreover, in February 1955, Peru signed an agreement with the United States, which was amplified in June and September of this year, with regard to farm surpluses, which includes a contract for the sale of about 100,000 tons of wheat under title I of Law 480 (see table 12).

In 1954 and 1955, Argentina maintained its traditional role of sole supplier of wheat and wheat flour to Paraguay. On the contrary, Bolivian imports of wheat came, as in former years, from outside Latin America. This was the more true inasmuch as Bolivian requirements for imported wheat are being met in whole or in the main through the United States programmes for the disposal of farm surpluses.

By an exchange of notes dated 12 December 1953, and coinciding with the signing of the Charter of Economic Union, Argentina and Ecuador concluded a purchase and sale contract during 1954 providing for approximately 30,000 tons of Ecuadorian oil to be exchanged against Argentine wheat to the same value, at the prices governing sales of wheat to Ecuador under the International Wheat Agreement. It appears, however, that the transaction did not go through, for the statistics of both countries fail to show any exports of Argentine wheat to Ecuador in 1954 or 1955.

Uruguayan wheat exports showed a marked increase in 1954 and 1955 as compared with former years, owing to the increase in production (see tables 23, 24 and 25). The principal market for this increased exportable

[44] March 1955-February 1956. The validity of the schedules was later extended until 31 August 1956.

surplus was Brazil, which, under a barter agreement concluded at the end of 1953, undertook to buy 300,000 tons of Uruguayan wheat each year for three years. Mainly as a result of that agreement, Uruguayan wheat exports to Brazil rose to more than 250,000 tons in 1954 and 1955, as compared with much smaller quantities in earlier years.[45]

Uruguayan statistics also show steady and sometimes increased exports to Paraguay; this is not revealed by the Paraguayan import figures, perhaps because the wheat was exported through Argentina. In addition, in 1954 Uruguay started to export wheat to Peru; the quantity exported that year was less than 6,000 tons, but in 1955 it amounted to almost 54,000 tons.

All the data and information to hand on 1956 seem to indicate a considerable decline in the wheat trade among Latin American countries, owing mainly to the smaller exportable surpluses available in Argentina and Uruguay as a result of the damage caused to the crops by adverse weather conditions, especially in Argentina. According to the estimates given in table 14, the exportable surplus in both countries is about 3.15 million tons for this year, which compares unfavorably with the total of 4,191,600 tons exported in 1955. Side by side with this decrease in exportable surpluses, there has been a marked increase in contracts for the sale of United States wheat and wheat-flour to the southern countries of Latin America by virtue of agreements concluded by those countries with the United States under title I of Law 480, to which frequent reference has been made. Under these agreements, which were signed at the end of 1955 and during the first six months of 1956, the United States engages to sell wheat in the fiscal year 1955/1956 up to a value of 42.5 million dollars, representing some 684,000 tons.[46] To those quantities should be added the direct dollar purchases of wheat which the importing countries are to make in free-market dollars under the terms of Law 480, and in conformity with the agreements concluded. Moreover, in accordance with other provisions of the United States programme for the disposal of farm surpluses embodied in that Law and in section 402 of the Mutual Security Act, the United States shipped substantial quantities of wheat and wheat-flour to Bolivia and Peru and other Latin American countries in the course of the first two years of the programme's implementation (July 1954 to June 1955) (see table 13).

On the basis of production figures for 1956 in the southern countries with a wheat deficit (see table 24), and taking into account the available stocks or apparent consumption of wheat in those countries in recent years and the normal increase in that consumption, it has been estimated that they will need to import something like 2.84 million tons of wheat this year as against a little more than 2.5 million in 1955 (see table 26). Of the total amount to be imported, possibly 54 per cent —or about 1.54 million tons—will come from Argentina and Uruguay, and the rest from outside Latin America.

Brazil's requirements for wheat and flour imports in 1956 are in the neighbourhood of 2 million tons, if it is to have total availabilities of about 3 million tons. Brazil has agreed to purchase 800,000 tons of wheat in Argentina during this year, taking into account the provisions of the Wheat Agreement between the two countries and the fact that the Argentine exportable surplus is far below 3 million tons (see table 25). The purchase was made at the international price, on the understanding that the quotation will be adjusted for each shipment—a procedure similar to that used for the export of Brazilian timber to Argentina.[47] Again in conformity with the agreement in force between the two countries and under a contract signed in April 1956, Brazil has undertaken to buy 265,000 tons of wheat and 40,000 of flour from Uruguay in the course of this year (making a total of 320,000 tons in terms of wheat) at 59.30 and 123.14 dollars per ton respectively. The 880,000 additional tons required by Brazil to bring its imports up to 2 million tons in 1956 will probably come from the United States and Canada. In November 1955 Brazil concluded an agreement with the United States on the purchase of farm surpluses, including wheat to a value of 31 million dollars (representing some 500,000 tons) and flour to a value of 1.1 million dollars (representing some 17,000 tons in terms of wheat). If the price should be lower than anticipated, which may happen, the quantity corresponding to the agreed values will be greater. To that quantity should be added the dollar purchases of wheat to be made by Brazil from the United States, through the normal channels and in quantities comparable to those purchased in former years. Finally, it should be borne in mind that under the new International Wheat Agreement Brazil is assigned an annual quota of 200,000 tons, which does not include purchases made from Argentina or from United States surpluses.

In Chile the estimated wheat deficit for 1956 amounts to about 360,000 tons, a much higher figure than was reached by imports in former years. This is due to the increase in consumption and to the fact that the crop was some 125,000 tons smaller than that of 1954/1955. To meet this difficulty, Chile has 109,500 tons of wheat from United States surpluses—bought in May under the agreement signed with the United States last March—plus a direct dollar purchase of 20,000 tons, making a total of 129,500 tons of United States wheat.[48] To this quantity should be added 80,000 tons of Argentine wheat bought in 1955 and not yet received in 1956, as also another 50,000 tons from the same source, the purchase of which was being negotiated

[45] Uruguay sold Brazil 300,000 tons of wheat and wheat flour in 1955 at the f.o.b. price of 71.25 and 150.54 dollars per ton respectively.

[46] Compare these figures with those for 1954/1955, when the value of these sales commitments rose to 6.8 million dollars, representing some 130,000 tons (see table 12).

[47] The 800,000 tons of wheat sold by Argentina to Brazil include the equivalent of 24,000 tons in flour (i.e., 16,800 tons of flour). Delivery of the wheat is made in shipments of 200,000 tons. For the first 200,000 tons an average price of 61.90 dollars f.o.b. per ton was agreed upon; the price of each of the subsequent shipments will be decided when the shipment is made.

[48] The agreement concluded with the United States specified a sale of 6.2 million dollars worth of United States wheat, representing some 100,000 tons. As the price at which the wheat was actually purchased was 56.55 dollars f.o.b. per ton—less than expected—the quantity obtained was greater. The direct dollar purchase was made at the price of 55.20 dollars per ton.

at the end of July. Nevertheless, there is still a deficit of some 100,000 tons, which the estimates given in table 26 have attributed to Argentina, bearing in mind the fact that the most recent schedules in the agreement (extended until 31 August 1956) mention 200,000 tons of wheat. It would appear that Argentina set aside from 100,000 to 150,000 tons of wheat for export to Chile this year. It is believed, however, in informed circles that Chile will decide to buy no more than 50,000 tons more from Argentina and will not purchase the remainder unless it can do so from the United States under title I of Law 480. To that end the United States Government was consulted with regard to the possibility of allocating to the purchase of wheat 3.7 million dollars which in the agreement on the sale of farm surpluses in 1956 were allocated to frozen beef, a commodity which Chile is apparently not going to buy in the United States market after all.

With regard to Peru's wheat import requirements in 1956, estimated at some 320,000 tons, it is considered that imports from Argentina will probably rise to 140,000 tons, this quantity being apparently already reserved for Peru, according to the information available. The rest will probably come from Canada and the United States. In May 1956 Peru concluded an agreement with the United States on the purchase of agricultural surpluses, which includes 2.5 million dollars' worth of wheat (representing some 40,000 tons). In addition, that same month the United States decided to ship some 45,000 tons of wheat, barley and maize to Peru, as a grant, under title II of Law 480, in view of the effects of the drought in the south of Peru. To this should be added any purchases Peru may make under the International Wheat Agreement, in which it is committed to the purchase of 200,000 tons.

Bolivia's requirements, estimated at 80,000 tons, will apparently be fully covered, as in former years, by United States wheat, most of which is received in the form of grants or the value of which is used in Bolivia to finance programmes of mutual defence or economic development. Under the International Wheat Agreement, Bolivia is formally committed to buy 110,000 tons of wheat per year, an amount exceeding its apparent residual needs. Paraguay, which also needs to import about 80,000 tons, will satisfy its requirements with some 30,000 tons of United States wheat, to be bought in accordance with the agreement signed with the United States in May 1956, plus 20,000 tons of Uruguayan wheat, the purchase of which was negotiated in February 1956. The remaining 30,000 tons will probably be supplied by imports of wheat from Argentina.

According to the foregoing estimates, Argentina's exports of wheat to its traditional Latin American markets will be somewhere between 1,100,000 and 1,150,000 tons in 1956, leaving a balance of more or less the same quantity for export to other areas. Uruguayan exports to neighbouring countries will amount to some 340,000 tons, Uruguay having apparently already arranged for the disposal of all its exportable wheat for 1956, an estimated 475,000 tons.

Finally, it should be pointed out that since this trade among the southern countries of South America is conducted mainly or exclusively through official bodies, the wheat trade has not been substantially affected by the alterations in the exchange control regulations of Argentina and Chile. Nevertheless, there is a clear tendency in those countries, at least with regard to the contractual price for wheat, to bring their wheat trade into line with conditions and prices on the international market, thus discontinuing the practice, followed for many years in inter-Latin-American trade, of charging for wheat and other commodities prices differing from those on the international market or those agreed upon in negotiations with other countries outside the area.

5. Cotton

Judging from export figures, trade in cotton among the countries of South America, after undergoing a sharp decline in 1954 as compared with the high volume exported in 1953, has again shown a very marked increase in 1955, when it reached its peak level (see table 27).[49]

Apart from these general fluctuations, statistics reveal several important changes in 1954, which are even more marked in 1955, as compared with the main trends in former years, and two of which are worth particular mention. The first is the falling-off in Colombian imports, and the second the supplanting of Paraguay by Brazil as the main supplier of Uruguay.

In the post-war years Colombia had become an important market for Latin American cotton, and especially for cotton from Peru, though it also made substantial purchases of Mexican cotton. It was the chief importing country in Latin America and, after Chile and Uruguay, the most important Latin American market for the region's cotton. Colombian imports have, however, decreased in the last two years, particularly those from the countries of the region, which were reduced to practically nothing in 1955. This is undoubtedly due to the increase in domestic production, which has been even more marked than the equally rapid rise in consumption and has consequently reduced import needs. Except for cotton of lengths and qualities of staple that are not produced in the country, the Colombian textile industry can obtain its supply of cotton from domestic production.

This decrease in total Colombian imports affected Colombia's purchases in Latin America only; it continued to import the same quantity of cotton from the United States. There can be no doubt that a contributory factor in 1955 was constituted by the purchasing facilities granted by the United States under the agreement signed with Colombia in June, which provided for the sale of 1,900 tons of United States surplus cotton valued at 1.6 million dollars (see table 12).

With regard to imports effected by Uruguay, it should noted that this country was almost the sole market in Latin America for Paraguayan cotton, most of which has since the war been exported to areas outside the region (see table 27). In 1954 and 1955, Uruguayan cotton imports, although supplemented by regular and increasing purchases of Peruvian cotton,

[49] The development indicated, however, differs considerably from that reflected in the import figures (see table 28).

Table 27

SOUTH AMERICA: COTTON EXPORTS TO SELECTED COUNTRIES
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, exports to:						
Latin America[a]	1,062	684	—	—	—	—
All countries	61,444	39,729	27,512	18,918	2,400	1,520
Brazil, exports to:						
Chile	1,232	1,200	3,374	2,872	3,478	2,859
Bolivia	—	—	562	476	499	426
Uruguay	1,843	1,558	4,303	3,621	5,681	4,790
Latin America[b]	3,985	3,280	10,215	8,173	10,659	8,635
All countries	139,515	107,510	309,486	223,116	175,706	131,365
Peru, exports to:						
Argentina	2,607	2,255	1,961	1,396	9,266	6,928
Bolivia	908	658	—	—	—	—
Chile	14,727	10,535	8,765	6,741	19,261	15,507
Uruguay	1,183	1,009	680	545	806	670
Colombia	10,379	7,261	2,561	1,933	226	184
Latin America[c]	30,161	21,981	14,140	10,745	30,183	23,433
All countries	88,545	64,898	83,180	64,549	85,050	68,090
Paraguay, exports to:						
Uruguay	2,624	994	3,100[d]	2,326[d]	10	8
Latin America	2,677	994	3,253[e]	2,444[e]	10	8
All countries	12,952	4,400	11,645	6,848	9,469	5,499
TOTAL exports to:						
Latin America	37,885	26,939	27,608	21,362	40,852	32,076
All countries	302,456	216,537	431,723	313,431	272,625	206,474

Sources: Official statistics.

[a] Argentina's cotton exports to Latin America in 1953 were more or less equally divided between Cuba and Ecuador.

[b] Other Latin American countries to which Brazil regularly exports cotton, sometimes in fairly considerable quantities, are Cuba, Ecuador and Colombia; in 1955, 660 tons were also exported to Argentina.

[c] Peru also exports fairly regularly to Ecuador.

[d] Uruguayan figure for imports from Paraguay.

[e] Uruguayan and Chilean figures for imports from Paraguay.

were made chiefly from Brazil, under a bilateral agreement concluded between the two countries in December 1953. In this instrument, Uruguay undertook to authorize cotton imports to the value of 7 million dollars annually.[50]

In 1954, Paraguay also concluded a *modus vivendi* with Bolivia under which Bolivian petrol and paraffin (kerosene) are to be bartered for Paraguayan cotton. The value of the goods to be bartered was originally set at 150,000 dollars annually, but it is understood that it was raised to 300,000 dollars when the agreement was renewed in 1956. However, it appears that other Paraguayan products, such as cement, tanned hides, tobacco, cotton textiles, fresh fruit, etc., were included in this amount.

Chile has replaced Colombia as the leading Latin American importer of raw cotton. Its imports in 1954 and 1955 were drawn, to a greater extent than in previous years, from other Latin American countries, chiefly Peru, for whose cotton Chile is now the largest market (see table 28). Peruvian cotton of the Tanguis type, in addition to its length and quality, has the advantage in Chile of a special tariff reduction on quantities up to 5,000 tons a year,[51] and lower freight charges than cotton from any other source.

In addition, Peru produces small quantities of extra long-staple Pima and Karnak cotton (1½" and over), which have been used in Chile to replace Egyptian cotton when it has been difficult to import the latter owing to problems of prices, foreign exchange, etc.

Apart from Peruvian cotton, Chilean manufacturers seem to prefer United States and Egyptian cotton; on the other hand, they appear to have some objections to the use of Brazilian cotton, as its price is presumably higher than that of cotton from other sources, considering the length and other qualities of the staple. Nevertheless, Chile has tried to maintain a certain volume of purchases of Brazilian cotton by the allocation of part of its foreign exchange budget under the previous system or through the operation of the present State import monopoly,[52] in order to comply with the provi-

[50] Probably the existing arrangement between Brazil and Uruguay, under which Brazil engages to buy some 400,000 tons of Uruguayan wheat, contains a similar undertaking by Uruguay with regard to the purchase of Brazilian cotton.

[51] This concession, which is considered exclusive because it is made to an adjacent country, is granted on a reciprocal basis. Peru allows a 50 per cent reduction on certain additional duties on Chilean iron and steel products.

[52] Since June 1955, Chilean imports of cotton have been made exclusively through the National Trade Institute (INACO). To judge from some comments, the reluctance of Chilean mills to use Brazilian cotton appears to be due, partly at least, to their objection to the inferior types of cotton purchased by INACO in Brazil.

Table 28

SOUTH AMERICA: COTTON IMPORTS FROM SELECTED COUNTRIES
(Volume in tons; value in thousands of dollars)

Importer country	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Argentina, imports from:						
Peru	2,510	6,409	2,497	4,683	674	1,251
Latin America	2,510	6,409	2,512	4,694	674	1,251
All countries	2,510	6,409	2,585	4,790	2,012	3,108
Bolivia, imports from:						
Peru	1,039	1,117	...	...	...	...
Latin America	1,059	1,136	...	...	...	...
All countries	1,121	1,221	2,630	2,082	570	459
Colombia, imports from:						
Peru	10,646	8,664	2,360	2,066	203	242
Mexico	1,856	1,390	604	490	—	—
Latin America[b]	13,020	10,429	3,575	2,942	203	242
All countries	15,453	12,516	5,874	4,920	2,404	2,265
Chile, imports from:						
Brazil	1,602	1,985	3,848	2,998	1,070	968
Peru	3,770	3,555	11,871	10,989	10,224	9,324
Latin America[a]	5,446	5,609	16,006	14,220	11,294	10,292
All countries	12,824	13,139	29,793	27,350	16,429	15,395
Ecuador, imports from:						
Peru	471	415	173	149	...	...
Latin America[c]	967	844	1,061	828	...	...
All countries	2,687	2,202	1,380	1,035	984[d]	801[d]
Uruguay, imports from:						
Brazil	1,802	1,438	4,646	3,868	6,995	5,505
Paraguay	5,529	3,970	3,100	2,326	50	43
Peru	1,154	1,126	637	650	845	848
Latin America	8,485	6,534	8,383	6,844	7,890	6,396
All countries	8,654	6,662	8,777	7,174	8,009	...
Venezuela, imports from:						
Brazil	85	35	157	102	213	126
Latin America[e]	94	37	157	102	381	222
All countries	534	149	1,118	362	1,915	618

Sources: Official statistics.

[a] Chile also imported a small quantity from Paraguay in 1954, and from Mexico in 1953 and 1954.

[b] The remaining imports from Latin America were from Paraguay and Haiti in 1953 and from Brazil in 1954.

[c] Ecuadorian statistics show imports from Argentina in 1953, and from Chile in 1954.

[d] Figures for nine months.

[e] Venezuela is shown as having imported cotton from Uruguay in 1955.

sions of the additional protocol of 1947 and to facilitate the sale in Brazil of Chilean products, particularly nitrates. Chile might offer a wider market for Brazilian cotton if the latter were sold in conditions better enabling it to compete with cotton from other sources.

Apart from the purchases of Brazilian cotton by Chile and Uruguay, most of the other South American deficit countries import considerable quantities of Peruvian but little or no Brazilian cotton (see tables 27 and 28). This is because most of the countries concerned are cotton producers and most of their production is short- or medium- staple cotton, more or less similar to that produced in Brazil. In consequence, they wish to obtain longer-staple cotton of the Peruvian type, of which domestic supplies are insufficient. A typical example is provided by Argentina, which is self-sufficient in short-staple cotton, and even exports it, in some years on a substantial scale, but does not produce long-staple cotton and so has to import about 2,500 tons annually, usually from Peru and sometimes from Egypt. Both Colombia and Ecuador now seem to be in a similar position.

It should be noted that Mexico has exported cotton to certain South American countries. The amounts involved are small, but are tending to increase.

The level of inter-Latin-American trade in cotton may possibly be adversely affected in 1956 by various factors. In the first place there will probably be a heavy increase in purchases of United States cotton as a result of the United States farm surplus disposal policy. Cotton is included in three agreements concluded in late 1955 and early 1956 with the following Latin American

countries: Colombia (7,800 tons), Chile (6,800 tons) and Ecuador (1,130 tons) (see table 12). Furthermore, the United States Government has offered for sale, on a competitive basis, all the Upland cotton held by the Commodity Credit Corporation (CCC).[53] The sale of United States Upland cotton at low prices affects Brazilian and possibly Peruvian cotton.[54] Following the sale by the United States in early 1956 of one million bales of short-staple cotton held by the CCC, Brazil was obliged to reduce the export price for its cotton in January 1956 and raise from 5 to 12 per cent the discount it made on the New York prices for futures of similar cottons, although the increased discount was only for sales against convertible currencies or currencies of limited convertibility.[55] Furthermore, under the Brazilian exchange system and for the purposes of the auctioning of foreign exchange, cotton was transferred in May 1955 from category II to category III, which meant an increase in the bonus received by exporters. With the reform of May 1956, category III became category II, but the corresponding bonus remained unchanged.

