



UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL  
E/CN.12/484  
12 July 1957  
ENGLISH  
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA  
Santiago, Chile

Report submitted to the ECLA Trade Committee by  
the Central Banks Working Group on a  
Multilateral Payments System

Note by the secretariat



Note by the secretariat

As a supplement to the document entitled ECLA activities relating to payments and a regional market in Latin America (E/CN.12/483), the appended Report submitted to the ECLA Trade Committee by the Central Banks Working Group on a Multilateral Payments System (E/CN.12/C.1/WG.1/5) is being transmitted, for their information, to Governments participating in the Inter-American Economic Conference and to the secretariat of the Inter-American Economic and Social Council. The report sums up the results of the meeting held by this Working Group at Montevideo, Uruguay, from 29 April to 10 May 1957, in compliance with resolution 1(I) of the ECLA Trade Committee.

Although the Trade Committee has not yet had an opportunity of considering this report, which will be presented for discussion at its second session, the secretariat considers it highly important that the Governments participating in the Buenos Aires conference should be acquainted with the contents of the documents, not only because it illustrates the information and analyses contained in E/CN.12/483, but because it will enable them to assess the status of the Commission's activities in this field and to appreciate the practical direction taken by the recommendations of the Montevideo Working Group.





UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



E/CN.12/C.1/WG.1/5  
17 June 1957

ENGLISH  
ORIGINAL: SPANISH

---

ECONOMIC COMMISSION FOR LATIN AMERICA  
TRADE COMMITTEE  
CENTRAL BANKS WORKING GROUP ON A  
MULTILATERAL PAYMENTS SYSTEM  
First session  
Montevideo, 29 April-10 May 1957

REPORT SUBMITTED BY THE CENTRAL BANKS WORKING GROUP  
ON A MULTILATERAL PAYMENTS SYSTEM TO THE TRADE  
COMMITTEE OF THE ECONOMIC COMMISSION  
FOR LATIN AMERICA



TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| INTRODUCTION. SCOPE OF THE REPORT .....   | 9           |
| I) THE CENTRAL BANKS WORKING GROUP  | 12          |
| A. Delegations present and organization of work .....   | 12          |
| 1. Preliminary meeting .....  | 12          |
| 2. Inaugural meeting .....  | 13          |
| 3. Closing meeting .....  | 13          |
| 4. Delegations present .....  | 13          |
| a) Credentials .....  | 13          |
| b) List of:   |             |
| i) Delegations .....  | 14          |
| ii) Representatives attending the session .....   | 14          |
| iii) Observers .....  | 15          |
| 5. Organization of work .....   | 15          |
| a) Officers .....   | 15          |
| b) Committees .....   | 15          |
| c) secretariat .....  | 16          |
| B. Agenda .....   | 17          |
| C. Account of the proceedings:  | 19          |
| Introduction .....  | 19          |
| 1. Standard payments agreement .....  | 21          |
| 2. Coordination of clearing accounts; compilation, classification and exchange of comparable data ..... | 27          |
| 3. Operational system .....   | 32          |
| 4. Technical studies on the organization of the multilateral payments system .....                      | 33          |
| 5. Other business .....   | 37          |

/ II) RESOLUTIONS

|   | <u>Page</u> |
|---|-------------|
| II) RESOLUTIONS APPROVED .....  | 39          |
| ANNEXES   |             |
| 1. Address by Mr. Francisco S. Forteza, Chairman of the Board of the <u>Banco de la República</u> and Honorary Chairman of the Working Group, at the inaugural meeting on 30 April 1957.... | 68          |
| 2. Address by Mr. Pedro Ramón Chamorro, General Manager of the <u>Banco Central de Paraguay</u> and delegate of Paraguay, at the inaugural meeting on 30 April 1957 .....                   | 74          |
| 3. Address by Mr. Esteban Ivovich, Chief of the Trade Section of the secretariat of the United Nations Economic Commission for Latin America, at the inaugural meeting on 30 April 1957 ... | 78          |



## INTRODUCTION

### SCOPE OF THE REPORT

1. This document reviews in outline the achievements of the Working Group made up of representatives of the Central Banks<sup>1/</sup> (or corresponding authorities) of the Latin American countries which conduct their reciprocal trade through clearing accounts. (Montevideo, Uruguay, 29 April - 10 May 1957).

2. The Working Group was set up in compliance with a resolution adopted by the Governments members of the United Nations Economic Commission for Latin America at the first session of the ECLA Trade Committee (resolution 1 (I) of 28 November 1956). This resolution requested that the Group should study the possibilities of gradually establishing a multilateral payments régime and should suggest to the Trade Committee the measures best calculated to achieve that end.

The above resolution also takes note that the Latin American countries which settle their reciprocal trade payments through clearing accounts are prepared to take transitional steps towards the gradual establishment of a multilateral payments system. To this end, the countries concerned record in the resolution their intention of adopting and applying currently, at the time they consider appropriate certain basic principles. These principles comprise equal

---

<sup>1/</sup> In the present report, the term "Central Bank" should be taken to include other monetary authorities fulfilling the same functions.

quotations for units of account and convertible currencies, for the same operations; trade at prices not higher than those prevailing on the world market; payment through the agreement-accounts of specific trade services: the granting of reciprocal credits adequate for the satisfactory development of trade, due allowance being made for seasonal fluctuations; and the transfer, under given conditions, of bilateral balances to other inter-Latin-American clearing accounts.

With further reference to the measures designed to prepare the way for transition to multilateralism, resolution 1 (I) records the fact that the Central Banks of the clearing-accounts countries are willing to exchange information on balances periodically and opportuntely, in order to facilitate transfers.

3. The background documents for the discussions of the Working Group at its first session were prepared by the secretariat of the Economic Commission for Latin America, taking into account the replies of the Central Banks concerned to a questionnaire which it had duly sent them.

4. This report on the Groups' activities is divided into two parts. The first describes the composition of the delegations and the organization of the work. It also sums up the discussions and offers an objective interpretation of the conclusions reached. Part II contains the resolutions adopted by the Group.

5. Annexed to

5. Annexed to the report are the texts of the following three addresses delivered at the opening meeting: that of Mr. Francisco S. Forteza, Chairman of the Board of Directors of the Banco de la República Oriental del Uruguay and Honorary Chairman of the Meeting; that of Mr. Pedro Ramón Chamorro, General Manager of the Banco Central del Paraguay, who spoke on behalf of the foreign delegations; and that of Mr. Esteban Ivovich, Chief of the Trade Section of the secretariat of the Economic Commission for Latin America.

6. This report was adopted by the Central Banks Working Group at its closing meeting, to be submitted for consideration by the Trade Committee.

---

P a r t I

THE CENTRAL BANKS WORKING GROUP

A. DELEGATIONS PRESENT AND ORGANIZATION OF WORK

1. Preliminary Meeting

7. This meeting was held in the Board Room of the Banco de la República Oriental del Uruguay on 29 April 1957. To begin with, Mr. Esteban Ivovich the representative of the secretariat of the Commission, expressed the gratitude of ECLA to the Government of Uruguay for its invitation to the Working Group to hold its first session in Montevideo. He also thanked the Bank authorities for the facilities they had provided. The officers were then elected, the agenda was adopted, and it was decided to set up two sub-committees (see item 4b). It was also agreed that tributes should be addressed to the first Chairman of the Trade Committee, Mr. Arturo Maschke, President of the Banco Central de Chile, and to Dr. Raúl Prebisch, the Executive Secretary of the Commission, in appreciation of their work on behalf of the expansion of inter-Latin-American economic relations.

8. Mr. Francisco S. Forteza, President of the Banco de la República Oriental del Uruguay, was unanimously elected Honorary Chairman of the session.

9. Before the preliminary meeting rose, the delegations stood for one minute in silence in memory of Mr. Fermín Silveira Zorzi, in homage to his ability and his devotion to the cause  
/of Latin

of Latin American interests. The fifth anniversary of his death coincided with the date of the preliminary meeting.

## 2. Inaugural Meeting

10. The opening of the Working Group was held in the auditorium of the University of Uruguay on 30 April 1957. Among those present were Dr. Francisco Gamarra, the Uruguayan Minister of Foreign Affairs, other members of the Uruguayan Government, foreign diplomatic missions, Directors of the Banco Central de la República, and representatives of various public and private institutions. On this occasion addresses were delivered by the President of the Banco de la República Oriental del Uruguay, the General Manager of the Banco Central del Paraguay, who spoke on behalf of the foreign delegations, and the Chief of the Trade Section of the ECLA secretariat, which he represented.