Exports of Brazilian cotton in 1956 may also be curtailed by a reduction of the exportable surplus. The heavy rains in the southern cotton-growing areas reduced the 1955/56 harvest and also affected its quality. In May 1956 the foreign trade department (CACEX) of the Bank of Brazil temporarily suspended cotton exports until it could be determined whether stocks were sufficient to meet domestic needs.

With the purchases of United States cotton stipulated in the agreements mentioned, in addition to the direct dollar purchases to be effected, it is possible that Colombia and Ecuador will be able to satisfy all their requirements of imported cotton in 1956. Owing to the loss of part of its 1955/56 harvest, Colombia will have a deficit of about 8,000 to 9,000 tons in 1956. Chile has already bought over 6,600 tons of United States cotton in the course of the year—4,500 tons under the agreement and 2,100 in the form of direct dollar purchases.[56] In addition, in late 1955 and early 1956 INACO bought 14,650 tons of Peruvian, 4,040 tons of Brazilian, 972 tons of Mexican and 350 tons of Egyptian cotton, a total of rather more than 26,600 tons, some of which really corresponds to 1955, although it is not shown in the import statistics for that year. With these purchases, plus a balance of 2,300 tons of United States cotton still to be purchased under the agreement, the needs of the Chilean textile industry will probably be satisfied in 1956.

No major changes are expected in the cotton imports of Uruguay or Argentina in 1956, except possibly a modification due to an increased shortage of better-quality cotton in Argentina, caused by the effect of adverse weather conditions on the quantity and quality of the Argentine cotton harvest in 1955/56.

ANNEX

Brazilian cotton and the Chilean market

Chile is now the leading Latin-American importer of cotton. In order to work at full capacity, the Chilean cotton textile industry would require annual imports of about 30,000 tons. However, the restrictions imposed by the foreign exchange budget in previous years limited imports to an annual average of something under 20,000 tons during the past six years. The new exchange regulations of April 1956 eliminated such restrictions. It is expected that during the next three or four years, once the contraction of demand at present produced by anti-inflationary measures has disappeared, the textile industry will require about 26,000 tons of cotton a year.

As part of cotton import policy, the Chilean authorities have for several years been attempting to shift some purchases to the Brazilian market, to bring imports of Brazilian cotton to the level provided for in the additional protocol of 1947[57] and to avoid expenditure in convertible currencies by making use of the unit of account stipulated in the payments agreement between Chile and Brazil. Furthermore, as Brazil has often had substantial adverse balances on this account during the last five-year period, and this tends to depress the level of trade, exports of Brazilian cotton to Chile may help to balance trade between the two countries without need for restricting the purchases of the debtor country.

In spite of these endeavours, Chilean cotton requirements have been met by Peruvian, United States and Egyptian cotton to a far greater extent than by the Brazilian product. On the average during the past six years, Brazilian cotton has accounted for only 10 per cent of Chile's total cotton imports, i.e., under 2,000 tons a year.

The main obstacle to a substantial flow of Brazilian cotton to Chile seems to be that of price. As a result of Brazil's maintenance of over-valued rates of exchange, coupled with the effect of inflation on production costs, Brazilian cotton has often been quoted at prices above the competitive level; moreover, the prices of Brazilian cotton on the Chilean market are increased by heavier freight charges than those paid for Peruvian or United States cotton. Because of these and other factors, Brazilian cotton was, and to a certain extent still is, at a competitive disadvantage on the Chilean market as compared with cotton from other sources. Furthermore, the maintenance in Chile for many years of a preferential exchange régime for cotton imports encouraged the industry to import

[53] It is estimated that the CCC held about 10 million bales (about 2.3 million tons) of Upland cotton on 10 July 1956, most of it short-staple (15/16" to 1").

[54] The best-quality and longest-fibre United States Upland cotton can compete with the Peruvian Tanguis, especially if the prices and conditions of sale are sufficiently attractive. Of United States cotton exports between 1 August 1955 and 31 May 1956 (about 420,000 tons), 47 per cent consisted of fibres under 1" in length, 43 per cent of fibres in the range from 1" to 1-3/32", and 10 per cent of fibres of 1-1/8" and over. The average length of the Peruvian Tanguis type is 1-3/16", and of the Brazilian Paulista No. 5, 1".

[55] Up to October 1955 Paulista No. 5 (the basic Brazilian variety) was exported at prices at par with prices for futures on the New York market in the nearest month for United States Middling 15/16" cotton (less freight and insurance from Brazilian ports to New York). From October 1955 to October 1956, export permits for Brazilian cotton were granted at a price 5 per cent below the New York quotations.

[56] According to information received, the United States cotton bought by Chile through INACO is of the Middling, Strict Middling and Good Middling types, in the range from 1-1/16" to 1-1/8", i.e. medium- and long-staple cotton of better than average quality. The price of cotton purchased under the agreement averaged 0.3372 dollars c.i.f. per pound.

[57] By an exchange of notes dated July 1947 and annexed to the additional protocol to the 1943 Trade and Navigation Treaty between Brazil and Chile quotas, Chile undertook to impose no restrictions (licences, prohibitions, etc.) on the annual importation of specified quantities of certain Brazilian products, including 5,000 tons of cotton.

better-quality cotton than would have been bought if the price of the foreign exchange had been realistic.[58]

The adoption of official measures by Chile to secure the importation of larger quantities of Brazilian cotton has more than once met with objections on the part of Chilean manufacturers, based apparently on certain differences in the characteristics of Brazilian as compared with Peruvian and United States cotton. Such differences can be, and ordinarily are, offset by price. The differences must be stated in quantitative terms to determine at least approximately their relative importance.

The bulk of Brazil's cotton production and exports consists of Paulista cotton, the basic type being No. 5, the average length of which is 25 millimetres or 31/32" to 1", whereas the average length of Peruvian Tanguis is 30 millimetres (1-3/15"), and that of United States Upland is for the most part 26 to 28 millimetres (1" to 1-1/16"). Most Brazilian cotton is therefore short-, Peruvian long-, and United States medium-staple. If classified by grade, taking into account colour, uniformity of length, strength, impurities, etc., Paulista No. 5 cotton would be a grade lower than the basic United States type, Middling, and would be equivalent to Strict Low Middling, whereas Tanguis is of higher grade.[59] According to some Chilean manufacturers, in the case of both Peruvian and United States cotton there is a 10 per cent waste as a result of impurities and irregularity in length, as against 13 per cent in the case of Brazilian cotton. In addition to the larger wastage, less yarn is produced when shorter-staple cotton is used because more twist is required with short-staple cotton than with longer-staple to produce yarn of the same strength. Assuming that the loss due to lower output is about 2 per cent if Brazilian cotton is used instead of the United States variety, the use of the former instead of the latter would mean an increase of about 5 per cent in costs.

It may be assumed that if the c.i.f. price of Brazilian cotton offset this difference, there would be no economic obstacles to its use. However, as noted above, this is not the situation on the Chilean market. This would appear to be the main reason for the attitude of Chilean manufacturers in this connexion.[60]

From the technical point of view, there appears to be no major obstacle to the use of Brazilian cotton in the Chilean textile industry. According to the information available, 90 per cent of the yarns produced in Chile are of counts lower than 30, most of them being from 8 to 14, or in any case less than 20. For yarns of these counts it is not only possible but customary to use cotton similar to the Brazilian Paulista type, which is apparently used in Brazil for yarns of much higher counts. Paulista No. 5 is chiefly used in yarn for sheeting, calico, gabardine, sailcloth, ticking, towels etc.; the better grade No. 4 1/2 is used for printed goods and poplins, and No. 6, which is of lower grade, is used for sacking, Osnaburg etc.[61] Consequently, most of the yarns and fabrics produced in Chile could be manufactured from Brazilian cotton if it were offered at a price and on terms which would offset the lower factory yield that would result if it was substituted for Peruvian and United States cotton. There would also have to be some assurance of a normal and regular supply at competitive prices and of reasonably uniform quality.

Textile mills are planned and built to use certain types of cotton, and as most of the cotton employed by the Chilean industry in the past has been of types different from that of the Brazilian product, the use of this latter, in mills which have not hitherto utilized it, would normally require some reorganization of the plant, in particular more pickers to clean the cotton, in order to maintain normal feeding, and adjustments of the distance between cylinders to adapt them to shorter-staple cotton. It is estimated that in order to do this production in the plant would have to be suspended for about three days.

6. Timber

There was a substantial increase in the volume and value of inter-South-American trade in timber between 1953 and 1955. The volume increased by almost 45 per cent, and the value doubled, more than making up for the decline since 1951. However, the situation in the period under consideration was not the same in each of the three countries—Brazil, Chile and Paraguay—whose exports together account for almost all South American timber exports. While Brazilian timber exports fell in volume and value from 1953 to 1954 and then rose substantially from 1954 to 1955, Chilean exports, after rising from 1953 to 1954, fell in volume, although not in value, from 1954 to 1955; Paraguayan exports, on the other hand, increased in volume and value in the two years under consideration (see table 29).

Almost all the timber exported to Latin American countries is imported by Argentina and Uruguay, a situation that has become more marked recently as the purchases of timber from Latin American sources formerly made by Bolivia, Peru and Venezuela have almost ceased, although the two countries first mentioned are maintaining the level of the imports they have traditionally maintained from countries outside the region. In view of the importance of the Argentine market, which absorbs about 80 per cent (in 1955 almost 90 per cent) of the timber exported to Latin America, the fluctuations mentioned can be explained largely by developments in the market in question and Argentina's trade relations with the countries from which it imports timber.

In the first place it should be noted that the decline which occurred in 1953-1954 in Argentina's timber imports from Brazil, traditionally its largest supplier,[62] was the continuation of a process which started in 1948. The decline was caused by an increase in the price of Brazilian pine over the price of European spruce and the purchases of this latter by IAPI and other official Argentine organizations in European countries. In some years a contributing cause was the decline in the purchasing power of Argentine wheat in

[58] This preferential régime was abolished in April 1956, when the new Chilean exchange regulations were introduced. At present Brazilian cotton is at an advantage, as the agreement-dollar with Brazil is quoted at a lower rate than the United States dollar on the Chilean exchange market, but this is still not enough to offset the higher price asked by Brazilian exporters.

[59] Mexican cotton, which is of the United States Upland variety, is equivalent to Strict Middling, which is better than Middling, and is in the 1-1/16" to 1-1/32" range.

[60] There are also fairly substantial fluctuations in the quality and length of the Brazilian cotton available for export from year to year, as the quality of the cotton grown is affected by adverse weather conditions to a much greater extent than is Peruvian or United States cotton. Thus, in 1954, 62 per cent of the production of Paulista cotton consisted of grades 4/5 to 5/6, with 32 per cent of grade 5, and in 1955, 70 per cent of the production consisted of grades 5/6 to 6/7 (lower quality), only 13 per cent being of grade 5.

[61] Some of the tables in *Labour Productivity of the Cotton Textile Industry in Five Latin American Countries* (E/2833, Annex), pp. 138 and 215, appear to indicate that the type of cotton utilizable for 30-count yarns is Middling or Strict Middling of 1" to 1-1/16" in length etc. For yarns of counts lower than 18, lower-grade and shorter-staple cotton can be used. For higher-count yarns, the quality must be better and the length greater.

[62] These imports consist for the most part of white or South American pine in the form of planks and boards.

Table 29

SOUTH AMERICA: TIMBER EXPORTS[a]
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
Brazil, exports to:						
Argentina	245,994	16,705	176,828	13,506	424,639	35,033
Uruguay	73,966	6,595	114,291	9,093	92,145	7,621
Latin America[b]	321,271	23,482	292,690	22,703	516,784	42,654
All countries	619,724	46,214	563,600	42,796	785,792	64,430
Chile, exports to:						
Argentina	76,667	8,557	120,758	14,698	113,004	16,630
Peru	1,436	111	268	27	295	41
Latin America[c]	78,423	8,702	121,139	14,750	113,440	16,691
All countries	92,289	9,539	124,293	15,015	115,527	16,896
Paraguay, exports to:						
Argentina	145,768	3,865	181,026[d]	12,317[d]	170,119	12,233
Uruguay	28,028	496	8,222[e]	1,187[e]	15,320	805
Latin America	173,796	4,361	182,773	11,138	185,439	13,038
All countries	173,849	4,362	182,773	11,138	185,439	13,038
Other countries,[f] exports to:						
Latin America	486	4	4,787	481	6,914	689
All countries	20,023	1,421	37,741	3,922	60,073	2,686
TOTAL, exports to:						
Argentina[g]	468,429	29,127	479,681	40,890	711,712	64,494
Uruguay	101,994	7,091	122,513	10,280	107,465	8,426
Latin America	573,976	36,549	601,389	49,072	822,577	73,072
All countries	905,885	61,536	908,407	72,871	1,146,831	97,050

Source: Official statistics.

[a] Comprising wood in the round or simply worked, posts, railway sleepers, piling and processed timber.

[b] Including exports to Cuba in 1953 to 1954.

[c] Including small exports to Bolivia, Uruguay and Venezuela.

[d] Data refer to Argentine imports of Paraguayan lumber.

[e] Data refer to Uruguayan imports of Paraguayan lumber.

[f] Peru, Ecuador, Colombia and small quantities from Bolivia and Venezuela.

[g] Including exports from Peru to Argentina in 1954 and 1955.

terms of Brazilian pine, which, combined with other factors, caused periodic restrictions of the permits issued by the Central Bank of Argentina for the importation of Brazilian timber. Furthermore, sales of Brazilian timber to Argentina are made under annual agreements, the renewal of which is sometimes delayed for months, sales being virtually suspended in the meantime. The intervention of the Argentine Government agencies which had been granted a monopoly of purchases of Brazilian pine appears also to have created some difficulties which hampered the normal development of the trade. In the early months of 1954 these difficulties became acute, and it was impossible to solve them until June of that year, when a timber protocol was signed by the Brazilian National Pine Institute and DINIE-CIFEN, the Argentine official agency acting as the sole importer and distributor of Brazilian pine in Argentina. Under the protocol, and in accordance with the new schedules of commodities then approved (appended to the trade agreement which had been in force between the two countries since 1953), provision was made for exports of Brazilian pine to Argentina of up to 250,000 square feet (approximately 300,000 tons) in 1954; of the timber to be exported approximately 68 per cent was to be first and second class, 29 per cent third class and 3 per cent fourth class, the qualities, dimensions and prices of the timber to be delivered, and other appropriate specifications, being indicated in the protocol. The prices agreed upon in 1954 (varying according to the quality, place of origin or shipment and length of the timber) ranged from eighty-eight dollars f.o.b. per 1,000 square feet of first- and second-class pine (80 and 20 per cent respectively) and seventy-three dollars for third-class timber shipped from Alto Parana, to 120 dollars for long first- and second-class timber and 105 dollars for third-class timber from the Atlantic coast area.

However, in view of the date at which the protocol was signed, its full effect was not felt, or at least was not shown in the statistics, until 1955. In that year sales of Brazilian timber to Argentina more than doubled in both volume and value. In accordance with the provisions of the 1954 protocol, another agreement was concluded in 1955 between the National Pine Institute and DINIE-CIFEN, under which the latter bought 200 million square feet of Brazilian pine (about 240,000 tons) for delivery in 1955, which were possibly added to large deliveries still outstanding under the 1954 agreement.

On the other hand, there was an increase of over 50 per cent in the volume and value of exports of

Chilean timber to Argentina between 1953 and 1954, and a decrease in volume but not in value in 1955. Argentina has become almost the only external market for Chilean timber, since Chile's sales to other Latin American countries, chiefly Peru, and to other markets outside Latin America have recently declined sharply, as a result of the rise in prices caused by inflation and over-valuation of the Chilean peso. With regard to the composition of these exports, mention must be made of the increasing proportion of soft woods (conifers), principally pine (*araucaria, insignis*), larch and *mañio*. This proportion rose from an average of 42 per cent in 1950-54 to 50 per cent in 1954 and 1955.[63] The remainder, consisting of hard and semi-hard woods, includes largely *raulí*, laurel, *coigüe, tepa*, and oak.

The notable increase in exports of Chilean timber to Argentina in 1954 was largely due to the latter country's difficulties in importing Brazilian timber. Another contributing factor was the Argentine-Chilean trade agreement concluded in February 1954.[64] The schedule of Chilean products which could be exported to Argentina without an exchange permit included timber to an estimated value of 8 million dollars for the first year of the agreement, a figure that was far exceeded, as timber exports in 1954 totalled approximately 15 million dollars. In view of that fact, the estimated value of such exports for the second year of the agreement was raised to 20.5 million dollars. However, although the total value of exports in 1955, according to the Chilean statistics, was nearly 17 million dollars (the volume being slightly less than in 1954), the position of Chilean timber on the Argentine market changed during the year. This change was due to the substantial rise in prices which began in mid-1954 and was accentuated in 1955 with the acceleration of the rate of inflation, the expansion of domestic consumption and the unfavourable exchange rates applicable to timber, as well as to the larger volume of timber from other sources, particularly Brazil, available on the Argentine market. As a result, Chilean exports, which had been very high in the first quarter of 1955, began to decline, particularly in the second half of the year, and were very low in the last quarter. After the Argentine devaluation in late October 1955, exports ceased almost entirely, although only temporarily, as the improvement early in 1956 in the rate of exchange applicable to sales of Chilean lumber abroad resulted in a recovery of exports to Argentina.

Paraguayan timber exports, after declining for a number of years owing to the adverse influence of high prices,[65] showed a slight recovery after 1953, when the effect of that factor weakened and a stimulus was afforded by the Paraguay-Argentina Economic Union Agreement of August 1953 which provided for the importation of Paraguayan timber to the value of 11 million dollars out of the total of 15 million dollars' worth of commodities to be imported under the Agreement. Argentina now absorbs almost all Paraguay's exports of timber, while Paraguay's exports to Uruguay have continued to fall. In 1954 and 1955 Argentina was virtually the only foreign market for Paraguayan timber, as it was for Chilean timber (see table 29). It also appears that by an exchange of notes, Argentina and Paraguay concluded an agreement valid from 1 June 1955 to 31 May 1956, providing for the delivery to Paraguay of 7.2 million dollars' worth of Argentine wheat and the shipment of 15 million dollars' worth of Paraguayan timber to Argentina.

Provision was also made for the importation of considerable quantities of timber under the Economic Union Agreement concluded between Argentina and Bolivia in September 1954. Among the Bolivian products whose export to Argentina was to be facilitated by both countries were hardwood railway sleepers (350,000 dollars), wood in the round (350,000 dollars) and sawn timber (300,000 dollars). In June 1955, when new schedules were drawn up under the Agreement, provision was made for sleepers to the value of 1 million dollars, wood in the round and beams to the value of 400,000 dollars and sawn timber to the value of 300,000 dollars. It would appear, however, that trade did not reach the stipulated levels, as, according to the available statistics, Argentine imports of Bolivian timber have been very small in the past two years. It is understood that, in order to enable Bolivia to buy Argentine goods, the Argentine railways contracted mass purchases of harwood railway sleepers from Bolivia, but that, owing to difficulties in regard to mechanization and transport, Bolivia was able to deliver only a small part of the timber contracted for.

Imports of timber by Uruguay, which is, after Argentina, the only South American market of any size for timber produced in the region, have reached higher levels than usual. At the same time there has been a marked concentration of purchases in Brazil, which has become almost the sole supplier of the Uruguayan timber market. One reason for this was the Paraguayan-Argentine Agreement of 1953, which led Paraguay, formerly a considerable exporter of timber to Uruguay, to concentrate its sales on Argentina's market. In addition, the sale of Brazilian lumber has been facilitated by arrangements enabling Uruguay to market the greater part of its exportable surplus of wheat in Brazil. Brazilian timber is used in Uruguay for building and even carpentry, for which other countries use semi-hard woods.

The devaluation of the Argentine peso as a result of the exchange reform of late October 1955 affected the sale to Argentina of timber from neighbouring countries. The countries concerned had to take measures to offset the effect of that devaluation and thus accept a fall in their export prices, which had been steadily rising because of the increase in domestic production costs.

[63] The bulk of Chilean conifer production, particularly *araucaria*, pine and *mañio*, is exported.

[64] Another factor encouraging the Chilean-Argentine trade in timber may have been the fact that it was in the hands of private enterprise, as, at the request of the Chilean authorities, the Argentine Government waived regulations under which imports of Chilean timber were to be made through DINIECIFEN, as was the case with imports of Brazilian and European timber.

[65] About 60 per cent of Paraguayan timber exports consist of cedarwood, which was particularly affected by high prices, as it can be replaced in the Argentine and Uruguayan markets by timber from other sources. On the other hand, exports of Paraguayan hard woods declined much less because they face comparatively little competition.

In February 1956 Brazil increased the cruzeiro value of foreign exchange obtained from timber exports by over 50 per cent. Later, under the regulations introduced in May, timber exports were classified, for the purposes of negotiating foreign currency earnings, in category III[66] in the case of wood in the rough or sawn boards or planks, and in category IV[67] in the case of processed wood (plywood, veneer, boxes, etc.).

In January 1956 Paraguay raised by nearly 50 per cent the return in guaranies on timber exports. In Bolivia it was established in February that 40 per cent of foreign exchange earnings from timber exports might be used for imports of any kind and 40 per cent might be sold on the free market (provided the funds were used to import certain capital goods) while the remaining 20 per cent should be sold at the official rates. Early in the year Chile issued special regulations which in practice doubled the effective return rate for timber exports; the rate was further improved with the introduction of the free exchange market and the devaluation of the Chilean peso in relation to the Argentine-Chilean agreement-dollar.

The prospects of exporting timber from the countries mentioned to the two South American markets, Argentina and Uruguay, depend primarily on the price, because the demand for and consumption of timber are highly sensitive to price changes,[68] and because South American timber has to meet European competition in both the markets mentioned, particularly in the case of soft wood. The Argentine market is now open without restriction to imports of Chilean and Paraguayan timber of all kinds and to imports of Brazilian pine. Furthermore, these imports, which are made through the official market, were handed over to private enterprise, when the State monopoly held by DINIECIFEN was abolished in June of this year. The general tendency in Argentine trade policy is to negotiate on the basis of world prices. Finally, it is probable that imports from neighbouring countries have already reached a maximum. In this connexion, it is thought in some circles in Argentina that if any of the neighbouring nations increases its exports to that country, it will be at the expense of one of the others.

For all these reasons, the Argentine timber market is highly competitive. If South American white pine from Brazil were offered at competitive prices it could be sold in Argentina without great difficulty, as it is preferred on account of its quality, length and classification.[69] When supply conditions on the Argentine market are normal, buyers cannot readily be found for Chilean soft woods, particularly in competition with Brazilian pine, partly because of the relatively high cost of the maritime freight.[70] On the other hand, Argentina provides a more or less permanent market for Chilean semi-hard woods (*rauli*, laurel, *coigüe*, *tepa*, oak, etc.), with some competition from Paraguayan woods, although timber from the two sources is generally used for different purposes. In addition, the export of Chilean woods, both to Argentina and other South American countries, has been encouraged by the devaluation of the Chilean peso with the introduction of the free exchange market, to which may be added the effects of free imports of certain equipment.[71] In view of the enhanced prospects of offering Chilean timber at competitive prices, it may be expected that exports to markets such as Peru, which had dwindled owing to the unduly high prices, may be resumed.

7. Copper

In 1955, there was a revival of the inter-South-American trade in copper after several years of decline. This was mainly due to the doubling of the volume of Chilean copper exports to Argentina between 1954 and 1955, and, to a lesser degree, to the resumption of Peruvian copper exports to Argentina. On the other hand, exports to Brazil, which was an even more important market for Latin American copper than Argentina, continued the downard trend which began in 1950. At least, foreign trade statistics for 1954 and 1955 show quite low figures for those exports (see table 30).

During the post-war years, direct sales of Chilean copper to Brazil consisted mainly of electrolytic copper, of which Chile was the principal Brazilian supplier, but since 1950 Brazil has gradually shifted its purchases of electrolytic copper to countries outside the region. One reason for this lies in the Chilean regulations under which exports of copper produced by the large mining companies may only be authorized against payment in dollars.[72] Nevertheless, the shift is less than is suggested by the statistics, as a proportion of Brazil's imports of electrolytic copper from the United States and Germany consists in fact of copper produced by the smaller Chilean companies. This copper is sent to Tacoma (United States) and Hamburg (Germany) to be refined and is then shipped to Brazil, which pays Chile for it in agreement-dollars. According to the statistics of the Chilean Central Bank, Brazil's payments to Chile under this head were about 285,000 dollars in 1954 and 3.73 million dollars in 1955.

[66] In this category 55 cruzeiros are allowed to the dollar for exports to hard-currency or limited-convertibility areas, and 52.77 cruzeiros to the dollar for exports to agreement areas.

[67] 67 and 64.22 cruzeiros respectively.

[68] As appears to be shown by recent FAO studies.

[69] In Argentina, European spruce is competitive only with the third and fourth classes of Brazilian pine.

[70] Freight charges for Chilean timber—45 dollars per 1,000 square feet from Corral to Buenos Aires (as against approximately 34 dollars for timber from Brazil or Europe)—were increased during the year as a result of the accentuation of the customary disequilibrium in the cargoes carried between the Atlantic and the Pacific via the Straits of Magellan; the aggravation was caused by the fall in Argentine exports to Chile. The provisions of the Argentine-Chilean trade agreement, under which cargoes are to be divided equally between Argentine and Chilean vessels appear also to have been a factor. It is understood that tramp steamers have offered rates as low as 20 dollars per 1,000 square feet.

[71] However, according to information furnished by the Chilean Consejo de Comercio Exterior, exports of Chilean timber to Argentina continued at a low level through the first half of 1956: the value of shipments during that period was 3.1 million dollars, which compares unfavourably with 11.9 million in the same period of 1955.

[72] Chile continues, however, to sell copper produced by the large mines for non-dollar currencies, when the use of these is stipulated in international agreements, which are also legally binding. This is true, for example, of Chilean copper sales to Argentina.

Table 30

CHILE AND PERU: EXPORTS OF COPPER
(Volume in tons; value in thousands of dollars)

Countries of origin and destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
A. *Electrolytic copper in ingots*						
Chile, exports to:						
Argentina	—	—	—	—	2,000	1,323
Latin America[a]	2,207	1,732	19	12	2,091	1,399
All countries	70,015	54,152	114,004	75,417	107,405	83,794
Peru, exports to:						
Argentina	—	—	1,749	999	500	374
Latin America	—	—	1,749	999	500	374
All countries	20,888	12,363	22,734	13,184	24,158	18,479
B. *Refined copper in ingots*						
Chile, exports to:						
Argentina	—	—	1,000	647	—	—
Latin America[b]	18	14	1,000	647	484	396
All countries	95,251	74,344	81,008	53,169	102,923	83,646
C. *Copper in sheets and bars*						
Chile, exports to:						
Argentina	5,450	5,163	4,475	3,181	8,568	7,759
Latin America[c]	5,507	5,211	4,494	3,198	8,780	7,929
All countries	6,137	5,705	4,499	3,201	9,199	8,179
Peru, exports to:						
Argentina	700	398	1,353	710	1,000	704
Latin America	700	398	1,367	718	1,000	704
All countries	700	398	2,001	1,268	4,802	3,949
D. *Manufactured or processed*[d]						
Chile, exports to:						
Argentina	5,450	5,193	4,679	3,388	10,027	8,756
Latin America	6,379	5,943	4,944	4,007	10,083	8,800
All countries	6,446	5,998	7,545	5,297	13,714	11,867
E. *Totals* (of the items specified above)						
Chile, exports to:						
Argentina	10,900	10,356	10,154	7,216	20,595	17,838
Brazil	2,158	1,693	79	56	529	450
Latin America	14,111	12,900	10,457	7,864	21,438	18,524
All countries	177,849	140,172	207,056	138,084	233,241	187,486
Peru, exports to:						
Argentina	700	398	3,102	1,709	1,500	1,078
Latin America	700	398	3,116	1,717	1,500	1,078
All countries	21,588	12,761	24,735	14,470	28,954	22,428
GRAND TOTAL, exports to:						
Argentina	11,600	10,754	13,256	8,925	22,095	18,916
Brazil	2,158	1,693	79	56	529	450
Latin America	14,811	13,298	13,573	9,581	22,938	19,602
All countries	199,437	152,933	231,791	152,554	262,195	209,914

Sources: Official statistics.

[a] In 1953, as in previous years, exports of Chilean electrolytic copper to Latin America went almost exclusively to Brazil.

[b] Exports to Latin America in 1955 went to Brazil and Uruguay.

[c] Including, in addition to exports to Argentina, exports to Brazil and, in smaller quantities, to other countries in the region.

[d] According to the Chilean statistics, these exports of manufactured copper consist almost entirely of wire, but there is reason to believe that this item also includes wire rods or electrolytic copper in rods, a semi-finished product exported from Chile to Argentina in considerably larger quantities than wire proper.

Apart from this, the 1947 Treaty of Economic Co-operation between Brazil and Chile, under which Chile agreed to authorize the export to Brazil of up to 1,000 tons of copper ingots a year, while Brazil undertook to place no restrictions on the importation of 3,000 tons of finished copper goods annually, has already been denounced. In consequence, Argentina has become virtually the only direct importer of Chilean and Peruvian copper in Latin America, and in 1955 accounted for over 96 per cent of the volume and value of Chilean and Peruvian copper exports to Latin American countries.

The above increase in sales of Chilean copper to Argentina began in 1954, although, owing to the lag in shipments, it was not shown in the statistics until 1955. It is mainly to be attributed to the facilities for trade between the two countries afforded by the Argentine-Chilean trade and payments agreement of February 1954. Copper was included in the list of Chilean products which may be exported to Argentina without an exchange permit, the estimated value of exports being 17 million dollars for the first agreement year and 22.5 million dollars for the second, equivalent in both cases to a volume of 23,000 tons, distributed as follows:[73]

	First agreement-year (March 1954-February 1955) Tons	*Second agreement-year (March 1955-February 1956) Tons*
Copper in ingots		
Wire bars (electrolytic copper in ingots)	2,000	3,000
Ingot bars (furnace-refined copper in ingots)	1,000	—
Semi-processed copper		
Wire rods (electrolytic copper in rods)	—	7,500
Slabs (furnace-refined sheet copper)	17,000	9,500
Processed copper		
Trolley wire	1,200	—
4.5 mm wire	1,800	3,000
TOTAL	23,000	23,000
Estimated value (in thousands of dollars)	17,000	22,500

In addition, schedule C-2 of the agreement (comprising Chilean products which may be exported to Argentina with exchange permits) includes other processed copper products, in particular, copper or brass tubing; and in the notes exchanged when the Agreement was concluded it was agreed that the quantities and prices of the copper would be specified in each sales contract, the transactions being conducted in dollars at world price levels. The "international base price" for copper in ingots (wire bars and ingot bars) would be the price of ingot copper in the United States, obtained by taking the average of the quotations for "electrolytic copper, domestic and export, f.o.b. refinery" for the month preceding the date on which the contracts were concluded, provided that prices on the United States domestic market were not Government-controlled, in which case the two parties would agree on future procedure. The surcharges and discounts accepted in trade publications would be applied in the case of other types of ingots (cakes, billets and cathodes), while the prices of finished and semi-finished products would be based on those of similar products in the world market, or, failing these, on the ingot price as determined above plus current cost of processing prevailing in the international market for such purchases.

This formula was later modified by an exchange of notes dated June 1955, when it was agreed that during the second agreement-year the prices of the various copper products would be calculated on the basis of the average copper prices in the United States and on the London Stock Exchange. The United States prices would be determined in accordance with the previous formula, i.e., by averaging the quotations for "electrolytic copper—domestic and export, f.o.b. refinery".

It should be noted that in the lists for the two agreement-years, the bulk of the specified quantities of Chilean copper to be exported to Argentina consists of semi-finished copper goods—wire rods and sheets—and that in both cases the specified quantities of copper ingots are offset by the specified quantities of processed copper products. The reason for this is that, while Argentina wants to import copper in primary forms (ingots), Chile prefers to sell it in manufactured forms, because both countries are interested in protecting and stimulating their copper processing industry. Consequently, as a compromise, it was understood that exports of ingots must be offset by an equal volume of finished products.[74] As the importation of increased quantities of finished products would injure certain industries, Argentina has decided to import Chilean copper where possible in semi-finished forms, i.e., wire rods, or electrolytic copper in rods, which is used to make wire, and slabs (furnace-refined sheet copper), which are frequently melted down again to obtain ingots which can then be processed.[75]

Of the Chilean copper bought by Argentina during the first agreement-year, a balance of 6,000 tons was still undelivered at the beginning of the second year (March 1955). This balance was regarded as a carry-over quota between the two years. For this reason, when the lists for the second agreement-year were drawn up, a quota of 23,000 tons was established on the understanding that this figure included 6,000 tons which would constitute a carry-over quota between the second and third agreement-years. In accordance with this arrangement and the composition of the quota, IAPI—which was responsible for importing Chilean copper to Argentina—concluded contracts in August 1955 with the Chilean firms MADECO and FAMAE to buy 14,000 tons of copper[76] valued at 15,705,800 dollars, to be delivered by February 1956. In April of this year IAPI signed a contract with the Chile Exploration Company for the purchase of 3,000 tons of wire bars (electrolytic copper in ingots) and subsequently with MADECO and FAMAE for the purchase of the 6,000 tons of semi-processed and processed copper[77] needed to make up the quotas stipulated in the schedule covering the second agreement-year.

[73] It should be noted that, in the 1954 Agreement, the practice of direct bartering of copper for cattle, instituted between Chile and Argentina in 1951, was abandoned. See chapters VIII and XI of *Study of the Prospects of Inter-Latin-American Trade (Southern Zone of the Region)* (E/CN.12/304/Rev.2), United Nations publication, Sales No.: 1953.II.G.4.

[74] Usually uncoated 4.5-millimetre wire.

[75] According to Chilean statistics, copper exports to Argentina consist mainly of wire, a finished product (see table 30); Argentine statistics of imports from Chile give the same indication. This seems to be due to the fact that under the heading of wire are also included wire rods, which are electrolytic copper in rods of 8 millimetres and more in diameter and which are a semi-processed product.

[76] 3,960 tons of 8-millimetre wire rods, 1,500 tons of 12.7-millimetre wire rods, 6,650 tons of copper slabs and 1,890 tons of 4.5-millimetre wire.

[77] 2,040 tons of wire bars, 2,850 tons of copper slabs and 1,110 tons of 4.5-millimetre wire.

It has been stated that in 1956 Argentina purchased 9,000 tons of Chilean copper. Although these purchases form part of the quota specified in the lists for the agreement-year running from March 1955 to February 1956, they, or at least 6,000 tons of the total, are covered by the quota to be established for the third agreement-year. Consequently, although the period of validity of the schedules for the second agreement-year has been extended to 31 August 1956, it would not be surprising if any further sales of copper to Argentina against agreement-dollars were postponed until new schedules were drawn up, in view of the fact that the 6,000 tons in question constitute the carry-over quota which had been considered sufficient to cover normal trade requirements pending the establishment of these new schedules.

Under normal trade conditions, the sale of Chilean copper to Argentina against agreement-dollars does not appear to involve any major difficulties. The copper ingots sold by Chile to Argentina for agreement-dollars are supplied by the large copper mining companies. Under a special arrangement, the Chilean Government has agreed that the mining companies may transfer agreement-dollars to it as if they were United States dollars and apply them to settle their financial obligations with the Chilean State in respect of production costs and taxes. Obviously this operation can be effected without fiscal loss if the agreement-dollar is maintained at par with the United States dollar on the Chilean exchange market.[78]

Argentina[79] is interested in Chile as a continuous source of copper supplies because it can obtain Chilean copper without using the convertible currencies that would be required if it were to buy from other suppliers, especially at times when copper is in short supply, as occurs periodically. In order to obtain Chilean copper for agreement-dollars, Argentina has made certain concessions, such as paying a price differential and agreeing to make the purchase of copper ingots conditional upon the purchase of processed products, or alternatively accepting semi-processed products. The already traditional over-pricing is tending to disappear now that Chile is applying a more realistic export exchange rate; but the other factor—the condition that purchases of ingots must be offset by purchases of processed products—may become a more serious obstacle since Argentina's industry is in a position to produce from ingots practically all the finished and semi-processed products of copper and other non-ferrous metals needed by the domestic market. Thus, now that the multilateral agreement between Argentina and several European countries, the Paris Club, has been concluded, it is likely that, even if the price of Chilean copper is adjusted to the world price, consumers in Argentina will prefer to buy ingots from the United Kingdom or from Belgium, in order to utilize the installed capacity of domestic industry, and will refrain from buying processed products. A contributing factor may be the absence of a central purchasing agency in Argentina, or the lack of any other device enabling the Government to control its copper imports and apply the agreements relating to the purchase of a certain proportion of processed products with each shipment of ingots.

Sales of Chilean copper to Uruguay are being affected by the Uruguayan system under which import permits may not be granted for goods from countries with which Uruguay has an unfavourable balance of trade. Nevertheless, sales have sometimes been made, when offers were submitted at competitive prices under a bidding procedure based on the principle that the lowest price offer had to be accepted, regardless of the currency to be used in payment or the origin of the product.

Recently there have been a number of sales of Chilean processed copper to Venezuela, the products being shipped on Netherlands steamers which call at La Guaira on their way from Chile.

Argentine imports of Peruvian copper ingots may continue if the conditions which stimulated them in 1954 and 1955 still obtain. These purchases were made using quotas assigned to the sterling area which were diverted to Peru because Peruvian prices were more advantageous than those quoted in the United Kingdom.

8. Iron and steel

After reaching a peak in 1953, inter-Latin-American trade in iron and steel underwent a marked decline in 1954 and 1955. In 1953 and 1954 it was virtually limited to exports by Chile, and in 1955 to exports by Chile and Brazil; the latter re-entered the export field in that year, although the products exported were not the same as those it had sold abroad before 1952. Chilean exports found a market in nearly all the countries of South America, although, as in previous years, the major portion went to Argentina. Brazil, on the other hand, emerged for the first time in 1954 and 1955 as a relatively heavy buyer of Chilean iron and steel (see tables 31 and 32).

The marked decline in inter-Latin-American trade in iron and steel in 1954 and 1955 was due primarily to the decrease in the quantities available for export from Chile as a result of the great expansion of its domestic market. Stimulated by the boom in the construction industry and by the development of the canning and metallurgical industries, etc., the volume of domestic iron and steel products absorbed by the Chilean market in 1954 and 1955 was substantially higher than in 1953 and larger than had been estimated. In addition, production during those two years fell below the planned level. It had been estimated in Chile that approximately 116,000 tons of iron and steel would be available for exports in 1954, and on the basis of this estimate arrangements were made early in the year for large sales to various countries, notably Argentina and Brazil, amounting to 60,000 tons and 26,000 tons respectively. These commitments could not be fully discharged until 1955 or early 1956, the volumes actually

[78] In other words, Chile can offer copper to Argentina in agreement-dollars at world prices, provided the Central Bank guarantees a rate of exchange more or less equal to that of the United States dollar.

[79] Argentina's normal copper requirements are estimated at some 25,000 tons, not including the special demand which may arise as a result of the construction of the San Nicolas iron and steel plant. Other sources estimate the latent demand to be between 30,000 and 35,000 tons. Argentina's imports of copper and its manufactures are effected through the official market.