## 3. Closing Meeting

11. The closing meeting was held on 10 May 1957, in the Junta Departamental de Montevideo.

## 4. Delegations present

### a) Credentials.

12. In accordance with rule 14 of the rules of procedure of the Commission, the Credentials Committee reported to the meeting that the credentials of the delegations present had been examined and found correct.

b) List of delegations, representatives attending the session and observers:

/i) DELEGATIONS

i) DELEGATIONS

|  |  |
|--|--|
| ARGENTINA:   | Rodolfo Korenjak<br>Aguiles P. Baudou  |
| BOLIVIA:   | Reinaldo Urquizo   |
| BRAZIL:  | Abeillard Barreto<br>Enrique Duprat  |
| CHILE:   | René Sepúlveda<br>Marcelo Ringeling  |
| COLOMBIA:  | Augusto Hanberg  |
| ECUADOR:   | Eduardo Larrea Stacey<br>Alfredo Blun Flor   |
| PARAGUAY:  | Pedro Ramón Chamorro<br>Federico Mandelburger  |
| URUGUAY:   |  |
| Committee of the Board<br>of Directors of the<br><u>Banco de la República:</u> | Juan A. Rebella<br>Tabaré Berreta  |
| Delegates:   | Antonio Odicino Lezama<br>Luis Isidro Carlevaro<br>Julio C. Solsona Flores<br>Armando Carrasco<br>Alberto Morrillo Otero<br>Oscar Y. Bonti<br>Carlos Fernández Goyechea<br>Alberto Casal<br>Flaubiano Simoens Arce |
| Advisers:  | Luis C. Panizza<br>Juan A. Eguiluz<br>Raúl H. Torre<br>Washington Souto<br>Juan C. Mussio Miranda<br>Mario Buchell   |

ii) REPRESENTATIVES ATTENDING THE SESSION

Ministry of Foreign Affairs of Uruguay: Ariosto González  
Assistant: Crisólogo Brotos

Ministry of Finance of Uruguay: Walter Lusiardo Asnarez

/iii) OBSERVERS

iii) OBSERVERS:

Resident Representative of  
The United Nations Technical  
Assistance Board:

Miguel Albornoz

International Monetary Fund:

Frans Keesing

Bank of England:

Robert Lambert

Inter-American Trade and  
Production Council:

Carlos Sanguinetti  
Luis Zaffaroni  
Alcides E. Pittaluga

Ministry of Finance of  
Uruguay:

Nilo Márquez  
Nelson Revello  
Abel Gerpe  
Hector Díaz  
Fausto Díaz Paulós  
Julio César Recine  
Fernando Carle  
Hugo de Marce  
Lauro Rodríguez  
Jaime Padros  
Mario Maldini

5. Organization of work

a) Officers

At the preliminary meeting on 29 April 1957 the following officers were elected:

Chairman:

Antonio Odicini  
Lezama (Uruguay)

Vice-Chairman

Eduardo Larrea Stacey  
(Ecuador) and  
Augusto Hanabergh  
(Colombia)

Rapporteur:

Abeillard Barreto  
(Brazil)

b) Committees

To facilitate the study of the items on the agenda, it was decided at the preliminary meeting that two Committees should be set up, the following officers being elected for each:

/Committee 1

Committee 1 on coordination and  
exchange of comparable data:

|            |                               |
|------------|-------------------------------|
| Chairman:  | René Sepúlveda (Chile)        |
| Rapporteur | Reinaldo Urquiza<br>(Bolivia) |

Committee 2 on the standard  
agreement and system of operation:

|             |                                    |
|-------------|------------------------------------|
| Chairman:   | Rodolfo Korenjak<br>(Argentina)    |
| Rapporteur: | Pedro Ramón Chamorro<br>(Paraguay) |

c) secretariat

The secretariat of the Session of the Working Group was  
made up as follows:

|                                    |   |
|------------------------------------|---|
| General Secretary:                 | Esteban Ivovich, Chief<br>of the Trade Section of<br>the secretariat of the<br>Economic Commission for<br>Latin America   |
| Consultant:                        | Eusebio Campos  |
| Aides to the General<br>Secretary: | Mario Real de Azúa,<br>Secretary of the Embassy<br>to the Ministry of<br>Foreign Affairs  |
|                                    | Mario Movarec, United<br>Nations official   |
|                                    | Luis Fugasot <sup>2/</sup>  |
| Information and Press:             | Roberto Fabregat <sup>2/</sup>  |
| Secretarial services:              | Chief: Eugenio Klempfner  |
| Stenographers:                     | Celestino Rubio <sup>3/</sup><br>Francisco Carissimi <sup>3/</sup><br>Juan Carlos Ferrando <sup>3/</sup><br>Carlos Carissimi <sup>3/</sup><br>León Costau <sup>3/</sup><br>Alba Rubio <sup>3/</sup><br>Jorge Peluffo <sup>3/</sup><br>José Torres <sup>3/</sup> |
| Typists:                           | María Sara Abelenda <sup>2/</sup><br>Ofelia C. de Barrera <sup>2/</sup><br>Nelly S. de Cambón <sup>2/</sup><br>María Teresa Irujo <sup>2/</sup>   |

2/ Officials of the Banco de la República Oriental del Uruguay.

3/ Stenographers to the Senate of Uruguay.



B. AGENDA

13. At the preliminary meeting, on 29 April 1957, the Group adopted the following agenda:

1. Opening of the session
2. Election of Officers
3. Adoption of the Agenda
4. Preparation of bases for:
  - (a) the application of standard methods of registering operations and determining comparable balances in the inter-Latin American clearing accounts, and
  - (b) the regular functioning of the machinery for the compilation and periodical distribution of information on these accounts, in connexion with the transfers of balances envisaged in resolution 1(I) of the Trade Committee.

Background documents:

Study of inter-Latin American trade (E/CN.12/369/Rev.1) chapter V;

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

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

Registration of operations transacted through inter-Latin American clearing accounts and exchange of comparable data (E/CN.12/C.1/WG.1/2).

5. Preparation of a preliminary draft standard agreement on a payments régime.

/Background documents:

Background documents:

Study of inter-Latin American trade (E/CN.12/369/Rev.1), chapter V;

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

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

Bases for the draft standard agreement on a payments system (E/CN.12/C.1/WG.1/3).

6. (a) Study of the possibilities for the clearing of balances on the basis of operations actually transacted through inter-Latin American clearing accounts in 1955 and 1956.

Background documents:

Study of inter-Latin American trade (E/CN.12/369/Rev.1), chapter V;

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

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

Clearing of balances in inter-Latin American trade (E/CN.12/C.1/WG.1/1).

- (b) Round-table discussions on the possible establishment of a credit pool among existing inter-Latin American clearing accounts.
7. Consideration and adoption of the report of the first session of the Working Group on a Multilateral Payments System to the Trade Committee of the Economic Commission for Latin America.
  8. Date and place of the next session.

/C. ACCOUNT OF

## C. ACCOUNT OF THE PROCEEDINGS

### Introduction

14. In conformity with the recommendations in resolution I (I) of the Trade Committee, the aim of the experts composing the Working Group was to study the most suitable technical procedure whereby a beginning might be made as soon as possible to convert the bilateral trade system prevailing in the southern zone of Latin America step by step into a multilateral régime. The Group felt that an essential pre-requisite for such an undertaking was the removal of certain obstacles connected with the payments system. It also bore in mind that solutions at the payments level, conducive as they would be to the expansion of trade, would yield much more solid results if at the same time the countries concerned arranged to co-ordinate their trade policies, so as to provide incentives for a growing volume of trade in both natural and manufactured products.

From another point of view there were those who felt that the resolutions considered by the Group in connexion with the first steps towards a multilateral régime might within a relatively short time come to seem unnecessarily cautious. It was pointed out that the European common market and other developments in economic co-ordination in certain parts of the world would perhaps induce Latin America to pursue a similar line of conduct before very long. Should that be so, it might necessitate a relatively rapid reform of the current system of payments through clearing accounts and of some of the basic principles at present governing inter-Latin-American trade policy.

/While giving

While giving due heed to that warning, the Group considered that the ultimate success of its work would depend to an appreciable extent on the prudence by which the first steps towards a multilateral system were guided, especially if the initial stage were viewed with two considerations in mind. One was the fact that the strictly bilateral methods in force were widespread and very deep-rooted and that they still exerted a powerful influence on the attitude adopted by more than one country to both theoretical and practical trade problems. The other related to the technical complexity of the various questions to be dealt with. It was felt that the nature of these questions called for certain special preliminary studies to be undertaken, for otherwise it would be no easy task to discover a way of reconciling the various situations existing within each clearing arrangement with the regional importance attaching to the co-ordination of the agreements concerned. In that way, proceeding step by step, it would be possible to avoid the discouragement which too much haste might bring in its train. In the same context it was considered that the permanent body set up by the Working Group for co-operation between the Central Banks might in the future prove a decidedly important factor.

15. At the close of the session the delegations expressed satisfaction with the constructive and practical nature of the resolutions adopted.

/1. Standard payments

1. Standard payments agreement

16. The nature of that document was very clearly defined. It was to be a model for the conclusion of bilateral agreements. Hence there was no intention of its being signed collectively by a group of Governments. It would serve as a pattern in accordance with which payments relations between pairs of countries could be systematized on a unified basis, with the adjustments called for by the circumstances and characteristics of each bilateral trade channel, so as to pave the way for the future integration of all such bilateral clearing accounts into another of a multilateral type. On one point there was a consensus of opinion: the standard agreement would be an important means of imparting greater flexibility to intra-regional trade and thus contributing to its expansion. To that end, it would be necessary for the Governments concerned to bear the standard agreement in mind when revising their existing bilateral agreements or negotiating new ones; it would thus de facto acquire multilateral scope. In that context, two delegations stressed how useful it would be for the Trade Committee to ask the Latin American Governments to consider the possibility of concluding a pact whereby the standard agreement would be established as a model for their bilateral payments relations within a short term to be fixed by the Governments themselves.

17. Among the other factors which would necessarily influence the establishment of a relative multilateralism by means of uniform agreements would be the maintenance of equal quotations

/for the

for the various inter-Latin-American units of account and the convertible dollar for similar operations. The desirability of that rule was discussed in Santiago last November, at the session of the Trade Committee, which accepted it as one of the guiding principles on which the transition towards multilateralism would have to be based. There was consequently no need for the first session of the Working Group to consider the question from the point of view of the acceptance of the principle, since it had already been accepted by the Committee. The Group therefore discussed its practical application, country by country.

As was pointed out, the maintenance of parity implied the adoption of decisions adapted to the special features of each country's exchange system. In some countries, it was stated, it was necessary for the Central Bank to intervene on the market concerned as a buyer of units of account at times when a seasonal contraction in demand seemed likely to bring down the quotations for these currencies. The foreign exchange purchased when demand was slack was subsequently allocated by the Bank for imports. In other cases, the exporter handed over to the Central Bank the units of account corresponding to the exports effected, receiving in exchange certificates which he negotiated at the same selling price that he would obtain for convertible dollars. In yet other countries, parity was the result of arbitrage at the expense of the Treasury. Although the existing situations varied widely, the universal observance of parity between units of account was emphatically considered

/to be

to be the basis of any action in favour of multilateralism.

It was also pointed out that the recent exchange reforms, which were designed to replace over-valued exchange rates by realistic rates, facilitated the attainment of that end.

18. The expansion of the scope of the agreements would be greatly influenced, according to opinions expressed during the session, by the extent to which parity was observed. If the aim was the establishment of a multilateral system in the region, the trend would have to be towards the inclusion of the greatest possible number of payments in that system.

One delegation laid special emphasis on the advisability, in view of the shortage of convertible dollars and the consequent balance-of-payments difficulties, of avoiding as far as possible the disbursement of convertible foreign exchange.

It was unanimously agreed that a large number of invisible items which were at present handled through the free or so called "parallel" markets could not be included in the clearing system, if the transactions effected through the latter involved the risk of reducing the sum obtained when the units of account concerned were converted into real currency.

This was felt to apply particularly to maritime freights and in some cases also to freights for other types of transport. The following observation was made with respect to the Latin American shipping companies. If payment for their services was made in units of account, and they ultimately received for such services a proportional amount of currency lower than the  
/sum they

sum they obtained when freight charges were liquidated in convertible dollars, their capacity to compete with shipping of other flags was undermined. In such cases, they might also find themselves compelled to raise their freight charges, in terms of local currency, in order to offset the undervaluation of the unit of account. Broadly speaking, the feeling of the Group on that point was that the treatment accorded to the freight earnings of Latin American shipping in relation to the payments agreements should in all cases be viewed in the light of the importance of developing and strengthening the maritime transport services of the region, which were essential to the expansion of its trade.

Consequently, only a limited list of invisible trade payments - pursuant to resolution 1 (I) of the Trade Committee - would be automatically included in the account. Others, enumerated in the agreement, would be dealt with by ad hoc arrangements between the parties.

19. The delegations strongly advocated the inclusion in the standard agreement, by way of example, of a list of those payments which each pair of countries, if it so desired, could include within the clearing account in the course of the application of the bilateral instrument concerned.

20. The Group attached special importance to the incorporation in the agreements of clauses covering multilateral operations connected with the transformation of raw materials produced in the territory of one of the contracting parties or of a third /country, for



country, for the supply of countries within the region itself. There was a unanimous consensus of opinion on the following point. The phenomenon of idle capacity is beginning to loom increasingly large on the industrial scene in several Latin American countries. Accordingly, the payments system must help to relieve the problems deriving from the existing low productivity, by facilitating, through suitable clauses in the agreements, the transaction of multilateral operations relating to the purchase, transport, transformation and re-export of the commodities concerned.

One delegation drew attention to the desirability of submitting to the Trade Committee, for consideration in due course, the question of bringing customs regulations on such matters as temporary admission, suspension of duties etc. into line with the system in question.

21. During the Group's meetings differing opinions were expressed as to the attitude that should be adopted towards re-exports. It was pointed out that various bilateral agreements stipulated that the commodities traded were to be used only for consumption by the parties, and not for re-export. Undoubtedly, as was pointed out, such clauses had a great deal to do with the failure to maintain parities. One of the reasons for their existence was the need to prevent or control certain types of operation. It was common knowledge that in order to take advantage of the margin of profit left available by the non-observance of parities, re-export transactions  
/were effected

were effected which, it was felt, were often prejudicial to the interests of the country of origin of the commodity in question.

In this connexion the following observation was formulated: as progress was made in the maintenance of parity between units of account, and balances became transferable from one account to another, substantial changes would presumably take place in the current attitude to re-exports, which would become more consistent with the new régime of parity and transferability.

As that subject fell mainly within the field of trade policy, it was considered that it should be brought up, at an opportune moment, in the discussions of the Trade Committee.

22. The Group studied points connected with payment for supplies of petroleum products through the clearing account, in relation both to imports for domestic consumption and to purchases effected by foreign shipping and aircraft in the ports and airports of the various countries.

Attention was drawn in this connexion to operations effected within the clearing accounts for the purpose of acquiring part of the petroleum royalties of some of the Latin American countries.

There was a consensus of opinion to the effect that on so important a point it was not at present advisable for regulations to be laid down in the standard agreement. It was suggested that further research by the Trade Committee on that matter would be exceedingly useful.

/One delegation

One delegation mentioned that the Committee's study of that subject should take into account the obstacles to intra-regional trade in petroleum products created by the differing levels of domestic taxes and by the resultant repercussions, at times, on export prices.

23. The Group discussed the effect on the expansion of inter-Latin-American trade that might be produced by exempting commodities of Latin American origin from the prior deposit which some countries required from importers. That type of stimulus to trade would also include the abolition of permits for any intra-regional commodity trade operations. These were subjects which chiefly pertained to trade policy, close as was their relationship with the question of payments. For that reason, and also because special studies would have to be carried out before they could be discussed by the Working Group, it was considered undesirable to include them, for the time being at any rate, among the points covered by the standard agreement. One delegation observed that when the time came for an analysis of such questions to be made, it ought to be carried out in close contact with the appropriate trade policy authorities in each of the countries concerned.

2. Coordination of clearing accounts;

compilation, classification and exchange of comparable data

24. The delegations were in full agreement as to the importance, for the expansion of trade, attaching to the exchange, on

/comparable bases,

comparable bases, of periodic information as to the state of the accounts, both with a view to facilitating transfers of balances and a step towards the co-ordination of the bilateral machinery concerned.

25. It was also agreed that the exchange of information should be organized in such a way as to ensure the availability of certain data relating to the possible future trend of the balance, as a guide to the import authorities. It was felt that such data would be especially useful to countries whose debit balances were close to the credit limit stipulated, beyond which the liquidation of the corresponding excess might involve the disbursement of convertible currencies.

26. In the course of discussion, stress was laid on the need for such exchange of information to be begun at the earliest possible opportunity, in two stages. The first, which would begin early in the second half of 1957, would relate to the compilation and distribution of certain data which each country would be in a position to supply at once, under the system of registration followed in the inter-Latin-American clearing accounts. In the second stage, to be initiated from the beginning of next year, the supply of data would be improved in accordance with the terms of resolution 2 adopted by the Working Group, the text of which appears in Part II of the present report. Referred to the resolution is the form to be used for the distribution of information, which was examined and approved by the Group.

27. The following point, on which there was unanimous agreement, was placed on record. That resolution, or others that might be adopted with a view to improving the form to be followed in the registration and exchange of data, did not involve the inter-Latin-American clearing-accounts countries in any commitment, either present or future, to include within those accounts payments other than those specifically indicated in the pertinent bilateral instruments.

28. All delegations endorsed the view expressed by one of their number, to the effect that the exchange of comparable data constituted a highly significant first step in the transition to a multilateral system.

Consequently, if that objective was to be attained, the satisfactory functioning of the exchange of information was of great importance.

From that point of view, the Group felt that it would be useful to lay down the rule to be followed by the agency responsible for centralizing the information in determining, for the purpose of the statements which it would periodically prepare and distribute, the state of the various accounts. The Group wished to place on record its opinion as to the procedures which might prove useful if the appropriate data were not supplied in good time by the Central Bank responsible for keeping the master account. On that point, as well as in relation to cases where duplicate accounts exist, the following principles were unanimously considered satisfactory;

/(a) If the

(a) If the Central Bank in charge of the master account should for any reason fail to supply the requisite information, the centralizing agency would request it from the Central Bank of the other party to the agreement concerned. When the data had been obtained, the position of the account on the periodic statement would obviously be altered, since it would have to be recorded in the name of the country supplying the information;

(b) Where duplicate accounts existed, the corresponding Central Banks would decide between themselves which of them was to be responsible for supplying the information. The necessary consultations for that purpose could be carried out through the centralizing agency.