Table 31

CHILE: EXPORTS OF IRON AND STEEL TO LATIN AMERICA[a]
(Volume in tons; value in thousands of dollars)

Countries of destination	1953		1954		1955		1956	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
A. *Pig iron*								
Argentina	12,086	1,012	—	—	—	—	—	—
Latin America	12,161	1,019	—	—	—	—	—	—
All countries	12,161	1,019	—	—	—	—	—	—
B. *Ferro-alloys*[b]								
Argentina	2,351	1,345	2,157	639	—	—	..	..
Peru	104	—	—	—	155	18	..	..
Uruguay	104	25	231	46	79	18	..	..
Latin America	2,559	1,390	2,388	685	234	31	..	..
All countries	3,036	1,478	6,164	1,192	8,030	1,101	..	..
C. *Bars, shapes and strip*[c]								
Argentina	2,144	402	—	—	—	—	—	—
Brazil	—	—	12,358	1,215	5,239	576	249	28
Bolivia	138	13	85	8	1,772	212	1,757	213
Peru	11,651	987	3,369	256	5,177	475	3,923	485
Uruguay	444	46	3,170	259	300	26	260	26
Colombia	3,504	294	178	16	1,493	163	—	—
Ecuador	3,136	290	1,857	161	401	39	233	26
Latin America[d]	21,875	2,104	21,244	1,934	14,473	1,502	7,422	876
All countries	21,875	2,104	21,303	1,938	17,521	1,757	9,831	1,128
D. *Sheet*[e]								
Argentina	54,270	13,283	31,634	6,853	17,768	2,533	4,067	650
Brazil	—	—	3,320	427	4,528	649	31	7
Bolivia	110	13	119	23	31	4	—	—
Peru	200	43	388	59	1,372	205	196	35
Uruguay	32	5	1,016	147	—	—	8	7
Colombia	294	60	695	133	—	—	3,161	448
Ecuador	438	92	49	8	70	9	150	20
Latin America[f]	55,344	13,496	37,221	7,650	23,769	3,400	8,037	1,215
All countries	55,344	13,496	37,221	7,650	24,795	3,514	16,732	2,256
E. *Totals*								
Argentina	70,851	16,042	33,791	7,492	17,768	2,533	4,067	650
Brazil	—	—	15,678	1,642	9,767	1,225	280	35
Bolivia	248	26	204	31	1,803	216	1,757	213
Peru	11,955	1,050	3,757	315	6,704	698	4,119	520
Uruguay	655	82	4,417	452	379	39	268	28
Colombia	3,798	354	873	149	1,493	163	3,161	448
Ecuador	3,574	382	1,906	169	471	48	383	46
Latin America	91,939	18,009	60,853	10,269	38,476	4,933	15,459	2,092
All countries	92,436	18,097	64,688	10,780	50,346	6,372	26,563	3,384

Sources: Chilean foreign trade statistics. For 1956, data furnished by the Compañía de Acero del Pacífico.

[a] In addition to the items specified in the table, Chile makes sporadic and generally small exports to other Latin American countries of tinplate (these were relatively large in 1953), wire rods, products made from bars, tubing and structures. It also exports, for considerably larger sums, by-products of the iron and steel industry (coal oils and coke breeze) to Argentina.

[b] Mainly ferromanganese and smaller quantities of ferro-silicon.

[c] This group consists for the most part of iron and steel round bars.

[d] Including small and decreasing exports to Panama and 1,000 tons of billets to Cuba in the first half of 1956.

[e] Mainly uncoated flat sheets; includes small quantities of galvanized sheets.

[f] The figures for the first half of 1956 include a shipment of 424 tons of heavy plate to Cuba.

exported having amounted to only 54,224 tons in 1954 and 42,878 tons in 1955.[80]

The reduction of the surplus available for export mainly affected Chile's exports to Argentina, the principal foreign market for Chilean iron and steel. Sales to Argentina were also influenced by other factors, in particular the policy of market diversification which Chile appears to have pursued, and which partially accounted for the fact that exports to Argentina fell rather more than total Chilean exports of iron and steel. In 1953, sales of iron and steel products to Argentina passed the 70,000-ton mark (nearly two-

[80] Data furnished by the Compañía de Acero del Pacífico (CAP); the Chilean foreign trade statistics show exports of iron and steel products (not including ferroalloys) of 58,524 tons in 1954 and 42,316 tons in 1955 (see table 31).

Table 32

BRAZIL: EXPORTS OF IRON AND STEEL TO LATIN-AMERICA[a]
(Volume in tons; value in thousands of dollars)

Countries of destination	1953		1954		1955	
	Volume	Value	Volume	Value	Volume	Value
A. *Ferro-alloys*[b]						
Argentina	—	—	—	—	100	45
Latin America	—	—	—	—	100	45
All countries	—	—	—	—	100	45
B. *Bars, shapes, and strip*[c]						
Argentina	—	—	—	—	11,851	1,425
Latin America	—	—	—	—	11,851	1,425
All countries	—	—	—	—	11,851	1,425
C. *Totals*						
Argentina	—	—	—	—	11,951	1,470
Latin America	—	—	—	—	11,951	1,470
All countries	—	—	—	—	11,951	1,470

Source: Brazilian export statistics.

[a] In addition to the groups mentioned, the Brazilian statistics record the exportation of nearly 21,000 tons of foundry iron to the United Kingdom in 1955. Neither this nor other iron and steel products were exported in 1953 and 1954.

[b] The 1955 exports consisted of ferrosilicon alloy. In 1951 and 1952 Brazil exported large quantities of ferro-alloys (predominantly ferromanganese and smaller quantities of ferro-silicon) to Argentina.

[c] The Brazilian statistics show exports to Argentina in 1955 under the heading of "Angles, shapes and other types of structural iron and steel", while the Argentine statistics record the importation of 9,300 tons of iron billets from Brazil.

and-a-half times higher than exports in 1951 and 1952), under the stimulus of a large surplus available for export in Chile and an automatic import licensing régime in Argentina. The suspension of this régime in September 1953 cancelled sales by Chile of a further 60,000 tons to Argentine firms. Until March 1954, when the Argentine-Chilean Trade Agreement was concluded,[81] no further contracts could be made. On this occasion, Chile sold to IAPI, which had become the sole Argentine importer of iron and steel, some 56,500 tons of sheet (to which was added the outstanding balance for the preceding year of about 5,500 tons to be delivered before 30 April 1955). About 27,600 tons were delivered to IAPI in 1954 and a further quantity of 17,500 in 1955,[82] some 15,000 tons remaining to be delivered in 1956. In other words, all Chilean iron and steel exports to Argentina in 1954, 1955 and 1956 to date represent sales to IAPI contracted for in March 1954.

Chile's sales to Argentina under this contract consisted almost entirely of flat rolled products, i.e., sheets and plates, annealed and pickled, in nearly equal quantities. They also included about 4,000 tons of slabs and about 100 tons of tinplate.[83] On the other hand, exports of pig-iron ceased; Chile had exported pig-iron to Argentina and other countries between 1951 and 1953 to the value of over 1 million dollars a year, when the steel industry still could not absorb the entire output. As regards tinplate, Chilean exports to Argentina, which were substantial in 1952 and 1953, declined sharply in 1954 and ceased altogether in 1955, owing to the increase in domestic demand caused by the development of the Chilean canning industry.

It has been noted that in 1954 Brazil emerged for the first time as an importer of iron and steel from Chile, which in that year shifted to the Brazilian market some of the exports previously sent to Argentina, in the form of a sale of 26,000 tons which took place in 1954. About 15,700 tons of this purchase were shipped in 1954, and 9,800 tons in 1955, some 500 tons remaining to be delivered in 1956. The steel sold to Brazil consists for the most part of merchant mill products, mainly round bars and some angles and other products, but it also includes steel sheet, plate and semi-finished products such as slabs, sheet bars and billets.

[81] Schedule C-1 of the Agreement, covering Chilean products which may be exported to Argentina without an exchange permit, included 100,000 tons of iron and steel products to the value of 17.4 million dollars (plus 100,000 dollars' worth of tinplate). For the second agreement-year, the estimated volume of iron and steel products was reduced to 60,000 tons, to the value of 10 million dollars (including pending contracts for approximately 34,000 tons to the value of 6 million dollars).

In addition, by an exchange of notes in February 1954 Argentina agreed to purchase 14,981 tons of sheet steel at an average price of 321.83 dollars per ton c.i.f. and a further quantity of 45,019 tons at the average price of 147.86 dollars per ton; this agreement was given effect by IAPI's purchase from CAP the following month. It should be noted that the higher price set for the first quantity of 14,981 tons was intended to compensate for the difference resulting from an adjustment in the price of Argentine wheat sold to Chile. It was obviously intended to match the sales of Argentine wheat to Chile with those of Chilean iron and steel to Argentina, since the same value was assigned to both products in the respective lists. However, this intention was not adhered to subsequently.

[82] CAP figures, which differ in some cases from those given in the Chilean export statistics (see table 31).

[83] In addition, since 1951 Chile has been exporting to Argentina coal oils and coke breeze, by-products of the iron and steel industry (the term "coal oils" refers to oil derivatives of coal such as benzol, toluol and xylol). These exports rose in value from 450,000 dollars in 1952 to 600,000 dollars in 1953 and 865,000 dollars in 1954, only to drop to 590,000 dollars in 1955.

Generally speaking, apart from a few fluctuations, Chilean shipments to other South American countries were affected in 1954 and 1955 by the shortage of products available for export to which reference has already been made. In most cases, Chile confined itself to making such sales as were needed to keep the market open or to deliver goods contracted for in 1954. It should be noted that in November 1954 Chilean exporters concluded an agreement with the Bolivian Yacimientos Petrolíferos Fiscales, for the exchange of 3,000 tons of steel (chiefly round bars to be used in construction) for 15 million litres of Bolivian petrol to the value of 500,000 dollars. This enabled Chile to increase substantially its exports of steel products to Bolivia in 1955, the total amounting to nearly 2,000 tons. In the case of Uruguay, Chile continued to exchange steel for dolomite, as in previous years. In 1954 Chile purchased 500,000 dollars' worth of Uruguayan dolomite, to be delivered in 1954 and 1955, and in return shipped to Uruguay 4,200 tons of steel products in 1954 and about 1,400 tons in 1955.

Chilean exports of ferro-alloys, mostly ferromanganese, to Latin America after reaching a fairly high level in 1953 and 1954 owing to sales to Argentina, fell off sharply in 1955 because of the decline in Argentina's import needs.

In addition to Chilean exports, mention should be made of Brazil's exports to Argentina in 1955 (see table 32), although these may not indicate that Brazil has reappeared as the normal supplier of iron and steel to the rest of Latin America. In 1951 and 1952 Brazil sold fairly large quantities of ferro-alloys and billets to Argentina, but the development of its own steel industry has absorbed the entire output. The needs of its domestic markets prevent Brazil from becoming a normal exporter of semi-finished steel products. This situation is likely to continue for several years to come.

During the first six months of 1956, the downward trend shown in the two preceding years in Chilean exports of iron and steel products to the rest of Latin America continued, although less markedly (see table 31). The deliveries made in those six months corresponded for the most part to sales made in 1954 and 1955. It should be noted that, partly owing to the policy of diversifying its markets which Chile has been pursuing with greater vigour since the closing months of 1955, its iron and steel exports to Latin America have fallen to only 60 per cent of its total exports, as against nearly 100 per cent in 1953 and 1954. In other words, most of the new sales made in 1956 went to markets outside the region, in particular the United States, Canada and the United Kingdom. Nevertheless, a sale of almost 1,500 tons was made to a new Latin American market—Cuba.

During the past few months, there has been a fairly substantial increase in the surplus of iron and steel available for export in Chile, owing to the contraction of the domestic market and the expansion of production. In 1956, production is expected to reach peak figures in nearly all branches. Nevertheless, new sales to the two largest markets in the two preceding years, Argentina and Brazil, may be somewhat affected by possible difficulties in negotiating the corresponding units of account or by a possible drop in the rate of exchange of these units, since during the current year Chile appears to have a heavy favourable balance in its trade with the countries mentioned. Moreover, Argentina's imports of iron and steel, most of which were formerly effected by IAPI, are now in the hands of co-operatives and private firms, which are able, under Argentina's new exchange regulations, to place orders in any of the European countries that are members of the Paris Club, as well as in Japan or Chile, within the limits of a general quota set by the Argentine authorities. Consequently, Chilean exports now face a more competitive market in Argentina than under the previous system. On the other hand, sales to Brazil are handicapped by the need to quote higher prices in order to offset the lower value of the Chilean-Brazilian agreement-dollar.

On the basis of competitive prices, Chilean exports of iron and steel to Argentina and Brazil might reach higher levels than in the past two years. Both countries are attractive markets, because of their large import requirements, which may be expected to remain at a high level for many years if not permanently, and because of their proximity. It might be said that Brazil and especially Argentina are the natural export markets for Chilean iron and steel. The Argentine market is now interested in sheet (particularly light sheet) and the Brazilian market in round bars. Chile could sell in these markets the entire exportable surplus of both products available (especially in the case of sheet) under normal conditions of production and demand on the domestic market. This surplus will increase when the semi-continuous rolling mill which is being installed by CAP comes into operation in early 1958. The mill will produce strip, too, thus making it possible to increase the output of bars also. In the meantime, as the production of the Corral blast furnace has tripled in the current year, Chile once again has an exportable surplus of pig-iron of approximately 15,000 tons, 10,000 of which have already been sold to Japan. This situation will continue for some time and Chile should therefore be able to resume exports of this product to Argentina.

The problem of the imbalance of trade in favour of Chile, with the consequent possibility that there will be no way of disposing of agreement-dollars, is even more serious in the case of Bolivia than in that of the two countries already mentioned. The agreement under which petrol was exchanged for steel worked well, but it was a single transaction completed early in 1956, and Chile apparently shows no interest in further transactions of this type. Nevertheless, when the proposed oil pipeline to Arica is constructed, the situation may be substantially changed, if Chile becomes a buyer of Bolivian oil, as Bolivia will offer an interesting market for Chilean iron and steel.

Sales of iron and steel to Uruguay are virtually limited to the amounts exchanged for dolomite, as Uruguay normally grants import permits only for purchases from countries which buy Uruguayan products. At the moment deliveries are being made against earlier sales, but new transactions might be negotiated, with Chilean deliveries spread over a long period of time. At the same time, however, Chile's

need for Uruguayan dolomite has been declining, as greater use is being made of domestic dolomite.

Trade with Colombia presents a problem similar to trade with Uruguay, as the Colombian Government has issued regulations limiting imports from countries with which Colombia has an unfavourable trade balance. Before this measure was instituted, Chile sold 3,000 tons of steel plate for the Bogotá municipal aqueduct; these were delivered in the first half of 1956. It is generally considered that, despite the production of the Paz del Rio iron and steel plant, Colombia may continue to offer a market for some Chilean steel products. On the other hand, Peruvian demand for Chilean iron and steel, normally the largest in Latin America after Argentina's (and in 1955 Brazil's) may decrease with the operation of the Chimbote iron and steel plant, which entered production early in August 1956.

Broadly speaking, it may be said that, in the present situation and for several years to come, the possibility of an increase in the trade in iron and steel between Latin American countries must be considered principally in terms of Chilean exports to the other countries. Apart from the specific problems to which attention has been drawn, these exports depend on the surpluses available for export in Chile and the ease with which Chile can find markets for its iron and steel outside Latin America. If the shortage of iron and steel products available for export which has existed since early 1954 until early 1956 is substantially relieved, the problem of the Chilean iron and steel industry may be not so much to increase its capacity as to dispose of its surplus products. The logical and perhaps the least unstable market for such surpluses would be the other countries of Latin America, particularly those of South America.

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LATIN AMERICA: PRODUCTS EXPORTED TO LATIN AMERICA
(F.o.b. values in thousands of dollars)

Product	Average for 1934–38			Average for 1946–51			1953			1954			1955		
	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage
GRAND TOTAL		112,791	100.0		580,696	100.0		720,428	100.0		696,700	100.0		737,200	100.0
Total of products listed		92,671	81.9		496,736	85.3		671,275	93.2		648,418	93.0		684,056	92.8
1. FOODSTUFFS		67,596	59.8		276,067	47.6		372,718	51.7		349,141	50.1		329,930	44.8
Hulled rice	19,451	921	0.8	62,191	10,728	1.8	17,735	3,891	0.5	28,311	4,741	0.7	29,431	3,589	0.5
Ref. and raw sugar	167,354	4,139	3.7	343,605	43,728	7.5	416,778	34,667	5.0	358,371	27,609	4.0	419,666	32,880	4.5
Frozen meats[a]	6,670[b]	597	0.5	12,879	4,850	0.8	10,724	5,882	0.8	17,215	9,274	1.3	11,187	7,312	1.0
Tinned goods:															
Meat	11,067	2,144	1.9	7,350	4,487	0.8	2,276	2,039	0.3	861	836	0.1	1,086	1,190	0.2
Fruit	357	39	0.0	776	717	0.1	450	313	0.0	287	198	0.0	1,407	555	0.1
Milk	572	74	0.1	435	310	0.1	138	222	0.0	1,901	2,120	0.3	1,851	2,383	0.3
Vegetables	372	47	0.0		1,249	0.2	83	68	0.0	858	685	0.1	600	521	0.1
Fish	88	18	0.0	1,105	589	0.1	507	270	0.0	630	370	0.0	475	354	0.0
Stimulants:															
Cacao	8,791	1,175	1.0	14,322	7,779	1.3	20,231	12,479	1.7	16,454	19,801	2.8	17,987	13,692	1.9
Coffee	26,542	4,285	3.8	50,900	23,957	4.1	44,282	47,121	6.5	42,580	62,581	9.0	42,380	40,110	5.5
Tea	0.6	0.2	0.0	323	341	0.1	502	596	0.1	188	221	0.0	215	308	0.0
Mate	67,111	4,685	4.2	53,394	8,799	1.5	36.079	8,366	1.2	52,099	15,195	2.2	55,921	14,735	2.0
Dried beans	15,007	729	0.6	14,930	2,648	0.5	6,669	1,028	0.2	5,040	668	0.1	9,644	1,380	0.2
Fruit:															
Fresh	206,414	3,617	3.2	226,130	22,113	3.8	287,618	35,741	5.0	321,853[d]	31,867[d]	4.6	328,929	36,783	5.0
Dried	4,492	758	0.7	5,412	2,756	0.5	5,068	5,652	0.8	3,916	2,072	0.3	4,925	3,015	0.4
Livestock:															
Sheep	29,239[e]	1,193	1.1	24,440	3,849	0.7	5,469	1,286	0.2	8,233	2,713	0.4	3,412	1,283	0.2
Pigs	159	33	0.0	4,670	977	0.2	2,666	1,005	0.1	2,136	913	0.1	1,909	415	0.0
Cattle	78,901[f]	4,114	3.6	142,768	21,680	3.7	50,114	15,350	2.1	39,518	12,047	1.7	39,936	8,274	1.1
Edible oil and fats:															
Oils	289	39	0.0	8,370	4,694	0.8	21,006	9,584	1.3	5,129[g]	2,651[g]	0.4	1,616	743	0.1
Fats	1,576	244	0.2	5,228	3,273	0.6	11,359	8,875	1.2	12,160	7,504	1.1	5,782[h]	3,934[h]	0.5
Butter	248	89	0.1	1,803	1,534	0.3	1,348	2,199	0.3	2,553	3,370	0.5	1,344	1,438	0.2
Malt	6,034	352	0.3	19,231	3,453	0.6	22,202	3,780	0.5	15,856	3,355	0.5	27,319	8,708	1.2
Cheese	303	91	0.1	1,723	1,237	0.2	1,554	1,697	0.2	1,708	1,386	0.2	1,652[i]	1,735[i]	0.2
Salt	15,361	93	0.1	22,573	346	0.1	11,325	226	0.0	24,673	472	0.1	25,059	470	0.1
Tobacco, leaf	7,669	1,611	1.4	9,194	5,667	1.0	5,355	4,131	0.6	5,174	3,158	0.5	2,184[j]	1,780[j]	0.2
Tobacco, manufactured:															
Cigars	13	119	0.1	402	474	0.1	891	541	0.1	987	567	0.1	—	—[k]	0.0
Cigarettes	15	35	0.0	22	100	0.0	18	82	0.0	14	61	0.0	1[l]	1[l]	0.0
Wheat	1,094,120	32,929	29.2	781,735	85,380	14.7	1,423,315	152,398	21.2	1,277,976	101,881	14.6	1,690,597	121,972	16.5
Maize	5,906	105	0.1	27,242	1,664	0.3	50,467	3,785	0.5	12,090	837	0.1	5,747[m]	426[m]	0.1
Wheat flour	70,870	3,145	2.8	36,572	5,500	0.9	55,560	9,010	1.3	195,724	29,271	4.2	142,687	19,660	2.7
Wines	1,254	83	0.1	3,854	735	0.1	664	140	0.0	1,000	348	0.0	783	207	0.0
Liquours	772	93	0.1	893	453	0.1	278	215	0.0	344	193	0.0	161	77	0.0