29. One delegation pointed out that the foreign trade system of certain countries would make it rather difficult for them to supply information on exports about to be effected, and suggested that in such cases, the centralizing agency might conveniently utilize the figures for import permits granted by the buyer country, in order to prepare the statements.

30. It was made clear that the centralizing agency would collect, classify, and distribute the information. On the other hand, the carrying out of any transfers of balances shown to be possible by the statement summing up the data submitted would be entirely in the hands of the Central Banks, which would be responsible for undertaking the necessary consultations and formalities.

31. Another proposal which received unanimous support was

/that the

that the Group should request the secretariat of the Economic Commission for Latin America to accept responsibility for centralizing and distributing the information, the possibility being left open that at a later date, when the opportune moment arose, the final allocation and mode of fulfilment of this function should be studied with the assistance of the secretariat itself. The secretariat was consulted by cable and sent a favourable reply.

When it was resolved that the information should be centralized in the secretariat, attention was also drawn to the fact that the latter needed to know the figures for real payments registered in the accounts in order to carry out its technical study on the possible establishment of a multilateral clearing organization. Thus the exchange of information would serve several purposes. It would constitute the initial phase of practical collaboration between Central Banks, with a view to the co-ordination of the clearing accounts; it would establish the possibilities for the transfer of balances; and it would facilitate the compilation of the statistics required for continuing the study of the multilateral system.

32. The representative of the International Monetary Fund asked whether the resolution on the exchange of data among Central Banks excluded the possibility of making them available to his organization. The Group resolved to note in its report that, in view of its terms of reference under resolution 1 (I) of the Trade Committee, it felt that a decision on that point should preferably be left to that Committee; as, however the Central  
/Banks represented.

Banks represented at the Session attached positive importance to the Fund's co-operation in the task of gradually establishing a more flexible intra-regional trade system than that at present prevailing, that reply should be regarded as essentially a formality. One delegation stated that as far as it was concerned it saw no objection to supplying such data to other organizations forthwith, since its country published them every month in the bulletin issued by the Central Bank.

Furthermore, the Group replied to a question asked by the representative of the Fund that, as far as it was concerned, the text of the resolution on the exchange of information did not preclude the adoption of a future decision by the appropriate body in favour of the transmission of such information to other organizations.

### 3. Operational system

33. It was pointed out that with a view to the adoption of common practices in existing bilateral agreements the standard payments agreement contained a clause the purpose of which was to empower the Central Banks of the contracting parties to agree directly among themselves, once the agreement was signed, on the technical regulations for its operation.

In order to ensure that there should be no deviation from the ends pursued in the preparation of the standard agreement, the Group strongly advocated that it should be supplemented by a model set of regulations for its operation. It was unanimously agreed that in drawing up such a model the principal aspects taken into consideration should include, inter alia, the  
/determination of



determination of the stage of the transaction at which each operation should be registered by the parties in the account; the mechanism of documentary credits and orders of payment; the method to be followed in relation with commercial banks participating in such operations by permission of the Central Bank concerned; and the procedure for current contacts, with respect to financial operations deriving from trade, between such institutes in the contracting countries. Furthermore, it was noted that the model prepared by the Group aimed at standardizing the relevant banking terminology for intra-regional clearing operations.

General support was given to the point made by one delegation that the differing operational systems in each pair of countries helped to account for the failure to maintain parity between the units of account. The establishment of an operational system on common bases would therefore further the aim of ensuring equal quotations for such units of account, for similar operations.

4. Technical studies on the organization of  
the multilateral payments system

34. The Group considered Information document N° 2, presented by the secretariat, which reported on the progress of the technical study which the secretariat had been requested to undertake under one of the points in resolution 1 (I) of the Trade Committee.

35. It was agreed that the study on the establishment of a multilateral payments system draw attention to certain problems  
/which were

which were just beginning to arouse the interest of Governments, Central Banks and other relevant institutions in Latin America. ECLA's work on the subject was therefore useful. While it was recognized that the carrying out of studies on multilateralism properly so-called might later on become a more or less urgent task, according to the nature of the repercussions in the Latin American region of the agreements on a European common market, the following opinion was also voiced. The experience which would be acquired during the next few months in the practical application of resolutions 1, 2 and 3 of the Central Banks Working Group would in itself afford valuable guidance in the analysis and preparation of the formulae to which it might ultimately be deemed advisable to resort.

36. The delegations unanimously took note with satisfaction of the work already carried out by the secretariat in the field in question.

In connexion with a query under point III of the secretariat's information document No 2, the Group resolved to inform the secretariat that it fully agreed that in view of the stage the technical study had now reached, the time had come to request the collaboration of such international organizations as the secretariat might ask to co-operate with it at the moment it considered opportune.

37. Unanimous support was given to the proposal of one delegation that a recommendation should be transmitted to the secretariat to the effect that in continuing the study it should explore the possibility of a further intermediate step between the transferability of balances referred to in resolution 1 (I) of

the Trade Committee, and a more advanced system of multilateral transfers.

The purport of that suggestion was that the study should consider whether specific percentages of the increases in debit balances shown by the master accounts relating to the agreements, within given annual or half-yearly periods, could or could not be treated automatically transferable. Such a system of transferability would in any event be confined in all cases to the region itself, but it might provide for payment by the debtor country to the creditor country in a convertible currency, if the transfer gave rise to a balance in excess of the margin of credit laid down in the payments agreement in force.

38. One delegation drew attention to aspects of trade which, while not strictly within the Group's sphere of action, related to topics which should be borne in mind and should be submitted for consideration by the Trade Committee, whose terms of reference fully covered them. The delegation declared that steps taken to promote multilateralism bore a close relation to other efforts designed to reduce disequilibria by the expansion of commodity trade. It would therefore be important to carry out market studies on a permanent basis, with respect to intra-regional trade in commodities of Latin American origin, both from the point of view of the region as a whole, and in relation to the problems and possibilities deriving from such trade in each bilateral channel.

Currently, the main source for the statistical data required

/for such

for such studies consisted in the trade balance figures, which were not always available in good time.

On the other hand, the work of their department of economic research, some Central Banks in the region had already begun to include in as a source of background data for their own specific tasks, studies corresponding to certain types of market surveys designed to supplement or expand the research pursued in a similar direction by other official organizations in the country concerned.

In conclusion, the delegation suggested that the Central Banks might usefully give consideration, so far as possible, to the desirability of including in the work programmes of their departments of economic research some exploration of market problems and prospects in relation to commodities which were or might be traded within Latin America. The data thus collected might serve, among other purposes, that of facilitating the preparation by ECLA of market studies for the region as a whole.

39. Also on the plane of trade matters directly covered by the terms of reference of the Trade Committee, one delegation made a number of observations, for transmission to the Trade Committee, on the experience of the analogous European organization in certain lines of commercial action which should accompany the gradual transition towards multilateralism. Worthy of study was Europe's experience in the drafting of standard contracts for private foreign trade transactions, which were further encouraged by the organization of international fairs for regional products.

/In preparation

In preparation for such fairs, conditions and facilities were arranged in advance in regard to customs regulations for samples, installations, admissible quantities of products displayed, privileges or exemptions in connexion with passport visas for foreign visitors, sale of the articles exhibited or their transfer to other countries, etc. Indirect commercial methods such as those might in the long run help to promote and normalize trade, and might in practice become dynamic elements of trade policy.

In conclusion, the delegation expressed the view that the Group's report to the Trade Committee should include a suggestion that, in the course of the progressive development of its programme and as a supplement to measures of trade policy, it should take into consideration the importance of paving the way for inter-Latin-American fairs or exhibitions.

#### 5. Other business

40. It was unanimously resolved that the next session of the Central Banks Working Group should be held, when convened by the secretariat, in Rio de Janeiro.

41. The Central Banks Working Group resolved to record in the report on its first session its congratulations and thanks to the ECLA secretariat, and in particular to the Executive secretary, Dr. Raúl Prebisch, to the Chief of the Trade Section, Mr. Esteban Iovovich, and to the Consultant, Mr. Eusebio Campos, for their contribution to the work for the expansion of inter-Latin-American trade.

/42. Mr. Esteban

42. Mr. Esteban Iovovich, Chief of the Trade Section of the ECLA secretariat and General Secretary for the session, expressed the secretariat's thanks for the friendly assistance given in the organization of the meetings by the Ministry of Foreign Affairs of Uruguay and the Banco de la República. He stressed the efficiency and selflessness of the officials of the Bank who had been attached to the secretariat for the session. He also drew attention to the help given by the stenographers from the Senate of Uruguay.

/RESOLUTIONS APPROVED

RESOLUTIONS APPROVED  
STANDARD PAYMENTS AGREEMENT

Resolution N°1 of the Central Banks Working Group on a  
Multilateral Payments System, approved  
7 May 1957

The Central Banks Working Group on Multilateral Payments,

CONSIDERING that, in accordance with resolution 1 (I) of the Trade Committee, the Latin American countries which maintain bilateral agreements between themselves are prepared, during the transition period until the attainment of multilateralism as provided for in that resolution, to take measures designed to bring about more flexible commercial relations between them;

That, to this end, between the stages of progressive multilateralism, the said countries agree to adopt, as they consider convenient, certain concurrent principles in their future agreements;

that it is desirable to standardise the provisions of such agreements, as a contribution to the creation of the conditions necessary for progress towards a multilateral system;

that the adoption of common bases would simplify transfers between accounts in the region, thereby contributing

/to the'

to the creation of a multilateral payments area;

that a standard agreement would go far to simplify the practical application of these principles;

RESOLVES:

1. To submit to the Trade Committee the annexed draft standard Agreement - as an integral part of this Resolution - for consideration by the Governments of the Latin American countries which maintain or subscribe to clearing agreements between themselves.

2. To propose to the Trade Committee:

(a) that it should recommend to the said Governments that they should adapt their present payments agreements to the text of the standard agreement; and

(b) that it should consider the advisability of obtaining from the respective Governments the establishment of a fixed period which should be as short as possible, for the process of adaptation mentioned in the preceding sub-paragraph.

ANNEX TO



ANNEX TO RESOLUTION 1  
STANDARD PAYMENTS AGREEMENT

Article 1

The object of this Agreement is to regulate payments between the contracting Parties, and to promote their gradual adaptation to a multilateral system.

Article 2

The payments enumerated in the following articles, originating in direct operations between ..... and ..... , will be made in United States dollars, through the Account mentioned in article 5, hereinafter referred to as the "Account", (or "Accounts", if the double accounts system is adopted).

Payments will be made in accordance with the laws and regulations governing international exchange and transfers of funds in force in both countries at the time of the operation in question, and will be effected direct between the Central Bank of <sup>1/</sup> ..... and the Central Bank of ..... They may also be made through other banks or institutions authorized to operate in international exchange.

---

1/ For the purpose of this Agreement, the expression "Central Bank" will also include institutions carrying out the functions of such banks.

/Article 3

Article 3

Payments relating to the following operations will be made through the Account:

- (a) The FOB value of natural or manufactured products, originating in ..... and in ....., which are traded by the contracting Parties, including accessory costs as agreed by both Central Banks;
- (b) freights earned by ships or aircraft flying the flag of 1/ or registered in..... or ..... in the transport of goods ..... traded by the Parties, and the expenses of such ships or aircrafts in the ports or airports of the contracting countries;
- (c) insurance covering the trade between the Parties;
- (d) other agreed items or concepts.

(Here the Parties could specify in the text of the Agreement what payments they agree to include under this heading. Without prejudice to other items, the following are mentioned by way of illustration:

- (i) underwriting of insurance of the trade between both Parties, and the surplus of underwriting by either Party in the territory of the other;
- (ii) freights for merchandise in the territory of the Parties;
- (iii) freights and expenses for services rendered by ships or aircraft flying the flag of or registered in.....

---

1/ In this agreement the term "goods" includes both natural and manufactured products.

/and.....

and..... in connexion with trade operations of either of the Parties with third-party Latin American countries which maintain payments agreements with one of them;

(iv) insurance of trade operations of either of the Parties with third -party Latin American countries which maintain payments agreements with one of them;

(v) payments covering the costs of transformation of raw materials or products of either of the two Parties, or of a third country, which are sent to the other Party for processing;

(vi) costs of fuels and lubricants supplied to ships or aircraft of ..... and .....

(vii) students'allowances;

(viii) frontier trade payments (as defined by the Parties to the agreement concerned) ); and

(e) any other payments agreed on between the Central Bank of ..... and the Central Bank of .....

#### Article 4

Both Parties agree to allot, either directly or through the competent organizations, the foreign exchange required for remittances under the headings enumerated in article 3, on request by the interested Parties in accordance with the provisions in force in each country.

#### Article 5

The Central Bank of ..... acting on behalf of the Government of ....., will open and maintain a master account in United States dollars in the name of the Central Bank of .....,

/acting on

acting on behalf of the Government of ....., to be called  
".....Agreement Dollar Account", in which account will  
be credited or debited, as the case may be, the payments  
mentioned in article 3.

#### Article 6

The Central Bank responsible for keeping the Account will  
advise the Central Bank of the other country on the first  
banking day of each month of the balance in the Account on the  
last day of the previous month. It will also forward monthly  
to the other Central Bank a detailed statement of the movement  
of the Account during the preceding month.

The registration of operations of the Account will be  
made in such a way as to simplify the interchange of information  
between the Central Banks, having regard to the resolutions of  
the Trade Committee and any other resolutions supplementing  
them.

#### Article 7

Goods exchanged between the two contracting countries  
and financial operations resulting from such exchange will be  
quoted, invoiced or expressed in United States dollars.

#### Article 8

The Central Bank of ..... and the Central Bank of ..  
.... may authorize commercial banks in their respective countries  
to open such documentary credits or process such payments  
orders as may be necessary for the purposes of trade. Such  
operations will be effected in accordance with the banking  
/rules and

rules and practices prevailing in each of the contracting countries. Payments against the aforesaid credits or payment orders will be when they are entered in the Account, in accordance with the procedure agreed between the two Central Banks.

Article 9

The Government of ..... authorizes the Central Bank of ..... and the Government of ..... authorizes the Central Bank of ..... to agree upon:

- (a) the technical and ancillary provisions relating to the operational system and any changes which may be made in it;
- (b) suitable arrangements for the transfer of balances to clearing accounts in operation with other Latin American countries; and
- (c) the machinery for the application of the provisions of article 10.

Article 10

Both Parties agree to take such measures as are necessary to ensure that the Account-dollar is quoted at the same rate as the free United States dollar for similar operations. Accordingly, the Central Bank of ..... and the Central Bank of ..... will for this purpose apply to the Account-dollar the corresponding ruling quotations, (official free market, brokers' or other quotations) applicable according to the call, to the liquidation of similar operations in free United States dollars.

Article 11

Article 11

When the two Central Banks so agree, the payments mentioned in article 2 may be made in exchange other than the Account-dollar.

Article 12

While this Agreement remains in force the Account may show a debit or a credit balance. The Central Bank of the creditor country will not request the reimbursement of the credit balance in its favour so long as such balance does not exceed the sum of ..... dollars.

When the balance exceeds the specified amount the Central Bank of the creditor country may request the total or partial transfer of the excess to another clearing account in operation with a third Latin American country, in accordance with the procedure approved as provided in sub-paragraph (b) of article 9, or may reach an agreement with the Central Bank of the debtor country for the payment of the excess in other exchange. If within a period of ..... the excess is not cleared by the methods referred to, the Central Bank of the creditor country may request its total or partial payment in free United States dollars, by cable transfer.

(The Parties may agree that when the balance exceeds the sum of ..... dollars, the excess over this limit will bear interest at a rate of ..... per cent.)

Article 13

Goods paid through the Account may be sent, consigned  
/or re-exported

or re-exported to a third country, if so agreed in advance by the competent agencies of both Parties.

Article 14

The value of goods originating in any other country, which one of the Parties acquires from the other, and the cost of insurance of such operations, may be paid through the Account, if so agreed by the Central Banks of the contracting Parties.

Article 15

The Central Bank of the debtor country may at any time pay to the Central Bank of the creditor country in free United States dollars, by cable transfer part or all of its debit balance in the Account. It may also pay this balance in other exchange agreed by both Central Banks.

Article 16

On the expiry of this agreement the Account will remain open for a period of ..... for the purpose of the following operations:

- (a) Payments for the liquidation of pending obligations contracted while the Agreement was in force;
- (b) Payments for operations carried out after the expiry of the Agreement for the sole purpose of reducing or clearing the balance of the Account.

The provisions of this Agreement will remain in force for the specified period of ..... for the purpose provided for in this article.

/Article 17

Article 17

After an interval of ..... following the expiry of the period specified in article 16, the balance will be paid by the Central Bank of the debtor country at the request of the creditor in free United States dollars, by cable transfer, unless both Central Banks agree to other forms of payment.

Article 18

Without prejudice to its ratification in due course, this Agreement will provisionally enter into effect - where the laws of the contracting countries so permit - on ....., and will remain in force for a period of ..... years; it will be renewed annually by tacit agreement unless one of the Parties gives not less than three months' notice of termination during any year of its validity.

If the trade and payments conditions existing at the date of signature of this Agreement should undergo any substantial changes at any time during the period of validity of the Agreement, either of the Parties may request immediate negotiations for the purpose of adapting the Agreement to the new situation.

/If the



If the Parties fail to arrive at an agreement within.....  
months from the date of the request for negotiations, the  
Agreement may be denounced, to terminate a period of .....  
months.

---

Note:

Latin American countries which maintain bilateral agreement between themselves are recommended, pending the renewal of those agreements in accordance with the bases of the present standard agreement, to endeavour to adopt for immediate bilateral application, administrative measures leading to the same end. It is also recommended that when bilateral agreements conforming to the present standard agreement have been concluded, the two countries concerned should where necessary bilaterally bring into force, pending the ratification of such agreements, such clauses as are compatible with their laws.