2. RAW MATERIALS		10,457	9.1		109,116	18.8
A. *Agricultural:*		8,967	7.8		83,667	14.3
Cotton, raw	2,986	773	0.7	30,551	19,945	3.4
Hides:						
Raw	10,044[o]	1,862	1.7	4,362	2,163	0.4
Tanned	38	70	0.1	1,422	2,863	0.5
Vegetable fibres[p] ...	709	116	0.1	5,880	2,328	0.4
Wool:						
Greasy	1,258	503	0.4	1,476	1,740	0.3
Washed	944	617	0.5	2,221	3,594	0.6
Cellulose and pulp ..	—	—		200	26	0.0
Quebracho	10,407	695	0.6	18,350	3,445	0.6
Oil-seeds[r]	34,473	1,290	1.1	6,397	1,352	0.2
Tagua	3,578	47	0.0	2,354	168	0.0
Timber:						
Rough and partly worked[s]	221,503	2,926	2.6	731,414	43,756	7.5
Manufactured[t]	314	9	0.0	6,056	1,689	0.3
Posts[t]	3,274	31	0.0	20,168	392	0.1
Sleepers[t]	7,115	28	0.0	9,934	206	0.0
B. *Minerals*		1,490	1.3		25,449	4.5
Asbestos	1	0.4	0.0	52	11	0.0
Sulphur	10,273	203	0.2	6,283	316	0.1
Cement	1,215	20	0.0	35,653	968	0.2
Copper:						
Ores	—	—		14	7	0.0
Electrolytic (ingots)	547	129	0.1	11,767	5,019	0.9
Electrolytic (billets)	—	—		6,864	3,775	0.7
Standard or blister in ingots	—	—		872	260	0.0
Refined or recast..	—	—		799	393	0.1
Bars, sheet, scrap..	84	24	0.0	1,813	1,271	0.2
Tin:						
Bars and ingots ...	114	99	0.1	164	259	0.0
Iron and steel:						
Pig iron				25,158	2,180	0.4
Bars, shapes and strip				1,872	211	0.0
Sheet and rolled metal				409	56	0.0
Various forms ...				5	3	0.0
Tinplate				—	—	
Lead:						
Ore and concentrates	3,656	257	0.2	2,154	353	0.1
Bars and ingots ...	3,556	310	0.3	15,754	4,417	0.8
Fertilizers	17,495[u]	432[v]	0.4	150,315	5,183	0.9
Zinc:						
Ores and concentrates	—	—		268	24	0.0
Bars and ingots ...	128	16	0.0	2,389	743	0.1

	126,110	17.5		116,609	16.7		149,935	20.3
	85,830	11.9		91,327	13.1		122,997	16.6
40,184	28,183	3.9	25,286	19,352[n]	2.8	42,483	33,014	4.5
4,363	2,658	0.4	10,001	7,096	1.0	11,606	5,892	0.8
624	1,701	0.2	725	1,613	0.2	288	1,102	0.2
3,460	1,549	0.2	5,824	2,117	0.3	2,666[q]	789[q]	0.1
859	1,033	0.1	294	365	0.1	91	217	0.0
1,000	2,810	0.4	1,089	3,360	0.5	858	2,204	0.3
—	—		—	—		—	—	
19,807	4,620	0.6	19,067	4,566	0.7	19,634	4,527	0.6
13,115	2,362	0.3	978	469	0.1	4,771	991	0.1
590	54	0.0	493	34	0.0	1,170	124	0.0
657,697	39,583	5.5	685,748	51,615	7.4	828,497	73,192	9.9
1,626	237	0.0	2,203	297	0.0	2,270	302	0.0
16,955	314	0.0	1,389	124	0.0	2,027	178	0.0
12,615	726	0.1	4,567	319	0.0	12,952	307	0.0
	40,280	5.6		25,282	3.6		27,096	3.7
361	95	0.0	47	8	0.0	—	—	
19,487	3,590	0.5	539	64	0.0	9,970	355	0.0
63,443	1,619	0.2	30,282	628	0.1	29,806	638	0.1
—	—		—	—		—	—	
2,207	1,732	0.2	1,768	1,011	0.1	2,791	1,989	0.3
—	—		—	—		—	—	
163	30	0.0	190	152	0.0	—	—	
18	14	0.0	1,000	647	0.1	484	396	0.0
6,207	5,609	0.8	5,861	3,916	0.6	9,780	8,633	1.2
231	338	0.0	—	—		—	—	
14,723	2,409	0.3	2,421	687	0.1	872	163	0.0
21,876	2,105	0.3	21,247	1,936	0.3	26,359	2,931	0.4
55,364	13,500	1.9	37,222	7,652	1.1	23,769	3,400	0.5
5	1	0.0	—	—		—	—	
1,504	397	0.1	107	24	0.0	—	—	
7,155	1,291	0.2	—	—		—	—	
4,790	1,199	0.2	4,751	1,220	0.2	1,707	482	0.1
114,893	5,330	0.7	110,401	4,978	0.7	140,027	6,856	0.9
20	4	0.0	—	—		—	—	
4,776	1,017	0.1	9,536	1,808	0.3	5,450	1,253	0.2

Table 33 (continued)

LATIN AMERICA: PRODUCTS EXPORTED TO LATIN AMERICA (*continued*)

(F.o.b. values in thousands of dollars)

Product	Average for 1934–38			Average for 1946–51			1953			1954			1955		
	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage
3. FUELS		13,624	12.2		63,453	10.9		151,892	21.1		162,057	23.3		182,124	24.7
Coal	58,241	282	0.3	87,653	1,791	0.3	35,726	490	0.1	36,645	551	0.1	65,815	1,332	0.2
Petroleum and its derivatives	918,776	13,342	11.9	3,629,524	61,662	10.6	7,109,749	151,402	21.0	7,387,200	161,506	23.2	8,613,310	180,792	24.5
Crude	375,031	4,381	3.9	1,629,142	24,804	4.3	3,082,256	58,994	8.2	3,259,205	67,994	9.8	4,785,446	99,064	13.4
Petrol, aviation	132,929	3,095	2.7	258,632	9,118	1.6	123,736	4,644	0.6	—	—		—	—	
Petrol, ordinary	50,851	1,616	1.4	193,451	6,365	1.1	1,135,596	44,087	6.1	1,079,786	42,903	6.1	630,840	23,646	3.2
Kerosene	50,766	1,025	0.9	48,234	1,208	0.2	113,350	3,215	0.4	191,801	5,253	0.7	295,755	10,148	1.4
Diesel oil	13,890	183	0.2	358,461	6,057	1.0	928,642	21,004	2.9	977,857	22,217	3.2	1,171,252	26,173	3.5
Fuel oil	285,988	2,527	2.2	1,134,374	13,622	2.3	1,690,515	17,998	2.5	1,848,438	22,087	3.2	1,694,356	20,520	2.8
Mineral oils and greases	4,872	434	0.4	2,295	343	0.1	9,798	446	0.1	8,331	569	0.1	3,207	482	0.1
Asphalt	4,439	80	0.1	3,451	84	0.0	25,856	1,014	0.1	21,782	483	0.1	30,138	667	0.1
Other derivatives	10	1	0.0	1,484	61	0.0	—	—		—	—		2,316	92	0.0
4. MANUFACTURED GOODS		994	0.8		48,100	8.0		20,555	2.9		20,611	2.9		22,067	3.0
Copper:															
Wire	—	—		1,677	1,077	0.2	6,377	5,939	0.8	4,714	3,814	0.5	10,053	8,779	1.2
Tubing	—	—		243	186	0.0	8	8	0.0	235	196	0.0	30	23	0.0
Other manufactured products	8	8	0.0	446	585	0.1	2	3	0.0	2	3	0.0	9	28	0.0
Iron and steel:															
Wire rods and related products, bars[w]				202	61	0.0	3	3	0.0	—	—		—	—	
Rails and railways accessories				1,717	88	0.0	—	—		—	—		—	—	
Metal structures				724	440	0.1	—	—		5	1	0.0	73	4	0.0
Tubing				3,774	862	0.1	82	41	0.0	196	85	0.0	634	165	0.0
Yarns:															
Cotton	154	109	0.1	1,661	5,995	1.0	75	198	0.0	30	47	0.0	161	498	0.1
Wool	18	24	0.0	502	2,590	0.4	617	3,758	0.5	810	4,761	0.7	730	4,859	0.7
Flax	4	5	0.0	108	264	0.0	101	419		65	163	0.0	125	385	0.1
Paper and cardboard	66	24	0.0	780	232	0.0	218	711	0.1	1,100	282	0.1	455	189	0.0
Pharmaceutical products	237	211	0.2	1,702	4,545	0.8		2,532	0.4	1,914	3,418	0.5	1,427[x]	3,253[x]	0.4
Hard fibre sacks[y]	1,068	199	0.2	291	134	0.0	204	68	0.0	238	86	0.0	132	67	0.0
Textiles:															
Cotton	382	371	0.3	7,609	29,110	5.0	1,839	3,886	0.5	2,098	4,353	0.6	1,484	3,574	0.5
Wool	16	39	0.0	119	1,093	0.2	10	40	0.0	5	42	0.0	40	243	0.0
Rayon	3	4	0.0	386	838	0.1	1,874	2,949	0.4	2,172	3,360	0.5	—[z]	—[z]	

Source: Official foreign trade statistics.

[a] Including beef, mutton and lamb, pork, poultry, offal.

[b] 6,433 tons exported by Brazil to Uruguay not shown in Uruguay's import statistics.

[c] 7,886 tons exported by Brazil to Uruguay not shown in Uruguay's import statistics.

[d] Excluding Paraguay.

[e] 28,048 tons exported by Argentina to Chile. Chile shows imports from Argentina of only 19,207 tons.

[f] 32,891 tons exported by Uruguay to Brazil. Brazil

[g] Excluding Paraguay.

[h] Excluding Honduras.

[i] Excluding Honduras.

[j] Excluding Honduras.

[k] No information from Cuba and Honduras.

[l] No information from Cuba.

[m] Excluding Honduras.

[n] Excluding Paraguay.

[o] 6,203 tons exported by Brazil to Uruguay, not shown in Uruguay's statistics.

[q] Excluding Cuba.

[r] Including peanuts, copra, palm nuts, cotton seed, soya beans, sesame, sunflower seed.

[s] Including exports of posts and sleepers from Central America.

[t] Including only exports from South America.

[u] Import figures.

[v] Estimate.

[w] Including wire, nails, bolts, nuts, screws and rivets.

[x] Excluding Cuba.

[y] Including jute, henequen, hemp, etc.

Table 34

LATIN AMERICA: PRODUCTS EXPORTED TO THE WORLD

(F.o.b. values in thousands of dollars)

Product	Average for 1934–38			Average for 1946–51			1953			1954			1955		
	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage
GRAND TOTAL		1,922,973	100.0		6,146,895	100.0		7,659,533	100.0		7,799,300	100.0		7,878,004	100.0
Total of products listed		1,632,637	84.8		5,296,989	85.7		6,830,102	88.9		6,996,956	89.7		6,980,992	88.6
1. FOODSTUFFS		802,814	41.6		2,781,562	45.1		3,597,765	47.0		3,579,571	45.9		3,314,523	42.1
Hulled rice	42,529	2,294	0.1	228,466	38,218	0.6	97,850	19,744	0.3	108,087	29,699	0.4[a]	57,870[a]	6,354	0.1
Refined and raw sugar	3,346,201	117,827	6.1	6,015,434	629,977	10.2	6,584,935	593,297	7.7	5,386,001	493,201	6.3	6,420,227	574,586	7.3
Frozen meats[b]	593,481	78,404	4.1	438,709	138,758	2.3	264,393	123,481	1.6	266,306	123,028	1.6	209,623	114,492	1.5
Tinned goods:															
Meats	67,192	25,691	1.3	203,197	104,633	1.7	99,249	83,761	1.1	111,593	86,103	1.1	104,031	82,093	1.0
Fruits	4,223	430	0.0	31,722	8,064	0.1	25,012	5,672	0.1	29,059	5,786	0.1	20,467[c]	3,554[c]	0.0
Milk	662	87	0.0	1,870	1,327	0.0	133	378	0.0	1,903	121	0.0	1,851	2,384	0.0
Vegetables	521	71	0.0	2,443	1,952	0.0	406	224	0.0	1,156	866	0.0[d]	815[d]	612	0.0
Fish	2,443	567	0.0	12,270	6,350	0.1	15,193	7,936	0.1	7,486	10,202	0.1	19,578[e]	9,833[e]	0.1
Stimulants:															
Cacao	185,684	22,639	1.2	181,128	98,593	1.6	184,482	119,548	1.6	202,686	218,752	2.8	202,698	146,156	1.9
Coffee	1,154,983	245,793	12.8	1,574,962	1,070,452	17.4	1,702,809	1,968,015	25.7	1,317,183	1,907,537	24.5	1,523,819	1,753,639	22.3
Tea	2	1	0.0	420	420	0.0	534	628	0.0	282	307	0.0	310	402	0.0
Maté	67,841	4,972	0.3	53,789	8,942	0.1	36,454	8,631	0.1	56,491	16,867	0.2	56,732	15,204	0.2
Dried beans	37,402	1,782	0.1	75,966	11,646	0.2	29,487	4,916	0.1	38,405	5,510	0.1	39,938[f]	5,847[f]	0.1
Fruits:															
Fresh	1,969,556	40,787	2.1	1,777,725	83,866	1.4	2,226,649	170,392	2.2	2,351,943	181,356	2.3	2,269,116	183,280	2.3
Dried	12,436	3,265	0.2	10,469	6,996	0.1	14,899	13,629	0.2	11,764	9,108	0.1	33,436[g]	13,411[g]	0.2
Livestock:															
Sheep	29,653	1,233	0.1	24,463	4,154	0.1	5,479	1,290	0.0	8,243	2,719	0.0	3,412	1,283	0.0
Pigs	211	39	0.0	4,680	981	0.1	2,666	1,005	0.0	2,137	916	0.0	1,900	415	0.0
Cattle	126,657	5,792	0.3	165,055	24,763	0.4	80,998	23,076	0.3	44,470	13,250	0.2	88,925	16,602	0.2
Edible oils and fats:															
Oils	2,049	288	0.0	86,316	45,873	0.7	33,549	13,714	0.2	8,493	3,626	0.0	1,630	751	0.0
Fats	35,493	4,895	0.3	36,406	20,773	0.3	12,740	9,234	0.1	12,191	7,571	0.1	5,782[h]	3,934[h]	0.0
Butter	8,332	2,823	0.1	9,383	9,658	0.2	15,068	17,717	0.2	15,436	15,198	0.2	10,109	9,319	0.1
Malt	7,870	463	0.0	22,046	4,095	0.1	22,212	3,787	0.0	15,857	3,355	0.0	27,359	8,713	0.1
Cheese	1,451	424	0.0	10,220	7,432	0.1	4,732	5,468	0.1	3,462	2,833	0.0	3,187[i]	3,701[i]	0.0
Salt	15,712	99	0.0	26,801	370	0.0	22,558	295	0.0	25,193	488	0.0	25,829	477	0.0
Tobacco, leaf	55,216	16,044	0.8	78,871	59,605	1.0	61,682	62,533	0.8	70,264	62,319	0.8	71,598[j]	26,682[j]	0.3
Tobacco, manufactured:															
Cigars	211	3,891	0.2	584	6,389	0.1	1,069	7,424	0.1	1,149	7,096	0.1	2,040[k]	8,747[k]	0.1
Cigarettes	31	68	0.0	46	187	0.0	27	92	0.0	16	14	0.0	18	78	0.0
Wheat	3,298,191	93,675	4.9	2,185,946	250,622	4.1	2,527,237	243,552	3.2	3,103,771	215,798	2.8	3,993,380	273,526	3.5
Maize	6,619,447	121,344	6.3	1,635,646	125,683	2.0	1,110,719	77,210	1.0	2,245,054	121,626	1.6	408,120[l]	26,625[l]	0.3
Wheat flour	102,828	4,465	0.2	44,755	6,449	0.1	57,225	9,222	0.1	195,698	29,369	0.4	142,718	19,666	0.2
Wines	13,891	674	0.0	19,492	1,738	0.0	4,118	644	0.0	14,187	1,849	0.0	11,354	1,668	0.0
Liquors	3,415	1,987	0.1	3,033	2,596	0.0	1,436	1,180	0.0	1,442	1,101	0.0	2,176	1,019	0.0

2. RAW MATERIALS		478,094	24.9		1,360,064	23.3
A. *Agricultural:*		272,997	14.4		915,567	16.0
Cotton, raw	328,629	85,728	4.5	430,191	291,858	4.7
Hides:						
Raw	280,443	67,180	3.5	285,115	178,111	2.9
Tanned	801	782	0.0	11,467	19,908	0.3
Vegetable fibres[m] ...	114,968	9,535	0.5	150,053	42,977	0.7
Wool:						
Greasy	176,265	73,447	3.8	178,348	174,009	2.8
Washed	18,604	10,459	0.5	37,685	55,473	0.9
Cellulose and pulp ..	—	—		1,454	266	0.0
Quebracho	232,503	13,702	0.7	216,361	65,724	1.1
Oil seed[o]	144,959	5,670	0.3	74,662	13,460	0.2
Tagua	29,708	848	0.0	10,415	743	0.0
Timber:						
Rough and partly worked[p]	385,946	5,513	0.3	1,213,499	68,050	1.1
Manufacturers[r] ...	877	23	0.0	16,886	4,233	0.1
Posts[r]	10,637	80	0.0	21,503	446	0.0
Sleepers[r]	7,717	30	0.0	14,228	309	0.0
B. *Minerals:*		205,097	10.5		444,497	7.3
Asbestos	4	3	0.0	168	32	0.0
Sulphur	19,653	357	0.0	10,733	531	0.0
Cement	1,547	25	0.0	40,995	1,050	0.0
Copper:						
Ores	144,975	5,823	0.3	162,826	17,029	0.3
Electrolytic in ingots	138,502	29,022	1.5	185,345	81,552	1.3
Electrolytic in billets	—	—		8,814	4,853	0.1
Standard or blister in ingots	194,945	44,878	2.3	141,296	56,394	0.9
Refined or recast..	—	—		73,142	34,424	0.6
Bars, sheet, scrap..	34,340	11,101	0.6	19,782	10,703	0.2
Tin:						
Ores and concentrates	1,011	404	0.0	132	31	0.0
Bars and ingots ...	43,096	31,728	1.6	53,411	64,164	1.0
Iron and steel:						
Pig-iron				44,928	3,589	0.1
Bars, shapes and strip				2,016	228	0.0
Sheet and rolled metal				654	93	0.0
Various forms ...				85	17	0.0
Tinplate				—	—	
Lead:						
Ores and concentrates	106,645	6,702	0.3	82,737	12,086	0.2
Bars and ingots ..	222,217	22,545	1.2	230,653	65,250	1.1
Fertilizers	1,440,896	32,973	1.7	1,599,484	54,671	0.9
Zinc:						
Ores and concentrates	260,819	15,888	0.8	416,318	26,328	0.4
Bars and ingots ..	31,568	3,648	0.2	43,240	11,472	0.2