/EXCHANGE OF

EXCHANGE OF COMPARABLE DATA ON INTER-LATIN  
AMERICAN CLEARING ACCOUNTS BETWEEN CENTRAL  
BANKS OR MONETARY AUTHORITIES PERFORMING  
THE FUNCTIONS OF SUCH BANKS

Resolution N° 2 of the Central Banks Working Group on a  
Multilateral Payments System, approved  
on 7 May 1957

The Central Banks Working Group on a multilateral payments  
system,  
CONSIDERING resolution 1 (I) of the Trade Committee; and  
considering that, in order to implement the agreement entered  
into in accordance with that resolution by the Central Banks  
maintaining inter-Latin American clearing accounts, to exchange  
information on the state of such accounts so as to facilitate  
the transfer of payments, it is necessary to establish the  
bases whereby the data may be furnished in comparable form;  
and that in reply to the requests addressed by the Executive  
Secretary of the Economic Commission for Latin America to the  
respective central bank or monetary authorities performing  
the functions of such banks, these bodies have expressed  
their opinion on the manner in which the data should be furnished,  
and have stated their intention to initiate the exchange  
of information immediately;

RESOLVES AS FOLLOWS:

1. The general procedure for the exchange of data  
instituted by resolution 1 (I) of the Trade Committee will be  
the following:

- (a) Figures relating to the balance of inter-Latin American  
/clearing accounts

clearing accounts will be compiled monthly;

(b) the said figures, will be furnished monthly in duly classified form, to the central banks or corresponding monetary authorities of the countries maintaining the accounts.

2. The data to be exchanged will include;

(a) total monthly receipts,

(b) total monthly payments,

(c) real balance (balance of each account)

(d) total documentary credits and collections or bills for:

(i) exports

(ii) imports

(e) statistical balance,

(f) total contracted sales, <sup>1/</sup>

(g) outstanding balance of uncontracted imports <sup>1/</sup> (prior permits, licences, foreign exchange options, prior deposits, etc., as applicable),

(h) potential balance of each account.

The central bank or monetary authority maintaining the account pertaining to the agreement in question will be required to provide the figures referred to in (a) and (b) of this paragraph. The remaining figures will be furnished by the two countries signatories to the agreement, with the exception of

---

<sup>1/</sup> Excluding transactions covered by documentary credits and collections or bills.

/the figures

the figures referred to in (c) and (h), which will be calculated by the central co-ordinating body.

3. The exchange of data will begin with figures relating to the state of the accounts on 30 June 1957.

4. The information will be sent to the co-ordinating body monthly within the following time-limits:

(a) receipts, payments and real balance of accounts: within five days following the end of each month;

(b) documentary credits and collections or bills: within fifteen days following the end of each month;

(c) contracted sales - if possible - and outstanding balance (of prior permits, licences, promised foreign exchange, prior deposits, etc): within two months following the month to which the information refers.

5. The data will include only the figures for transactions effected or to be effected within the accounts, in conformity with the provisions of each payments agreement.

6. The date of 31 December 1957 will be set as the final date by which the central banks or corresponding monetary authorities will classify the information they submit on receipts and payments registered in the accounts in the following manner:

(a) Debits - (Receipts of seller country)

FOB value of exports;

Freights and port charges received from abroad;

Commission and other expenses of foreign trade;

/Investment of

Investment of foreign capital in country furnishing  
the information;  
Repatriation of capital;  
Financial services payable from abroad;  
Insurance and re-insurance premiums;  
Consular fees;  
Other transactions.

(b) Credits -(Payments of buyer country)

CIF value of imports (or C & F value, depending on  
system in use in importing country);  
Freight and port charges transferred abroad;  
Commissions and other expenses of foreign trade;  
Investments abroad;  
Outgo of capital;  
Financial services to be paid for abroad;  
Insurance and re-insurance premiums;  
Consular fees;  
Other transactions

7. Notes that the decision relating to the classification of receipts and payments contained in paragraph 6 implies no present or future commitment regarding the inclusion in the accounts of payments for items not specifically provided for in the corresponding agreements.

8. Takes note that the central banks or corresponding monetary authorities are prepared to furnish the periodic

/information in

information in conformity with the classification contained in paragraph 6, even before the indicated date, if possible.

9. Decides that, if any of the central banks or monetary authorities performing the functions of such banks is unable to adjust its methods to the classification provided for in paragraph 6, the co-ordinating body will request the information from the central bank or corresponding monetary authority of the other country signatory to the agreement.

10. Stipulates that it will be the responsibility of the central banks or corresponding monetary authorities to initiate the consultations, proposals and formalities which may be necessary to effect any transfers of balances whose practicability may become evident through the exchange of data.

11. Express its gratitude to the Executive Secretary of the Economic Commission for Latin America for having agreed at the request of the Working Group to accept responsibility for the co-ordination and circulation of the data referred to in this resolution.

Economic Commission for Latin America  
 Trade Committee  
 Resolution 2 of the First Meeting of the  
 Central Banks Working Group  
 on a Multilateral Payments System  
 Montevideo, 7 May 1957

Country \_\_\_\_\_

STATE OF BILATERAL CLEARING ACCOUNTS WITH LATIN AMERICAN COUNTRIES

or (in thousands of dollars)

| Country | DEBITS<br>(Receipts of selling country) | CREDITS<br>(Payments of purchasing country) | REAL BALANCE<br>(Balance of the account) | DOCUMENTARY CREDITS<br>(Including collections and bills) |          | Statistical balance | Contracted sales | Outstanding balance (prior permits, licenses, foreign exchange operations, prior deposits, etc.) | Potential balance |
|---------|---|---|--|--|----------|---------------------|------------------|--|-------------------|
|         |   |   |  | Ex-ports   | Im-ports |                     |                  |  |                   |
| (A)     | c/                                      | a/  | b/                                       | (E)  | (F)      | (D)+(E)<br>-(F)     | e/               | d/<br>(G)+(H)-(I)  | (J)               |

/ a/ Monthly

- a/ Monthly figures supplied by the Central Bank or the corresponding monetary authority responsible for keeping the master account, within five days following the end of each month.
- b/ Balance of the Account at the end of the month, supplied by the two countries maintaining each account, within five days following the end of each month.
- c/ Information supplied by the two countries maintaining each account, within 15 days following the end of each month.
- d/ Figures calculated by the Economic Commission for Latin America.
- e/ These figures do not include operations covered by documentary credits and collections or bills. Figures for these will be supplied by the two countries maintaining each account within two months following the month to which the information relates.



STANDARD BANKING PROCEDURE FOR THE OPERATION OF  
INTER-LATIN AMERICAN CLEARING ACCOUNTS

Resolution No. 3 of the Central Bank Working Group on  
a Multilateral Payments System.

CONSIDERING that in order to supplement the standard payments agreement referred to in Resolution No. 2 of this Group and to facilitate the transfer of balances between inter-Latin American bilateral accounts, it is desirable to set up a standard machinery for such transfers;

RESOLVES

to recommend to the central banks - or corresponding monetary authorities - of countries which maintain or subscribe to payments agreements the adoption so far as possible of the following banking procedure for the operation of the said accounts:

"In order to give effect to the provisions of the ..... Agreement, the Central Bank of ..... agrees to adopt the following procedure:

In accordance with the terms of article 5 of the Agreement, Central Bank "A" will open and maintain an account in United States dollars in the name of Central Bank "B", namely, "The ..... Agreement Dollars Account", hereinafter known as the "Account" through which the payments provided for in article 3 will be effected by means of documentary credits or payments

---

Note: The numbering of the articles corresponds to that of the standard payments agreement. This draft, by way of example, designates as Central Bank "A" (country "A") that which keeps the account and Central Bank "B" (Country "B") the holder of the account.

/orders which

orders which will be opened or issued directly by the banks or authorized institutions of both countries.

The details concerning such operations will be for the account and under the exclusive responsibility of the banks and authorized institutions which take part in them.

The reimbursement of the operations effected through the "Account" will be carried out in the following manner:

A) PAYMENTS BY COUNTRY "B" TO COUNTRY "A"

1) Covered by documentary credits:

When banks of country "B" open documentary credits for the import of products from country "A", Central Bank "B", immediately after the opening of the credits, will send by air mail a corresponding notification of such opening to Central Bank "A". Such notices will have the effect of reimbursement authorizations, and by virtue thereof Central Bank "A" will be empowered to make reimbursements, for the equivalent in "..... Agreement Dollars", against the payments carried out by the banks of country "A" and charged to the corresponding documentary credits, up to the amount of the respective authorizations.

At the request of the banks of country "B", the reimbursement authorizations referred to in the foregoing paragraph may be sent by cable, in which case an air mail communication will serve as confirmation.

The aforesaid authorizations, correspondingly numbered, will be sent immediately by Central Bank "B", and will specify:

/a) the amount

- a) the amount of the credit in ".....Agreement Dollars";
- b) the name and address of the bank in country "B" which ordered its opening;
- c) the number assigned to the credit by the bank of country "B";
- d) the name and address of the beneficiary bank in country "A".

The banks and authorized institutions of country "A" may request Central Bank "A" for the amounts to be paid, as soon as they have made the documentary credits effective, in accordance with the conditions of the same, provided that the reimbursement authorization issued by Central Bank "B" is in the hands of Central Bank "A". In virtue of the payments made by the banks and authorized institutions, Central Bank "A" will debit the "Account" with the respective amounts. At the same time, it will inform Central Bank "B" daily by telegram or air-mail, as agreed, of the debits made, specifying for each operation:

- a) the name and address of the bank of country "B";
  - b) the number of the credit assigned by the bank or country "B";
- and
- c) the amount in "..... Agreement Dollars" reimbursed.
- 2) Other payments:
- a) By cable.

At the request of the banks of country "B", Central Bank "B" will remit payment orders to Central Bank "A" by cable, thereby authorizing Central Bank "A" to debit the "Account".

Payment orders by cable must contain the following particulars:

/(a) the .

- (a) the corresponding number assignment by Central Bank "B";
- (b) the amount in "... Agreement dollars";
- (c) the purpose of the payment (goods, freights, etc.);
- (d) the name and address of the bank of country "B";
- (e) the name and address of the bank of country "A";
- (f) the name and address of the beneficiary; and
- (g) the name and address of the remitter.

Such payments orders, and the above information, must be confirmed by air mail.

b) By air mail.

In order to effect payments by air mail from country "B" to country "A", the banks or authorized institutions of country "B" will remit payment orders bearing the appropriate reference number direct to their correspondents in country "A".

Central Bank "B" will send direct to Central Bank "A", by the same means, reimbursement authorizations corresponding to the payment orders referred to in the previous paragraph.

The mere issue of such authorizations will signify that Central Bank "A" is authorized to debit the "Account" with the corresponding amounts.

Reimbursement authorizations, bearing the appropriate reference numbers, will be sent immediately, accompanied by duplicate copies of the orders, or, in lieu thereof, by the following particulars for each order:

/ (a) the number;

- (a) the number;
- (b) the amount in ".....Agreement dollars"
- (c) the purpose of the payment (goods, freights, etc.);
- (d) the name and address of the bank of country "A", and
- (e) the name and address of the bank of country "B".

B) PAYMENTS FROM COUNTRY "A" TO COUNTRY "B"

1) Covered by documentary credits:

When the authorized banks or institutions of country "A" open documentary credits for the import of products from country "B", Central Bank "A" immediately after the opening of the credits, will send by air-mail a corresponding notification of such opening to Central Bank "B". Such notices will have the effect of reimbursement authorizations, and by virtue thereof Central Bank "B" will be empowered to make reimbursements, for the equivalent in "..... Agreement Dollars", against the payments carried out by the banks of country "B" and charged to the above-mentioned documentary credits, up to the amount of the corresponding authorizations.

At the request of the banks of country "A", the reimbursement authorizations referred to in the foregoing paragraph may be sent by cable, in which case air mail communications will serve as confirmation.

The aforesaid authorizations, correspondingly numbered, will be sent immediately by Central Bank "A", and will specify:

- (a) the amount of the credit in "..... Agreement Dollars";
- (b) the name and address of the bank of country "A" which ordered its opening;

/(c) the number

- (c) the number assigned to the credit by the bank country "A", and
- (d) the name and address of the beneficiary bank in country "B".

The banks and authorized institutions of country "B" may request Central Bank "B" for the amounts to be paid, as soon as the documentary credits are to be made effective, in accordance with the conditions of the same, provided that the reimbursement authorization issued by Central Bank "A" is in the hands of Central Bank "B". Central Bank "B" will report daily, by telegram or air mail, as agreed, what payments have been made for each operation:

- (a) the name and address of the bank of country "A";
- (b) the number of the credit assigned by the bank of country "A"; and
- (c) the amount paid in ".....Agreement Dollars".

On receipt of the notification referred to in the previous paragraph, Central Bank "A" will immediately credit the "Account" with the amounts indicated in such notification.

2) Other payments:

(a) By cable:

At the request of the banks of country "A" Central Bank "A" will remit payment orders to Central Bank "B" by cable; the issue of such orders will in itself indicate that the amounts in question have been credited to the "Account" and that Central Bank

/"B" is empowered

"B" is empowered to reimburse the banks of country "B" in respect of such amounts.

Payment orders by cable must contain the following particulars:

- (a) the corresponding number assigned by Central Bank "A";
- (b) the amount in "..... Agreement Dollars";
- (c) the purpose of the payment (goods, freights, etc.);
- (d) the name and address of the bank of country "A";
- (e) the name and address of the bank of country "B";
- (f) the name and address of the beneficiary;
- (g) the name and address of the remitter.

Such orders and the above information, will be confirmed by air-mail.

(b) By air mail:

In order to effect payments by air mail from country "A" to country "B", the authorized banks or institutions of country "A" will remit payment orders bearing the appropriate reference number direct to their correspondents in country "B".

Central Bank "A" will send direct to Central Bank "B", by the same means, reimbursement authorizations by virtue of which Central Bank "B" will be empowered to reimburse the banks of country "B".

The mere issue of the authorizations mentioned in the preceding paragraph will signify that Central Bank "A" has credited the "Account" with the corresponding amounts. These

/authorizations

authorizations bearing the appropriate reference number, will be sent immediately, and will indicate the following particulars for each order:

- (a) the number;
- (b) the amount in ".....Agreement Dollars";
- (c) the purpose of the payment (goods, freights, etc.);
- (d) the name and address of the bank of country "B"; and
- (e) the name and address of the bank of country "A".

C) GENERAL

(a) General considerations relating to documentary credits:

1) The authorized banks or institutions of both countries must be in receipt of the reimbursement authorization issued by their respective Centralizing Institutions before the corresponding reimbursement can be effected.

2) If after reimbursement authorizations have been granted, changes are made in the documentary credits in question, Central Bank "A" and Central Bank "B" will notify each other accordingly, and, if necessary, will grant each other the appropriate authorizations.

3) When a bank which has opened a documentary credit requests the total or partial cancellation of that credit, Central Bank "A" and Central Bank "B" will notify each other accordingly by cable or air-mail, with a view to the total or partial cancellation, as the case may be, of the reimbursement authorizations already issued.

/(Optional clause



(Optional clause: Where the changes or partial or total cancellations referred to in the preceding paragraphs are effected within the period of validity of an irrevocable credit, and the authorized bank or institution is in possession of the reimbursement authorization - such authorization having been issued by Central Bank "A" or Central Bank "B" - the changes or partial or total cancellations will be considered to take effect as soon as Central Bank "A" or Central Bank "B" receives the consent of the intermediary authorized bank or institution.

4) Nevertheless, the supplementary authorizations and cancellation notices referred to in the preceding paragraph will not affect any reimbursements which have already been made in accordance with previous authorizations.

5) Any differences originating with respect to imports paid for in accordance with the above-mentioned authorizations will be settled direct between the authorized bank or institution which opened the credit and the negotiating authorized bank or institution concerned; where it becomes necessary to make any partial or total refund for imports which have already been paid for, the transfer must be effected as if for a new operation.

(b) Other matters:

1) In transmitting the communications referred to in chapters A and B above, Central Bank "A" and Central Bank "B" will limit themselves to passing on the information and data relating to the respective operations in the form in which they were  
/received. They

received. They will assume no responsibility for any difference which may arise between the Parties in connexion with the operations dealt with in such communications.

2) The Central Bank "A" and Central Bank "B" will notify each other immediately in the event of any cancellation of telegraphic or air mail payment orders. Such notices will not affect any reimbursements already effected under previous authorizations.

3) Where payment orders are transmitted by cable, Central Bank "A" and Central Bank "B" will not be responsible for any consequences resulting from delays, losses or other difficulties arising in transmission.

4) Central Bank "A" will send a daily statement of operations registered in the "Account"; such statement will include the following particulars for every operation:

- (a) the amount debited or credited;
- (b) the number of the relevant payment order or documentary credit;
- (c) the name of the bank of issue;
- (d) the name of the beneficiary bank.

5) Central Bank "A" and Central Bank "B", acting in their capacity as Centralizing Institutions under the Agreement, will not in general debit each other with commissions or expenses for transactions carried out under the present Agreement, except in special cases where they will be entitled to claim for expenses incurred for the account of third parties.

/ 6) The two

6) The two institutions will transmit to each other list of names and addresses of banks and institutions authorized to effect exchange operations in their respective countries, and will notify each other at all times of any changes in such lists.

7) Central Bank "A" and Central Bank "B" will keep each other informed as to the operation of the present banking procedure, with a view to making such changes as may be judged necessary in the light of experience.

8) The present procedure, regulating payments under this Agreement, will take effect simultaneously with the Agreement.

---

Note: The provisions of this standard banking procedure to be applied to the operational system will be adapted to the conditions prevailing in the countries in which the Central Banks operate directly, by means of documentary credits or other forms of external payments.

/ADDRESS BY

ADDRESS BY MR. FRANCISCO S. FORTEZA, CHAIRMAN OF  
THE BOARD OF THE BANCO DE LA REPUBLICA AND  
HONORARY CHAIRMAN OF THE WORKING GROUP, AT  
THE OPENING MEETING ON 30 APRIL 1957

This meeting of experts of Central Banks is indeed an auspicious occasion, and we can state, without fear of error and without over-optimism, that our peoples are placing the greatest hopes in it. That is because the recommendations it will make may open up a new path to the people of our America; and if that path is followed without undue hesitation or fear, in a spirit of loyal and brotherly co-operation, discarding all out-dated ideas, it may well lead our peoples towards a future of peace, prosperity and progress.