	1,556,268	20.3		1,552,303	19.9		1,567,933	19.9
	985,706	12.9		980,060	12.6		898,142	11.4
559,478	360,142	4.7	696,095	465,980	6.0	659,578	432,317	5.5
238,182	119,617	1.6	210,705	119,548	1.5	204,563	94,979	1.2
4,416	8,350	0.1	5,216	6,985	0.1	5,356	6,647	0.1
109,546	27,525	0.4	132,849	27,806	0.4	144,027[n]	23,332[n]	0.3
226,570	290,339	3.8	145,294	196,168	2.5	97,778	126,103	1.6
26,271	49,089	0.6	13,884	27,718	0.4	17,700	31,919	0.4
6,493	2,017	0.0	—	—		—	—	
202,547	42,041	0.5	153,622	34,215	0.4	147,432	32,535	0.4
78,792	11,438	0.1	103,119	18,572	0.2	164,919	23,336	0.3
7,999	510	0.0	7,718	523	0.0	6,325	374	0.0
1,145,190	73,122	1.0	1,143,882	82,506	1.1	1,402,733[q]	128,313[q]	1.6
1,901	319	0.0	3,286	582	0.0	4,389	830	0.0
17,129	319	0.0	1,688	135	0.0	2,137	181	0.0
19,399	868	0.0	5,061	422	0.0	23,997[s]	480[s]	0.0
	570,562	7.4		563,143	7.2		669,790	8.5
743	208	0.0	336	76	0.0	811	155	0.0
26,518	4,318	0.1	23,233	1,314	0.0	234,045	5,756	0.1
63,485	1,621	0.0	33,063	672	0.0	90,224	1,572	0.0
212,489	25,000	0.3	163,789	19,333	0.2	221,813	32,962	0.4
98,768	72,021	0.9	152,505	98,309	1.3	147,592	115,957	1.5
—	—		—	—		—	—	
171,604	128,648	1.7	184,411	122,450	1.6	206,861	169,155	2.1
95,251	74,344	1.0	81,104	53,246	0.7	102,923	83,646	1.1
6,837	6,103	0.1	7,680	5,383	0.1	14,001	12,128	0.2
166	33	0.0	—	—		—[t]	—[t]	
65,035	62,482	0.8	76,068	66,900	0.9	69,987	52,200	0.7
						29,009	2,088	0.0
15,197	2,497	0.0	6,197	1,194	0.0			
						36,452	4,892	0.1
24,899	2,108	0.0	21,331	1,944	0.0			
55,364	13,500	0.2	37,222	7,652	0.1	24,795	3,514	0.0
22	13	0.0	—	—		—	—	
1,504	397	0.0	107	24	0.0	—	—	
141,029	20,911	0.3	101,497	15,418	0.2	114,308	16,282	0.2
269,290	67,184	0.9	259,813	69,109	0.9	237,488	68,763	0.9
1,235,054	54,716	0.7	1,576,741	67,651	0.9	1,323,384	56,217	0.7
497,421	21,714	0.3	518,166	21,688	0.3	591,374	29,244	0.4
60,839	12,777	0.2	55,650	10,780	0.1	160,159	15,259	0.2

Table 34 (continued)

LATIN AMERICA: PRODUCTS EXPORTED TO THE WORLD (*continued*)

Product	Average for 1934–38			Average for 1946–51			1953			1954			1955		
	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage	Tons	Value	Percentage
3. FUELS		350,321	18.2		1,063,352	17.3		1,578,004	20.6		1,849,114	23.7		2,065,534	26.2
Coal	159,072	828	0.0	117,440	1,804	0.0	35,741	490	0.0	36,645	551	0.0	66,015	1,335	0.0
Petroleum and its derivatives	35,220,416	349,493	18.2	74,202,323	1,061,548	17.3	94,982,234	1,577,514	20.6	102,948,412	1,848,563	23.7	108,116,559	2,064,199	26.2
Crude	31,753,469	298,162	15.5	65,740,326	918,338	14.9	75,517,995	1,268,380	16.6	81,244,084	1,482,718	19.0	82,724,367	1,635,697	20.8
Petrol, aviation	310,555	7,295	0.4	283,787	9,690	0.2	1,840,044	69,580	0.9	1,784,824	68,175	0.9	1,575,665	53,345	0.7
Petrol, ordinary	415,831	10,995	0.6	645,398	20,457	0.3									
Kerosene	181,363	3,093	0.2	191,640	4,103	0.1	310,710	9,015	0.1	399,139	11,202	0.1	628,775	16,697	0.2
Diesel oil	431,207	6,041	0.3	1,862,710	34,862	0.6	4,305,526	84,049	1.1	5,657,677	109,447	1.4	7,708,114	159,445	2.0
Fuel oil	1,814,539	15,726	0.8	5,436,501	72,653	1.2	12,782,433	139,876	1.8	13,604,920	166,047	2.1	15,220,751	186,672	2.4
Mineral oils and greases	47,100	3,773	0.2	8,455	634	0.0	102,768	3,375	0.0	171,648	6,253	0.1	154,817	6,761	0.1
Asphalt	266,315	4,403	0.2	17,361	425	0.0	50,450	1,591	0.0	27,245	618	0.0	35,208	779	0.0
Other derivatives	37	5	0.0	16,145	386	0.0	72,308	1,648	0.0	58,875	4,103	0.1	68,862	4,803	0.1
4. MANUFACTURED GOODS		1,408	0.1		92,011	1.5		68,065	0.9		24,968	0.3		33,002	0.5
Copper:															
Wire	—	—		6,372	4,700	0.1	6,437	5,989	0.1	7,310	5,100	0.1	13,682	11,842	0.2
Tubing	—	—		243	186	0.1	9	9	0.0	235	197	0.0	32	25	0.0
Other manufactured products	285	38	0.0	651	862	0.1	327	136	0.0	78	40	0.0	231	147	0.0
Iron and steel:															
Wire rods and related products, bars				213	67	0.0	7	5	0.0	1	1	0.0	13	9	0.0
Rails and railway accessories				1,744	91	0.0	—	—		—	—		—	—	
Metal structures				784	489	0.0	2	0.2	0.0	7	2	0.0	136	7	0.0
Tubing				5,143	1,080	0.0	199	68	0.0	398	130	0.0	1,956	389	0.0
Yarns:															
Cotton	157	111	0.0	2,088	6,609	0.1	76	200	0.0	31	55	0.0	169	539	0.0
Wool	20	26	0.0	2,906	13,460	0.2	15,422	44,230	0.6	939	5,201	0.1	827	5,080	0.1
Flax	4	5	0.0	119	272	0.0	101	419	0.0	65	163	0.0	153	390	0.0
Paper and cardboard	309	53	0.0	1,806	510	0.0	793	257	0.0	1,646	327	0.0	565	208	0.0
Pharmaceutical products	298	315	0.0	12,330	8,826	0.1	5,518	7,184	0.1	6,320	4,097	0.0	11,380[u]	8,258[u]	0.1
Hard fibre sacks[v]	1,964	346	0.0	431	217	0.0	505	147	0.0	541	159	0.0	372	118	0.0
Textiles:															
Cotton	431	418	0.0	16,089	51,091	0.8	2,373	4,688	0.1	2,332	4,808	0.1	1,851	5,465	0.1
Wool	28	64	0.0	311	2,252	0.3	165	558	0.0	94	353	0.0	120	525	0.0
Rayon	42	32	0.0	603	1,299	0.0	2,741	4,175	0.1	2,864	4,335	0.0	—[w]	—[w]	

Source: Official foreign trade statistics.
[a] Excluding Honduras.
[b] Including beef, mutton and lamb, pork, poultry, offal.
[c] Excluding Cuba.
[d] Excluding Cuba.
[e] Excluding Cuba.
[f] Excluding Cuba.
[g] Excluding Bolivia.
[h] Excluding Honduras.
[i] Excluding Honduras.
[j] Excluding Honduras.
[k] Excluding Cuba.
[l] Excluding Cuba and Honduras.
[m] Including jute, hemp, flax, henequen, sisal.
[n] Excluding Cuba.
[o] Including peanuts, copra, palm nuts, cotton seed, soya, sesame, sunflower seed.
[p] Including exports of posts and sleepers from Central America.
[q] Excluding Bolivia and Cuba.
[r] Export only from South America.
[s] Excluding Bolivia.
[t] Estimate for Bolivia based on figures for six months.
[u] Excluding Cuba.
[v] Includes jute, henequen, hemp, etc.
[w] No information available for Cuba, the sole exporter.

3. PAYMENTS AND THE REGIONAL MARKET IN INTER-LATIN-AMERICAN TRADE (E/CN.12/C.1/4)

COVERING LETTER

Santiago, 13 August 1956.

Sir,

We have the honour to submit to you the report we have drafted at the request of the Economic Commission for Latin America, containing the analyses and recommendations which we wish to present, in our capacity as *ad hoc* consultants, on current trade and payments problems among those countries of the Southern Zone which carry on the heaviest reciprocal trade, and on the development of a common regional market in Latin America.

This paper is based on document E/CN.12/C.1/3,* which sums up the findings of a survey carried out by us in collaboration with Mr. Esteban Ivovich, Chief of ECLA's Inter-Latin-American Trade division, in Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay, with a view to preparing the necessary background documents for the first session of the Trade Committee created under the terms of resolution 101 (VI).

The report attempts to systematize and rationalize the data and points of view collected during the survey in question. It also contains certain recommendations—for which we assume personal responsibility—as to what seem to us the best methods of tackling the problems under consideration.

We have pleasure in placing on record our gratitude to Mr. Esteban Ivovich, whose knowledge and experience of trade and payments problems in Latin America have made his co-operation of the greatest value in the preparation of the present document.

We should also like to take this opportunity of expressing our appreciation of the honour you have conferred on us in singling us out for this task, as well as our thanks for all the help given us by the secretariat.

We have the honour to be, etc.

(*Signed*) Eusebio CAMPOS (*Signed*) José GARRIDO TORRES

Mr. Raúl Prebisch,
Executive Secretary of the Economic
Commission for Latin America,
Santiago, Chile

Chapter I

THE PAYMENTS PROBLEM

Document E/CN.12/C.1/3 summarizes the findings of the survey carried out by the group of ECLA experts in the countries they visited,[1] namely, those among which the intra-regional trade links are strongest. It now remains to deduce those guiding principles and suggestions which appear to be in the best interests of inter-Latin American commerce, particularly in the southern zone of the region. The following pages contain an analysis of the payments problem, the question of the regional market being dealt with in chapter II.

1. GENERAL TRENDS TOWARDS MULTILATERALISM

Field studies of the most recent exchange reforms have revealed a trend towards a multilateral payments system, which a view to possible convertibility. In this connexion, most of the southern countries show a lean-

* The first document in part II of this volume.

[1] Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay.

ing towards competitive foreign trade based on parity with the convertible dollar.

On the other hand, in South America the motives which gave rise to the practice of bilateral agreements still exist: the shortage of means of external payment and the wish to encourage reciprocal trade on an ever-increasing scale. Under this latter head the desire to stimulate exports of industrial products, especially to the region itself, must be included; this is attributable to the inability of each individual country's market to absorb the output of local industries, many of which have idle installed capacity.

In the opinion of the persons interviewed, these circumstances would seem to suggest that inter-Latin-American bilateral agreements should remain in force as useful instruments of exchange and trade policy, although the need to revise or replace them in order to meet the needs of the current situation is also recognized.

(a) *Co-ordinated transition*

The task to be faced seems extremely complex. Apparently a compromise must be sought whereby the existing watertight bilateralism could be gradually replaced by a progressive multilateralism in intra-regional trade. It is thought that such a solution could be put into effect if the Latin American countries would agree to adopt certain basic principles and uniform technical standards tending to encourage regional trade by means of a steady increase in the transferability of payments, along lines compatible with the monetary and exchange reforms already under way. The principles referred to, which are gaining ground in the countries visited, as was emphasized by the survey, would include parity or near parity with the convertible dollar, competitive prices, non-discriminatory exchange treatment, progressive establishment of equilibrium in the bilateral trade channels, granting of reciprocal credits, levels of intra-regional compensation and transferability of residual balances outside Latin America. As to the technical standards on the basis of which agreements would be remodelled, there is a more or less widespread tendency to advocate greater uniformity in the determination of margins of credit, official base values for tariff purposes, the position of invisible items, re-exports, accounting, etc.

There is a consensus of opinion that the basic principle which must be respected is that of decisively expanding trade between any two countries in their own direct mutual interests and to the indirect benefit of the Latin American countries in general. Given the shortage of hard currency, for the promotion of trade priority would have to be accorded to correcting existent disequilibria. As matters stand at present, the composition of exports and imports to and from neighbouring countries is such that some are persistently debtors and others permanently creditors. Although it is true that this position makes the establishment of a regional clearing system difficult, it should emphasize the desirability of a common and united effort to encourage gradual progress towards a more complementary integration of trade, dictated by considerations of dynamic efficacy, rather than the adoption of measures which, far from following the path outlined, are designed only to intensify trade in convertible currencies, and merely serve to aggravate cross-payment difficulties within the region. Many opinions were expressed to the effect that this type of "isolationism" on the part of the Latin American countries would imply a subsidiary contribution to the integration of other regions, and would, in the long run, inevitably redound to the detriment of their own interests and those of the region to which they belong.

(b) *Transferability*

An examination of the various situations in the different countries visited is, by its very complexity, not conducive to facile solutions. Nevertheless, merely as a basis for discussion, certain general outlines are suggested for a system which might help towards a joint solution, provided that Governments were willing to co-operate in correcting specific trade disequilibria, if not at bilateral at least at triangular or multilateral levels, and in removing certain difficulties such as those inherent in the quotation of units of account on the recently-created free markets. There is no doubt that the establishment of a trend towards equilibrium at progressively higher levels will make it easier to work out technical solutions to the other problems.

There is an apparently well-founded hope that a possibility exists of reducing the structural imbalances in intra-regional trade and of solving the problems involved little by little. Signs of this are already appearing in those countries which are chronically in debt.[2] The trend towards equilibrium could be stimulated to some extent by means of a flexible payments system which would permit of the gradual liquidation of balances in several stages and would thus mean that the need for convertible foreign exchange was less acute. The highest or lowest limits to which the equalization of payments could be carried would not necessarily be attained within periods of a year.[3] A trial could be made by means of a mechanism based on swing credits granted through the Central Banks, on conditions and within time-limits agreed upon beforehand, so as to ensure their coverage in goods. The balances in excess of these credits would be subjected, at the end of the year, to as much regional compensation as possible. Any remaining balances not compensatable within the region would be payable, as the case might be, in United States dollars, in sterling or in other extra-regional currencies of limited convertibility.[4] For this purpose, it might also be possible up to a point to have recourse to the monetary areas established by certain South American countries with others in Europe, namely, The Hague Club and the Paris Club.[5] The risk of inflation implicit in the

[2] See E/CN.12/C.1/3, in part II of this volume.

[3] The trend towards stabilization observable in the years 1954 and 1955 has been upset during 1956 by the appearance of disequilibrium in trade between Argentina and Chile, brought about by the decrease in the former's exportable balances and by Chile's purchases of agricultural surpluses.

[4] The need to resort to these currencies would be limited, according to the picture presented by intra-regional trade during the years 1954 and 1955, which can be studied in E/CN.12/C.1/3, in part II of this volume.

[5] See also E/CN.12/C.1/3, in part II of this volume, with reference to both these Clubs.

expansion of the credits would be counteracted by the measures aimed at stabilizing the balance of trade in each separate channel as well as in the region as a whole; moreover, it would be limited by the amount of credit stipulated. Presumably this would not be large enough to affect the economic stability of the supplier countries.

The combined objectives of such a system would be the expansion of regional trade and progressive convertibility. Duly adapted so as to conform with the new trend, inter-Latin-American bilateral agreements would become useful instruments of this twofold policy. Following the example of other regions of the world, a sudden and disturbing change in the trade currents in Latin America would be avoided. Thus an initial move would be made along practical lines towards solving the complex problem of a steadily expanding multilateralism. Time would have to be allowed for the trade currents in question to adapt themselves gradually to the changing circumstances, and for the discovery of the methods most consistent with the principles of competition and specialization.

Clearly, a hard task lies ahead. However, though the first steps may not be very ambitious, the use of the transfer mechanism should help to clear the way.

This type of general solution, based on concepts and desires evinced, above all, in the countries which account for a large share of Latin American trade and where the most serious convertibility problems exist, might have the double advantage of dealing with current difficulties and of establishing the bases of a possible system of regional payments, which, in its turn, should greatly further the aim of trading at progressively higher levels, not merely within Latin America but with the rest of the world.

It is not anticipated that hard currency will prove essential for the financing of trade. Nor, apparently, is it considered either possible or advisable to select a single currency even for the liquidation of balances. It is thought that the enforced use of a particular currency might only aggravate the problem unnecessarily, since one of the advantages of bilateral payments agreements between Latin American countries is precisely the avoidance of the compulsory use of foreign exchange which is in short supply, and, what is more, is essential for purchasing the capital goods, fuels and raw materials that their economic development requires on an ever-increasing scale.

As matters now stand, the effort to secure monetary stabilization will leave less and less opportunity of using bilateral trade and payments agreements, within Latin America, to safeguard over-pricing, to facilitate exchange manoeuvres, to negotiate barter arrangements or to impose the acceptance of products under non-competitive conditions. Apart from the application of certain special measures suggested during the survey, the aim would be an increase in payments facilities, which, instead of discouraging bilateral and regional trade, would safeguard it at the level already achieved and promote its future expansion. Presumably, therefore, as a natural result of stricter adherence to the principles of parity, competitive prices and non-discrimination, the exchange rates applied under the agreements will approximate more closely to those prevailing for trade with other regions.

(c) *The agreements and the promotion of trade*

The second object of inter-Latin-American agreements, in their new phase—that is, the more effective direction of trade into intra-regional channels—could be achieved by the mainly administrative measures, within the reach of the various countries, which are being applied already or whose adoption is recommended. They would replace exchange controls until a satisfactory tariff policy became feasible, and would include import licences and prior deposits, regulation of the exchange supply for auction, prohibitions, etc. Further, measures of this and other kinds, such as purchases effected by Governments or official agencies, either for State industrial enterprises or in the public interest, would help to promote a possible balance of trade.[6]

There is a general conviction that such measures could not at present be completely discarded, and that they are likely to exert an expansive rather than a restrictive influence on trade, both within the region and between the Latin American countries and the rest of the world.

For the smooth running of the system, it would be indispensable that trade and payments problems should not continue to be dealt with on a purely bilateral basis. The establishment of technical principles and standards referred to earlier would have to be simultaneously considered and accepted by the different countries of the region. This once achieved, probably by means of a joint agreement, and possibly, as was suggested, within the Trade Committee itself, the next step would be the negotiation of bilateral agreements, with simultaneous triangular and multilateral consultations aiming at the settlement of balances. A technique could be employed similar to that of GATT, which has proved successful, and advantage could be taken of the experience acquired by the Trade Development Committee of the Economic Commission for Europe.

(d) *Expedients for the settlement of balances*

The genuine advantage of this method of negotiation would be further reinforced by another expedient,

[6] As an example, it is worthwhile mentioning here one of the possibilities indicated in the course of the survey. Exports of railway equipment manufactured in Brazil might further the aim of balancing accounts between that country and Argentina, through a programme of short and medium-term purchases of such equipment whereby Argentina would renew the equipment concerned. It was also pointed out that certain important public works in some countries, e.g. drinking water and main drainage in large towns in Paraguay, could also contribute to the expansion of inter-Latin-American trade if the necessary materials, instead of being imported from other regions, were bought from those Latin American sources where there was idle installed capacity for the manufacture of the appropriate items, as in the case of tubes in Argentina and Brazil, to follow up the Paraguayan example. It was taken into account that, when such works are financed by foreign credit, it is usually on the undertanding that the necessary materials will be imported from the country financing the undertaking. Nevertheless, it was suggested that it might not be impossible to arrange for part of the credits to be used to buy materials in Latin America itself. The dynamic effect of these credits on the economies of the countries concerned would thus be intensified.

and one on which there was almost entire agreement among the authorities consulted. It may also be recalled that the idea in question had already been put forward in competent Latin American circles. It consists in the setting-up of a simple mechanism for the maintenance of permanent contact among the Central Banks of contracting parties to the agreements, in order that, apart from other services, each should receive from the rest, at regular—perhaps monthly—intervals, a statement of their accounts and data on their balances. Such a step would be most useful, since it would remedy the present lack of any means whereby one country can ascertain another's balances in its clearing accounts with third nations. It might also serve to facilitate the settlement of balances within the region, if the mechanism established were to include the reception and distribution of information, proposals and counter-proposals among the various countries, in accordance with standards previously laid down in the bilateral agreements and with the conditions as to exchange rates and other requisites stipulated by the creditor country. Among its other functions, the mechanism referred to would permit closer and fuller co-operation among the Latin American Central Banks, thus creating a tradition virtually non-existent hitherto.

Once the setting-up of this mechanism had been agreed upon, and the method of negotiating and periodically and simultaneously revising bilateral trade and payments agreements had been determined, the technical bases would have been jointly established on which to build up a regional system adapted to existing conditions, if only on empirical lines as yet. From such a system might perhaps develop a payments union and a freer and more complementary trade zone. This would be no more than a modest and tentative beginning, but there is no doubt that it would represent a step towards the gradual attainment of an essential goal: the progressive co-ordination of the monetary, exchange and trade policies of the Latin American countries. Only thus could advantageous results be hoped for on a regional and world scale.

(e) *Procedure to be followed*

With due regard to the ideas expressed at its first session, the Trade Committee might convene, if the Governments so decided, a special initial meeting of Latin American countries which had agreements to revise or negotiate, and might at the same time set up a small working group. To this group, which would be composed of exchange experts, could be entrusted the task of sketching out a standard draft to be used at the special meeting as a basis for the remodelling of the agreements concerned with the object of securing the maximum of uniformity and flexibility. Further, in view of the difficult situation of bilateral trade, if there were any possibility that some of the delegations to the meeting had been granted sufficiently wide powers and had enough statistical material at their disposal, the ECLA secretariat, in co-operation with the exchange experts mentioned, might anticipate certain aspects of this task, so as to secure the adoption of certain basic principles, where possible at the outset of the meeting, or, to begin with, by those countries intending to negotiate agreements. If this procedure were followed, in accordance with the example set at the second meeting of the United Nations Trade and Employment Conference, held at Geneva in 1947, when the first tariff concessions were negotiated within GATT, there would be a chance of making progress over the short term. To this end, the first session of the Trade Committee might perhaps be divided into two parts. One would be devoted to general problems and principles and the other to the negotiation of the agreements. In any case, whatever the procedures adopted, competent Latin American circles agree that the development of inter-Latin-American trade calls for close collaboration among a number of countries and for the devotion of attention both to general principles and to ways of solving the numerous practical problems which impede its full evolution.

2. Recommendations

1. A considerable number of the trade and payments agreements signed between Latin American countries are incompatible with the new trends evident in the monetary trade and exchange policies of the countries concerned, and this fact has a disturbing influence on intra-regional trade. Thus it appears necessary to revise these instruments so as to adapt them to the tendencies indicated and give new life to trade within the region.

It has not so far been possible to make satisfactory progress towards this end by means of purely bilateral agreements; for this reason the time would now seem to be ripe for tackling certain basic difficulties by recourse to a more effective type of co-operation than isolated efforts on the part of pairs of countries.

2. The technique of bilateral negotiation within the framework of multilateral meetings would enable a gradual solution to be sought for the common problem of the settlement of certain intra-regional balances as well as for that of the transferability of given surpluses in such balances to other currency areas.

3. The procedure outlined in points 1 and 2 above would represent a first step towards increasing co-ordination of monetary, trade and exchange policies. This appears indispensable, since otherwise no lasting results could be achieved.

If sufficient Government support were forthcoming, the practical action deriving from the three foregoing conclusions might perhaps take the following form at the meeting of the Trade Committee:

(*a*) Consideration of the principles and standards to be followed in inter-Latin-American trade and payments agreements;

(*b*) Simultaneous revision of bilateral agreements through multilateral consultations among those Governments which, at the time of the Trade Committee meeting, are prepared to conduct the appropriate negotiations; or, alternatively, determination of a date for such consultations soon after the end of the conference. In order to facilitate revision, a working party made up of exchange experts and members of the ECLA secretariat would draw up a standard draft agreement; and

(*c*) The establishment of machinery to promote and facilitate the transferability of balances.

Chapter II

THE REGIONAL MARKET

1. Its importance for the industrial development of Latin America

The effect produced on inter-Latin-American trade in certain intermediate and manufactured goods by the exchange reforms carried out in some of the Latin American countries is giving rise to more or less universal concern. Reliance is placed on these reforms to promote exports to convertible currency markets, especially in those lines of basic domestic production where specialization creates favourable conditions of productivity, but certain doubts can be observed as to the competitive capacity of most of the manufactured products currently traded among Latin American countries. In a word, it is feared that the ground gained in this field may be lost.[7]

(a) *Latin American manufactures in intra-regional trade*

Stimulated as it was by the temporary disappearance of supplies from Europe, Japan and, to some extent, the United States, during the Second World War, intra-regional trade in manufactured goods, despite the reduction experienced after the re-opening of the old channels, still survives in some measure, mainly thanks to the bilateral agreements. Such manufactures are for the most part the products of new industries, where productivity is often lower than in their extra-regional counterparts, which makes it difficult for them to gain a foothold in the markets. In effect, apart from price considerations, the advertising and prestige of the traditional trademarks or suppliers militate against their acceptance; so do the credit assistance and other facilities which overseas exporters are afforded by the organization of trade in other regions.

In spite of these obstacles, which are not underestimated, renewed efforts are clearly being made in the industrialized countries of South America to export manufactured goods, principally to other markets within the region, where it is thought that the natural outlet for their surpluses may be found. Thus Argentina and Chile have accorded free-market exchange treatment to their manufactured goods. It should, however, be noted that in the latter country certain articles were in effect benefiting by exchange rates higher than that at present in force on the free market, as a result of the barter system. Also with a view to encouraging exports of manufactured goods, Brazil has increased the existing bonuses in their favour.[8] Uruguay grants special exchange rates to facilitate the sale of such products. In general, in the countries mentioned the industrialists themselves are forming organizations to collaborate with official efforts.[9]

The success of such efforts is of course conditioned by both circumstantial and structural factors. The adverse effects of the former tend to be increasingly offset as anti-inflationary policy and the abolition of the system of over-valued exchange rates for exports manage to stabilize domestic production costs and facilitate the elimination of over-pricing of exported goods. The latter is more difficult to counteract, as in many cases the solution is not to be found within the boundaries of the individual countries concerned. That is, if specific industries are to be able to compete, they must be guaranteed larger markets. The volume of domestic demand does not suffice to enable certain industries to approach optimum production. In many lines, moreover, there is a marked tendency for industrial development to run parallel in different countries and for idle manufacturing capacity to exist as a consequence, though these two circumstances do not always represent cause and effect, and the problem of idle capacity is distinctly greater in the smaller countries. Both characteristics are thrown into special relief by the spectacle of the veritable cross-fire of offer and counter-offer, deriving, *inter alia*, from mutual ignorance of prevailing production conditions in the different countries.

Again, attempts to increase intra-regional trade in manufactured goods have been up to a point frustrated by the lack of an appropriate policy pursued in common. Broadly speaking, efforts have been made to encourage exports mainly by means of exchange manoeuvres. But the attitudes adopted towards imports have varied widely. Some countries have usually exempted from licence regulations certain manufactured goods from adjacent countries or from the same geographic area. Sometimes, as in the 1954 agreement between Chile and Argentina, this was done by means of reciprocal concessions in favour of specific commodities. Other countries prefer to apply to Latin American manufactured goods the same prohibitions or restrictions as govern their imports from other parts of the world. There have been cases—and not a few—in which the effects of agreements, whereby certain articles that were difficult to export were bartered in European markets for manufactured goods normally subject to import restrictions, have adversely affected the development of the corresponding inter-Latin-American trade. From the above general outline, it is obvious that the lack of a common policy as regards trade in manufactured goods is reflected in an absence of reasonably homogeneous provisions in the bilateral agreements and neutralizes many of the endeavours made from diverse angles to expand inter-Latin-American relations in this field.

[7] Statistical research specially carried out for the *Study of Inter-Latin-American Trade* (E/CN.12/C.369/Rev.1) (see table I-a), shows that intra-regional trade in semi-finished products of mineral origin and in manufactured goods other than foodstuffs represented only about 2 per cent of total inter-Latin-American trade in pre-war days (1934-38). By 1952-53 it had already risen to almost 12 per cent.

[8] Instruction No. 131 issued by SUMOC on 19 May 1956.

[9] In Brazil, the Federação das Industrias do Estado de São Paulo has set up a Department of Foreign Trade to this end. In Argentina, the Unión Industrial plans, in its turn, to establish an Export Commission.

Another aspect relates to countries where domestic consumption is very limited. In some there is a considerable number of markedly anti-economic and very highly-protected industries which are beginning to feel the effects of their non-productivity; weekly shifts have been reduced, and, in many instances specifically cited, works have been closed down and equipment exported, with the resultant unemployment. Cases were also quoted in which enterprises are seeking palliatives, so far without success, by using raw materials supplied on a re-export basis by neighbouring countries. These are feared to be the first symptoms of evolution in a direction highly undesirable for the process of industrialization. Disequilibrium in the region's foreign accounts gave rise to an exaggeratedly protectionist policy which has militated against sound industrialization, and which found concrete expression in the practice of replacing imports by domestic production. This meant that encouragement was given to all manufacturing activities which might either apparently or in fact help to lessen the disequilibrium in question. Thus problems were created whose solution will depend only in part, and not principally, on an improvement in the organization of inter-Latin-American trade relations.

(b) *Industrialization and the balance of payments*

A more detailed account must be given of some of the opinions on this point gathered during the survey, particularly those relating to industries set up without regard to the principle of comparative costs, to the availability of natural resources and to the capacity of the domestic market. Their establishment has brought about a transfer of capital and labour from productive to other less productive activities. The high monetary profitability with which these latter were thus artificially endowed has led to a certain distortion of investment, and sometimes to production which is not really essential by contrast with the sacrifices imposed on the basic sectors (transport and energy), whence the familiar "bottlenecks" in economic development have resulted. The somewhat negligent treatment of typical and traditional lines of production, the increase in domestic consumption and the continuous rise in costs, aggravated by the social policy adopted, have tended to discourage exports. This trend, in combination with the inadequate influx of foreign capital and the deterioration in the terms of trade, was not conducive to an expansion of the capacity to import commensurate with the requirements of the various countries. The inevitable outcome of the limitation of this capacity on the one hand, and, on the other, of the stimulus to the propensity to import provided by income increases and by the inflationary process affecting the majority of Latin American countries, was the stagnation of the investment coefficient, a development which necessarily prevented the acceleration of the rate of growth, given the reflex nature of the economies within which it took place.

In seeking to stabilize their balance of payments by substituting domestic production for imports, some countries seem to have used this means, as already pointed out, in such an indiscriminately horizontal fashion as to run a serious risk of even worse disequilibrium, caused not only by the direct action of "income-effect", but to a considerably greater extent by "price-effect", as a result of the inflationary conditions prevailing in the countries in question. Thus the curious case exists to-day of countries that are obliged to grant more favourable rates of exchange for exports of some of their basic products than for the manufactured goods derived therefrom. It is a vicious circle; the disequilibrium in the balance of payments has led to import replacements which in their turn have helped to accentuate this same disequilibrium, because they were undertaken without careful prior study of their economic possibilities. Several countries are now in the paradoxical situation of having to restrict or prohibit imports of capital goods. This is apparently largely attributable to the steadily-increasing rigidity of imports, demand for which tends to grow at a proportionately faster rate than the national gross product. This rigidity, most noticeable in the case of raw materials and fuels, induces certain countries to waive such restrictions and prohibitions when capital goods are brought in as a result of foreign investment; and the modernization of equipment in already existing manufacturing concerns has suffered accordingly. Domestic industries have thus found themselves at a disadvantage *vis-à-vis* new activities financed with foreign capital. Lastly, in some countries the capacity to import has reached such critical levels as to help to spread the conviction that a new path must be followed towards balance-of-payments equilibrium, preferably that of expanding exports. This belief has proved a decisive factor in the recent reforms.[10]

(c) *Revision of national industrialization programmes*

During the survey identical suggestions were put forward in this connexion in various countries, and are summed up below. In the area visited almost universal interest was displayed in economic stabilization programmes, for which the encouragement of exports is indispensable. In the industrial sector a trend towards specialization for export is appearing. The recognition of this need likewise implies awareness that concerned multilateral action might greatly help to meet it, since it is not bounded by the frontiers of each individual country. Consequently, the problem of the reform of industrialization within this region—beginning, perhaps, with the group of countries in which industrial progress is most intensive—must be envisaged in terms of wider or more complementary markets, and in a spirit of co-operations reflected in the endeavour to co-ordinate national policies, along the lines exemplified in Europe. This idea is already very widely accepted.

The progressive creation of a large Latin American market would be the only way of solving—by means of complementarity, the improvement of productivity and the consequent increase in consumption—the existing binomial of parallel industries and idle installed

[10] In Brazil, where no exchange reform was introduced as in other Latin American countries, the importance of exports is declining in relation to domestic production, whereas that of imports is increasing (see table 35). A proposal put forward by the Conselho Nacional de Economia recently led to the organization of a commission of experts from the civil service and from producers' associations, to study this problem and suggest measures of trade policy whereby exports might be expanded.

Table 35

BRAZIL: GROWTH OF PRODUCTION IN RELATION TO FOREIGN TRADE, 1939-1954
(Billions of cruzeiros at 1952 prices)

Year	Domestic production	Exports: Absolute values	Exports: Percentage of domestic production	Imports: Absolute values	Imports: Percentage of domestic production	Average percentages: Exports/production	Average percentages: Imports/production
1939.....	200.3	39.4	19.7	23.6	11.8	15.5	10.0
1940.....	200.3	32.5	16.2	20.8	10.3		
1941.....	210.0	25.7	12.2	21.4	10.2		
1942.....	203.5	28.1	13.8	16.1	7.9		
1943.....	209.0	28.9	13.8	19.2	9.2	14.7	10.1
1944.....	219.4	31.7	14.4	23.4	10.7		
1945.....	234.6	34.1	14.5	23.6	10.1		
1946.....	257.7	42.2	16.4	26.7	10.4		
1947.....	278.3	39.8	14.3	40.9	14.6	12.3	13.3
1948.....	294.1	40.1	13.6	36.9	12.5		
1949.....	302.1	36.1	11.9	39.3	13.0		
1950.....	324.1	31.7	9.8	32.1	13.3		
1951.....	346.5	34.9	10.1	61.3	17.7	8.1	14.5
1952.....	360.9	26.1	7.2	55.0	15.2		
1953.....	376.1	30.9	8.2	44.8	11.9		
1954.....	409.9	29.0	7.1	55.0	13.4		

Source: Joint BNDE/SUMOC/CNE/CTEF/FGV Group, *Situaçao Atual e Perspectivas Imediatas da Economia Brasileira,* Rio de Janeiro, January 1956, p. 35; and Joint BNDE/ECLA, Group, *Esboço de um Programa de Desenvolvimento para a Economia Brasileira (Periodo 1955-62),* Rio de Janeiro, May 1955, p. 19.

capacity. In contrast with what frequently occurs at present, especially in the countries with the smallest markets, consumers would derive great benefits from a genuinely economic industrialization. The success of the policy of replacing certain imports by domestic production is basically dependent on the possibility of offering them wider regional markets. If no united action in this direction were to prove feasible, and if each country were to continue to pursue its industrialization policy in the same isolation as at present, it is to be feared that the heterogeneous courses followed by the different countries, taking the form of unco-ordinated measures which sometimes defeated their own ends, might sow the seeds of future difficulties. Therefore, some of the opinions expressed to the effect that the attempt to initiate the necessary co-operation must not be postponed, envisage such collaboration within the framework of a twofold programme, comprising long-term and short-term solutions and based on the ideas summed up below.

Thanks to the long-standing moral and political traditions of the American continent, the collaboration outlined, instead of alienating the several countries, would bring them into closer economic contact, and would at the same time constitute the point of departure for a regional economic co-operation programme. In this context, and in present circumstances, it would seem advisable to begin by taking the same sort of action as that already indicated in the case of payments and trade problems.[11] Such measures might represent the first great stride towards the closer economic integration of Latin America.

[11] See chapter I, section 1.

2. The problem of the common market

(a) *Evolution of the idea*

Concern for the need to broaden domestic markets is no new development in the Latin American countries. Of the various endeavours to which it has given rise, virtually not one has proved successful. In both the Northern and Southern Zones of South America steps were taken in this direction between two and sometimes more countries, but for various reasons the desired goal was never attained. At the present moment the Central American republics are trying to build up a single market as a solution to their economic problems and as a means of achieving a degree of development and prosperity beyond the reach of their individual territories, populations and resources.

A number of factors are already helping to create an atmosphere conducive to the realistic reconsideration, in a proper perspective, of the usefulness of finding over-all solutions to problems common to the Latin American countries and not confined to the industrial field alone. These factors include the greater economic maturity attained, the better understanding of reciprocal problems, the mutual inter-dependence of the Latin American countries as regards the fulfilment of their aspirations, certain progress already achieved or under way with respect to transport facilities, including overland communications, and, above all, the fact that exactly the same difficulties have arisen at exactly the same time in industrial, foreign trade and payments sectors, especially in South America.

At the same time, growing interest is being aroused in Latin America by the progress of economic integra-

tion in other parts of the world, as, for example, in Western Europe, and between this area and its countries' African possessions, to cite only two outstanding instances. Furthermore, as the survey showed, concern is felt as to the increasing gap between the more highly-industrialized and the under-developed countries—a gap which tends to be still further widened by the disparity between their technological resources and availabilities of capital and skilled labour.

Attention is also drawn to the remodelling of the world economy, a process which began in the war of 1914-1918, gathered new impetus during the 'thirties and ended by taking definite shape during and after the Second World War, radically altering the composition of international trade flows. The fear—perpetuated by the insecurity of peace—of being cut off from the centres supplying manufactured goods; the belief that the prices of the region's raw materials are apt to be more unstable than those of manufactured goods, and that the terms of trade may become unfavourable in the long run; the desire to raise the standard of living of their peoples; all these considerations have joined to impel Latin American countries along the path of industrialization. Such industrialization would diversify their economies, and, if achieved, would secure the desired stability combined with prosperity. These principles of economic policy have been further strengthened of late, in view of the encouragement of lines of production in Africa parallel to those characteristic of Latin America, and the increased technological progress in the United States and Europe which tends to produce synthetic substitutes for many of the traditional Latin American exports.[12] Another contributory factor has been the fear of the depressive influence that may be exerted on world market prices for products competing with those of United States origin, by the latter country's policy of subsidies for agriculture.

Nevertheless, the results so far obtained, besides perhaps falling at national level below what might reasonably have been expected within the time that has elapsed, have also led to situations that have involved certain readjustments which might direct the future course of the desired policy of economic union.

As already pointed out,[13] industrialization, because it has been confined within the limits of each country's domestic market, instead of bringing about greater diversification, has produced no new exports and has actually discouraged others by competing for the factors of production, thus tending, to a certain extent, to concentrate Latin American exports within a smaller number of goods, highly vulnerable to fluctuations in the terms of trade. Far from achieving the distribution of exports over a wider range of markets and products, trade—especially within the region—is moving in the opposite direction, and this shows signs of being a long-term trend. Certain raw materials of secondary value are playing a lesser part in trade at the very time when it would be both possible and desirable for them to help to augment it. Foreign trade confined to a few lines and countries, in which the United States and Europe are of paramount importance and the share of the region itself is small, does not offer the most hopeful prospect for the industrialization of Latin America.

Nevertheless, in spite of the mistakes that have been made, it is thought in the most competent circles that on balance industrialization shows positive results in conformity with the best interests of Latin America, whether from the standpoint of individual countries or from that of the region as a whole. It is the lines along which it has been effected that have not been satisfactorily adapted to the march of events. Such adjustments and adaptations will depend, in the final analysis, on motives and incentives that will have to be found in the regional market. Consequently, opinion in the circles concerned advocates the simultaneous development of domestic industry in the Latin American countries in two directions, i.e., horizontally and geographically through the regional market, and along the vertical line of the domestic market determined by the growth of real *per capita* income. The former would need only a conscious effort based on solidarity to become a reality in the course of time.

(b) *The trend towards integration*

Amongst those who believe in the idea of the regional market[14] there is certainly no sign of a "regionalistic" concept in the exclusive sense of the word. On the contrary, it is considered that the economic development of Latin America might be considerably stimulated by an intensive expansion of its trade with other economic areas. Furthermore, the idea of a regional market would reflect a trend which in these days is making itself felt throughout the whole world. The world economy seems to be developing in the direction of the

[12] Relevant in this context are some of the findings of the GATT report, *International Trade 1955*, Geneva, May 1956. Although the value of world exports attained record levels in 1955, the relative importance of exports from non-industrialized regions continued to decline (see p. 3). There was a sharp drop in the volume of raw materials purchased from such regions by the industrial centres, partly on account of the expansion of similar production lines within their own territories (see pp. 6-11). Furthermore, the production of substitutes—synthetic rayon, aluminium, plastics, fibres, rubber and detergents—increased in the aggregate twice as fast as the output of manufactured products. Since industrial areas depend for their supplies of raw materials of natural origin on regions that are not industrialized, the continued replacement of such raw materials by artificial substitutes is bound to have a profound effect on the exports of the countries which produce them. It is estimated that import requirements for industrial regions in 1955 would have been 40 per cent higher than they actually were, if the substitutes referred to had not been manufactured. Finally, the report puts forward this further conclusion. If the production of synthetic substitutes continues to increase at the same rate as in recent years, the improvement in the terms of trade for the non-industrial areas will rapidly disappear, while at the same time their income from exports will decrease in absolute terms (see pp. 11-14).

[13] See, for example, the *Estudio sobre la Unión Iberoamericana de Pagos*, Instituto Iberoamericano de Cooperación Económica, Oficina Bancaria Interamericana, Madrid, 1955, p. 100, and the *Study of the Prospects of Inter-Latin-American Trade* (E/CN.12/304/Rev.2), United Nations publication, Sales No.: 1953.II.G.4, p. 5.

[14] In this document the term "regional market" is understood to mean the common trade zone which might be opened up by agreements between more than two countries for specific goods produced by the contracting parties. The agreements would be so drafted as to leave room for the possibility that sooner or later other countries in the region might accede to them. For purposes of this section of the report, the term is used with special reference to South America.

organization of large economically-integrated areas,[15] and no longer in terms of single countries. This does not necessarily imply that international economic relations must be conducted between large unified blocks; the flow of capital and trade from country to country will have to continue. It means that by some measure of identification of their reciprocal interests, the different countries would seek the natural development of their own markets in more or less adjacent territories, thus increasing their economic stability by reducing their present excessive dependence on distant commercial centres. This would be the beginning of a new phase, that of regional inter-dependence, in which the old-free trade binomial—the individual and the world market—which had been modified by the introduction of the unit "country", would now be extended to include the element "regional market". In this connexion, the evolution of the world economy would merely be brought into line with political evolution.

In the view of many, in this *de facto* situation would seem to lie the main reason why certain forms of international action, undertaken since the war, have not produced the results forecast. In effect, the point of departure was the assumption that world trade would shortly resume its classic patterns. And, while subsequent events disproved this theory, regional groups emerged of a kind unforeseen in post-war programmes. Since the economic integration of Latin America would arise from the same cause, a number of opinions have been expressed to the effect that the bases of these international forms of action should be revised to some extent, stress perhaps being laid on the regional aspect, but without losing sight of international interdependence.

Be this as it may, evolution towards a regional market will come slowly and gradually, beginning in practice with those countries or zones where circumstances are most favourable. In those visited by the group of experts, this is considered the most feasible solution of the problems which the lack of co-ordination in Latin America's economic development has created.

(c) *Multilateral and competitive system*

The point of view no longer seems prevalent in Latin America which advocated seeking a solution to the market problem on a bilateral basis, through agreements between pairs of countries, since this procedure is felt to be too restricted in its scope. Nor is much support given in competent circles to the method of compensation by means of recriprocal market reservations for industries which might, for example, be set up in one country that would have the exclusive right of supplying others, a development which would in most cases depend upon a substantial contribution from public funds. It is feared that, besides promoting the creation of national monopolies (and even according similar privileges to private enterprises), this system would prove in practice little more advantageous than the industries already existing in the various countries, since in many instances the markets would still be small in relation to what is considered desirable. This general concept does not preclude the envisaging of circumstances which might make it advisable—especially in the case of adjacent countries, or frontier zones with possibilities of economic complementarity—to sign market agreements on a reciprocal basis, without excluding other countries in the region which might wish to participate.

However, the idea expressed with most conviction is rather that of instituting a wide area—such as the South American market might gradually become—within which would be established a multilateral and competitive system based on private enterprise. This does not imply failure to recognize the part that must properly be played by the State in guiding the country's economic activities and supplementing private enterprise, especially in the case of under-developed countries. Nor can the need be ruled out for funds provided by foreign Governments or international agencies. Under such conditions the resources available would be large and varied enough for the area's potentialities to be developed, with due regard to the best economic criteria and to the principles of productivity, specialization and competition—in other words, those appropriate to a regional division of labour.

Although industrial specialization is at times no more than a historical accident, in South America (to limit the analysis to the area visited by the group), much of the informed opinion supports the view that, subject to the principle of reducing costs, the first consideration in the location or transfer of new or existing industries should be the availability of natural resources. Some exceptions must be regarded as admissible, however, since the necessity of raising the standard of living in regions where *per capita* income is low, and the need to correct persistent disequilibria, may justify, from the social angle, investment which would otherwise have to be subjected to the order of priority determined by the requirements of a gradual advance along the economic front.

The negotiation of a common market for specific industries between various countries would facilitate this shift of activities, on account of the interest which industrialists would have in transferring their businesses or fusing them with others outside the country, and thus securing better yields from their investment. Would the country or countries prejudiced thereby, either from the fiscal standpoint or through temporary disemployment, find sufficient compensation in the higher returns on capital exported, and in the lower prices and improved quality of the products concerned when they reached the hands of the general consumer? Would there be possibilities of reciprocity—given the diversity of natural resources—in relation to those products where their comparative advantages were greatest? The answer is thought to be in the affirmative, and it is also felt that the incorporation of large sectors of the population into the monetary economy and the steady rise in over-all purchasing power would have so dynamic an effect on the regional economy that the shifts referred to would really be of little importance.

It is not only the industrialization of the countries forming the trade area that would be benefited by the organization of a competitive regional market. According to the survey, it is believed that this system would also provide an ever-increasing outlet for exports of

[15] Understood as organic territorial units.

raw materials and foodstuffs, without the possible disadvantages of sudden price fluctuations and a deterioration in the terms of trade. Industrialization itself would promote a growing regional consumption of each country's basic raw materials, thus turning into a reality the latent complementarity already existing, and averting the negative effects on the terms of trade which might result from the integration of Europe and Africa and the production in the industrialized countries both of synthetic substitutes and of raw materials and subsidized foodstuffs. It would be impossible to avoid such effects by a policy of separate action in each individual Latin American country.

(d) *Reflections in world trade*

It is also argued that such a system might have positive repercussions on the world economy, since it would be a mistake to imagine that the countries of the region would neglect their trade with the rest of the world, or that it would be either desirable or possible to set up a closed system. It is pointed out that nothing of the kind has taken place in the two largest economic areas existing at the present time—the United States and the Soviet Union. On the contrary, both countries constitute markets of vital importance in world trade, with one difference as regards the former; although its foreign trade does not represent a high percentage in terms of the gross national product, it is of decisive importance for the rest of the world, on account of the indices attained.[16] It is easily conceivable that the flow of capital goods from the United States and Europe towards Latin America might greatly increase at once. Moreover, trade flows among the three areas might also tend to rise in value with the natural growth of income in the Latin American region, thus counterbalancing any possible trend towards a decline in trade between Europe and Latin America—especially as a result of increasing African competition—and its repercussions on the United States market. Further, it seems clear that industrialization built up on regional bases would also progressively improve the capacity of its products to compete in the world market.

(e) *Opportunities for foreign capital*

It is anticipated that the new prospects which would be opened up for the investment of foreign capital would surpass any hitherto foreseen. In fact, the evolution of the regional market would depend greatly on such capital, which would supplement the capacity to export on the one hand, and on the other, the capacity to import. It would not be surprising if European availabilities were increasingly absorbed by internal and African requirements, whence it follows that the most important role would perhaps be played by United States capital.

Presumably the inflow of this latter would increase, since what would seem to have been the principal limiting factors—namely, post-war reconversion and modernization of United States industry, assistance in European reconstruction and the promotion of development in the Southern and Far West areas—are beginning to operate less intensively. Furthermore, the basic obstacles to large-scale investment in Latin America—i. e., limited markets,[17] devaluation of currencies, double taxation, discriminatory legislation, etc.—would increasingly tend to disappear. At this moment there is an apparently widespread trend towards improving the treatment hitherto accorded to such investment. In addition, the system outlined, by giving less occasion for the manifestation of national prejudices—with or without foundation—would create an atmosphere of better understanding that also seems likely to favour larger contributions of foreign capital.

(f) *Transition in the direction of customs agreements*

It should be made clear that the same circles which laud the advantages of the regional system do not con-

[16] In 1955, United States exports represented 4 per cent of the gross national product and 18.2 per cent of total world exports.

[17] The difficulties placed in the way of investment by the small size of most of the Latin American markets have lately been the object of growing attention in the United States on the part of politicians and businessmen. Thus, for example, in connexion with the recent Panama conference, A. N. Spanel, Chairman of the International Latex Corporation, commenting on the opinions of those who affirm that Latin America needs a large inflow of foreign capital such as was received in an earlier period by the United States, observed: "... It must be remembered that such capital came to a young federation of States among which no economic barriers existed. Being united, not divided, the United States offered vast markets as well as possibilities of expansion, such as the Latin American countries will lack as long as they remain cloistered in twenty separate economic groups, among which there are immense disparities and differences". Emphasizing the advantages of wide markets for investment, he pointed out how in Latin America it is the biggest countries that tend to benefit most by the inflow of United States capital: "More than 90 per cent of this capital has been invested in the three countries with the largest market potentialities, that is, Argentina, Brazil and Mexico. The other seventeen countries are obliged to share the remaining 10 per cent". In support of his contention, he added: "Far greater sums still have been invested in Canada, an industrialized country, not only because of its growing domestic purchasing power, but also on account of the preferential tariffs which encourage Canadian manufactures for export to other members of the British Commonwealth". Contrasting his own country with Latin America—a region he holds to be endowed with vast and diversified latent resources—he declared: "... Unlike the United States, where there are no economic barriers to hinder trade between the 48 States of the Union, Latin America presents the spectacle of twenty States, twenty separate countries, which represent as many frontier barriers, twenty obstacles to trade, which result in limited markets and thus impede the economic development of each one and of all Latin America. By fighting to establish industries within their twenty national territories, Latin Americans are at the same time condemning their factories to supply limited and fractional markets. This means that their industries find themselves tied to a system of low output, small wages and high consumer prices, all of which make up a pattern diametrically opposed to that presented by modern industry, which expands with the rise of the standard of living and of the purchasing power of the population. These restricted markets tend, in effect, to limit the standard of living throughout the whole of Latin America. A parallel to this dead weight can also be found in Europe, which suffers from the same ills". (Article in *The New York Times*, reproduced in *El Economista*, Buenos Aires, 7 July 1956).

Adolf A. Berle, Jr., ex Assistant-Secretary of State and United States Ambassador in Brazil, struck by the same problem, wrote: "Jean Monnet showed the way... when he established the European Coal and Steel Community, which has recently added the development of atomic energy to its list of activities". (Article from *The New York Times Magazine*, reproduced in *Intermedio*, Bogotá, 22 July 1956.)

(*Translator's note:* The foregoing quotations have been retranslated into English, as it was impossible to obtain the original texts.)

sider it easy of attainment. The foregoing outline serves only as a brief summary of current thinking, or as an indication of what it is believed might be done if such a policy were jointly adopted. This line of thought has been pursued for more than a century with more or less ardour, but without interruption, throughout Latin America. Never before, however, have the idea of progress and the quest for better living conditions been so much in evidence in Latin American community.

However, there appears to be a want of rational and lucid conceptions of what to do and how to do it. Judging by opinions voiced during the course of the survey, the moment has now come to give this rational impetus, for the belief is spreading that progress demands it. Given a genuine spirit of co-operation in responsible circles, the question would reduce itself to where to start and what should be the instruments employed.

It is a question—as has already been stated—of a long-term programme that must be put into effect. According to informed opinion, this might perhaps be an opportune moment for its inauguration, since a favourable atmosphere is created by the balance-of-payments problems, for the gradual solution of which recourse could be had to suitable bilateral agreements that would also serve to discipline and encourage inter-Latin-American trade. Such agreements might well prove to be of short duration, and thought would have to be given to more stable and permanent instruments for the support of such trade. As the Latin American countries achieved monetary stability, balance-of-payments equilibrium and consequently convertibility, they would depend less and less on exchange controls and on quantitative restrictions. At the same time, trade treaties would have to give increasing importance to customs agreements.

(g) *The two phases of the integration programme*

The task would be planned and undertaken in two stages. Ideas on this point are clear and practical. First, consideration would have to be given to the question of what industries, whether recently-installed or not as yet established, would from the outset need the regional market for their creation or development, given the necessary capital formation and consumer demand; and secondly, it would have to be determined what others, among those already operating at national level, depend on such a market for a reduction of their costs and for their future expansion. The former would include mainly production goods industries and some of those manufacturing durable consumer goods; pre-eminent among the latter would be the consumer goods industries.

(h) *Integrated industrialization in industrial sectors entering operation or projected*

Of the two phases of the problem, the one which would more readily lend itself to any more or less inmediate action would be, without doubt, the first mentioned. In the iron and steel, metallurgical, pulp and paper, motor-vehicle, railway and naval material and chemical industries, among others, there are many opportunities which would justify large-scale investment of foreign or Latin American capital or of both—on a joint basis or otherwise—if the availability of markets wider than those of the individual countries allowed satisfactory standards of productivity to be maintained, without the necessity of resorting to exchange manoeuvres and without the prospect of having to endure the effects of idle installed capacity, all too common to-day. To this end, the countries interested would need at their disposal some pre-established mechanism whereby, on each occasion, they could reach agreement both among themselves and with the investors as to the operations which these latter would effect in each of the countries concerned and the facilities they could be offered.

This constitutes a real possibility. Applications have already been submitted for the consideration of certain Governments, mainly by European firms. And failures have already been experienced because of the existing lack of any reasonably expeditious means whereby investors could conduct simultaneous negotiations with the authorities in several countries. In some cases the aim would be to carry out the industrial programme concerned by complementary production of the principal component parts of a given commodity in more than one country (always in conformity with the criterion of comparative costs) with a view to selling the finished product in the territories of the contracting parties. To this end various possible combinations could be devised, always on the basis of equal advantages for all the consignatories. An optimistic view is taken of the effect which such a programme would have on South America through the resulting—and perhaps substantial—increase in the inflow of capital.

(i) *The role of the GATT*

The implementation of production plans such as those described would make it desirable for certain customs agreements to be concluded between the interested parties. These agreements would take the form of a special tariff, for whose negotiation and application, according to opinions gathered, the best course would be to invoke the services of the GATT, to which eight of the twenty Latin American countries already belong. The statutes of this body contain clauses under which such agreements could be approved, as in the case of the Schumann plan, but an indispensable prerequisite would be the working out of a concrete programme on bases designed to increase trade in general and not merely within Latin America. The accession to the GATT of those Latin American countries which are not already Contracting Parties would, it is thought, greatly influence its future decisions on matters concerning the region. Furthermore, as the implementation of a programme of this sort—in addition to the general advantages already noted—also considerably affects the interests of groups and enterprises within the countries concerned, their accession might contribute, according to very decided opinions expressed in South American countries members of the GATT, to the achievement of the desired ends. In view of the importance attributed to this question, it is to be hoped that a satisfactory formula will be found whereby the existing cohesion within this body can be maintained and increased. The preparation of the pro-

grammes in question could be among the future duties that might be assigned to the Trade Committee.

(j) *Initiation of the programme*

As a practical device for putting these ideas into effect, the following may be suggested: the Trade Committee might be consulted as to the timeliness and expediency of organizing a small group within its own set-up, to which the countries participating would delegate the tasks of receiving—in conformity with certain rules—the proposals of the private investors interested, and of consulting the different Governments, through channels to be determined in due course, as to the conditions which might, after due study, be offered, prior to the conclusion of a multilateral pact, as a result of which the co-operation of the international organizations could be secured.

Here, then, is another point of immediate practical importance with which the Trade Committee might deal at its forthcoming meeting, if it thought fit, apart from the payments problem.

(k) *Bases for a special régime*

As regards the second phase in the development of a unified industrial policy—that relating to industries already existing in the Latin American countries and dependent on a wider market beyond the national frontiers for the reduction of their costs and for their future expansion—the programme concerned would necessarily have to be worked out as time went on, and with the greatest care, since it would call for the carrying-out of highly objective studies, as well as the formation of public opinion and of a receptive attitude among both industrialists and workers; in short, for toilsome negotiations. This phase would come about in its own due time, hastened, perhaps, by the results achieved at an earlier stage through the multilateral trade and payments policy. Another helpful factor would be the highly essential experience that may be acquired in the course of one of the tasks which lies ahead. Allusion has already been made to the co-ordination of the monetary, exchange and trade policies of the various countries, which, as was pointed out, is an indispensable prerequisite for the special régime outlined. In turn, the establishment of this régime would already have begun with the execution of the programmes belonging to the first phase in those sectors where no large-scale industry exists, or is to be found only in an unambitious form. Subsequent developments would inevitably be conditioned by the success of such an undertaking.

With a view to the attainment of these objectives, it would be highly desirable for the appropriate international organizations to collaborate with the various Governments, their technical resources and those of their industrial circles, in carrying out a study aimed at drawing up a sort of map of Latin American industry, showing which of the existing industries lack adequate markets; which might be transferred and where their new location should be; what would be the possibilities of doing this, and how negotiations should be conducted in order to ensure that the different countries obtained equal advantages and equitable remuneration of the factors of production. The task would be of wide scope, and would be directed towards the "specialization-effect" and the "employment-effect".

If, in addition to the first steps sketched out in chapter I of this report and the establishment of the basic principles described so as to promote the programme of industrialization on a regional scale, it were also possible for such a study to be carried out, considerable progress would have been made towards a better grasp of the details of the problem, without which criteria and procedures cannot be satisfactorily determined. Light would also be shed on such matters as comparative standards of productivity among the main industrial countries of the region.

The study in question, which would precede the second phase, would constitute the scientific basis of the programme under consideration, since it would indicate the concrete lines along which such a programme could be realistically worked out. By the time it was completed, an advance might already have been made towards the intensification of reciprocal trade and in the direction of a multilateral payments system (perhaps with the help of a regional clearing institution which might be set up and which would serve to consolidate such effort). A beginning might even have been made, if all went well, on the creation in Latin America of certain internationally integrated industries. The *South American Economic Co-operation Programme*, planned and developed in the gradual stages described, might by progressive degrees bring about the ultimate fulfilment of the region's widespread aspirations towards its economic integration.

The task is arduous and complex, but not impossible; and the time is ripe to embark upon it. Such is the impression prevalent in almost all the circles consulted. It remains to be seen whether at government level the consensus of opinion necessary for its execution will be forthcoming.

3. Recommendations

1. It is considered that agreements should be concluded with a view to promoting—by means of collaboration among several countries, and on a basis of financial contributions from both regional and foreign sources—the establishment of development of industries that require substantial capital and wide markets.

As an initial step it is recommended that a small technical organization should be instituted for the purpose of receiving investment proposals, carrying out a preliminary study of such applications, submitting them to the Governments concerned and facilitating not only an understanding between the authorities and the investors, but also the conclusion of the final agreements.

2. It is felt to be expedient that in the field of trade policy steps should be taken to establish general principles and certain specific procedures conducive to the gradual building-up of a regional market on multilateral and competitive bases. This regional market

would permit the intensification of those Latin American lines of industrial production in which a reduction of costs and future expansion basically depend upon an increase in consumer capacity.

At this level, and as a preliminary phase, the drawing-up of an industrial map of Latin America is suggested, mainly with a view to the determination of possible and advisable action.

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