Much has been written and even more spoken about economic co-operation in Latin America. We note with regret that so far we have been able to achieve little, or almost nothing, despite the magnificent efforts made by the United Nations through the Economic Commission for Latin America (ECLA) and by the Organization of American States through its Inter-American Economic and Social Council (IA-ECOSOC). Looking to the North we see the stupendous economic power of the United States, that "continent without frontiers", as it has been called; to the East, the Soviet Union and the so-called "people's democracies" form a powerful economic bloc of undeniable weight in the world; while Western Europe, with the Organization for European Economic Co-operation, the European Payments Union, the European Coal and Steel /Community and

Community and now the newly formed "Common Market", is moving with giant strides towards, not the co-operation, but the economic integration of that part of the Old World.

It was indeed high time, then for our countries to decide to take positive action, by organizing and co-ordinating our economic activities, towards an objective that is of vital importance for true and effective economic development, brought about by our own efforts.

If we look back only at the events immediately preceding this meeting, I may be permitted to recall that at the last session of ECLA, held at Bogota in 1955 it was decided at the proposal of the Uruguayan delegation to establish the Trade Committee, with a view to increasing inter-regional trade. Accordingly, at the first meeting of that Committee, held in Santiago, Chile, last November, the Latin American Governments which maintain bilateral payments agreements between themselves were invited to set up, through their monetary authorities, a Working Group to study and suggest the methods necessary for the gradual establishment of a system of multilateral payments in Latin America. Thus the first step has been taken, for there is no denying that a study of the general problem of transferability of our currencies is the necessary basis for any really effective system of economic co-operation.

It is gratifying to point out, furthermore, that, over and above the aims at the specifically operative and  
/technical level,

technical level, this Montevideo Session is a clear expression of the resurgence of the traditional solidarity of peoples who do not belie their historic origin nor their common principles. This Montevideo Session constitutes a stage in the process of co-ordination and exchange of economic resources which within vast regional dimensions, our Governments have decided to support, thus demonstrating their praiseworthy and constructive concern.

This Session of experts from Central Banks must be devoted mainly to the study of two specific basic points: namely, the transferability of periodical trade balances between our national markets, and the operative parity of their respective currencies. Both ends obviously tend to go beyond the bilateral solutions which have recently prevailed of channelling inter-Latin American trade, in an effort towards regional exchange multilateralism, so that it may effectively allow of a development of the volume of goods produced and traded in the area, with all the resulting economic and social advantages.

The preparatory studies made and the reports prepared for this meeting by the ECLA secretariat confirm the high degree of technical efficiency of this Regional Economic Commission under the direction of Dr. Raul Prebisch its Executive Secretary. Happily they confirm something more: namely, that in the picture presented by the trade between our countries in recent years, within the prevailing bilateral trade system, there is already a sound material basis for the

/possible success

possible success of any combined initiative towards an increasingly closer harmonization of the activities of our markets.

What are the facts? They emerge clearly from certain eloquent statements in the respective official reports, according to which the greater part of bilateral inter-Latin American trade for the past three years shows net balances below the level of the credits established in the agreements. From this it is easy to infer that, as pointed out in the report "Clearing of balances in Inter-Latin American Trade" presented by ECLA at this session, during this period a multilateral organization responsible for the transfer of balances between existing Latin American clearing accounts would have been able to operate under relatively satisfactory conditions, on the basis of a triennial period of liquidation of the net positions. As the ECLA Trade Committee realized, all these complex problems must be examined from two angles, one being that of the dynamic co-ordination of the resources and economic production of our countries, in order to lay the foundation of a regional market; and the other that of the establishment of methods and forms of financing our trade which will help to promote the progress, security and stability of its respective currents. There are thus two parallel lines - which we consider to be closely linked - in the process of this task which, although long and difficult, is absolutely necessary and of incalculable future interest for our peoples.

/This Session

This Session of experts will have to devote its meetings to examination of the problem from the exchange point of view, that is, from one of the angles mentioned earlier, and the more or less immediate solutions of common advantage which may be recommended must be regarded as prior and basic to the attainment of the high objectives pursued. We must bear in mind, however, that these solutions will consolidate their definite practical significance and will increase their usefulness to the extent to which positive advances are made in the field of basic co-ordination of the regional market that is contemplated.

We must add that in our opinion it would greatly contribute to the better conduct and effective progress of efforts towards regional economic co-ordination if investment financing problems in the area were approached through the help of active and well-conceived forms of credit assistance on a common regional basis. For this - and naturally only in very brief outline, which is all that can be attempted here - a harmonic combination of contributions primarily and basically by the Governments of the region might suffice at first to lead to the great ends to which we have referred.

Latin America would thus initiate a timely movement to eliminate, let us say, the old disparities between the volume of investment demanded by the progress of its productive activities and the traditionally inadequate local sources of capital which have adversely affected and still affect the

/greater economic



greater economic development and the consequent possibilities of social improvement, with all the obvious and understandable results in the way of interference from the political point of view.

In any case, what is certain is that at this moment we have the good fortune to be present, if not at the birth of a "Latin American Payments Union" in a specific and final form, at least at what may be called the laying of the foundation stone.

As Chairman of the Board of Directors of the Banco de la República Oriental del Uruguay, I have the honour and pleasure to declare open this Session of Central Banks Experts. And, while extending a hearty welcome, on behalf of the Uruguayan people and Government, to all the delegates present, I express my best wishes for the success of this Session; indeed I am confident of its success, for although the task will be arduous you are all fully conscious of the historic mission you are called upon to fulfil..

/ADDRESS BY

ADDRESS BY MR. PEDRO RAMON CHAMORRO, GENERAL MANAGER  
OF THE BANCO CENTRAL DE PARAGUAY AND DELEGATE OF  
PARAGUAY, AT THE INAUGURAL MEETING ON  
30 April 1957

It is my great honour to speak on this occasion on behalf of the representatives of Latin American Central Banks here present, thanks to a kindly gesture on their part towards my humble self, a gesture which will be much appreciated by the Banco Central de Paraguay.

I should first like to express our sincere gratitude to the national and monetary authorities of this country, which in a noteworthy spirit of American co-operation is affording us the necessary means and encouragement for outlining in specific form the bases and conditions which will facilitate the expansion of Latin American trade to the greatest possible degree. At the same time I must express our special appreciation to the Economic Commission for Latin America, which through its dynamic efforts and the acknowledged ability of its Executive Secretary and of its highly qualified experts has made the most comprehensive studies of Latin American economy and trade, which will serve as a basis for the work to be carried out. These studies represent a great technical and intellectual effort, which may prove to be the most valuable contribution to the economic history of this part of America.

This Session, as you know, is held in compliance with the mandate of the ECLA Trade Committee, in its Resolution 1 of 28 November 1956, inviting the Central Banks or monetary /authorities of

authorities of "the Latin American countries that maintain bilateral payment agreements among themselves to set up a Working Group which would study the possibilities of gradually establishing a multilateral payments regime and would suggest the measures best calculated to achieve that end."

The difficulties in intra-regional trade, which are constantly increasing, are the subject of legitimate concern throughout Latin America.

Post-war economic policy in this region has of necessity been indicated towards the problems of inflation and economic development. The shortage of means for international payments and the demand for goods, accumulated during the war, compelled most of the Latin American countries to impose more or less drastic exchange restrictions. At the same time, in order to safeguard trade within the area from the problems created by the shortage of convertible currencies, a number of bilateral agreements were concluded. This was an attempt to facilitate development whilst economising in scarce means of payment, which had to be reserved for purchases of essential goods in the great world markets.

It must be admitted that as ECLA points out, bilateral payments had the advantage of enabling intra-regional trade to survive and expand. Nevertheless, as time went on the rigidity of the bilateral agreements proved to be a negative factor in the attainment of the desired ends. There appeared in the region, as in other parts of the world, a  
/tendency to

tendency to seek more flexible methods for obtaining a greater trade expansion. Moreover, for some time nearly all these countries had been introducing exchange reforms, the concepts and operating methods of which did not fit into the rigid methods of the agreements in force.

This movement towards more multilateral systems, accompanied by greater liberality in exchange restrictions, converted the current bilateral system into a mechanism which did less and less to facilitate the desired expansion of reciprocal trade in the region. This brings us to the meeting of the Trade Committee, held in Santiago de Chile in November of last year, where the unanimous desire of all countries maintaining bilateral agreements to find new formulas more adequate to the new situation became obvious.

Since so far-reaching a change in the payments system can only be achieved by degrees, in relation to the various economic circumstances of each of the countries concerned, it is to be hoped that there will be a combined effort on the part of the Governments and close co-operation on the part of the Latin American monetary authorities or Central Banks, which may lead to a solution of the problems of trade relations and payments.

An example is to be found in the practices introduced in the payments policies of certain countries, such as using sterling or other transferrable currencies in their transactions, or the possibility of establishing triangular

/transfers or

transfers or multilateral clearing arrangements.

As you know, trade between the countries of South America is being conducted mainly on the basis of some fifteen payments agreements. Deficits in this trade are met by reciprocal credits amounting to some 83 million dollars either way. A study of the figures of the trade conducted by Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay and Uruguay on the basis of bilateral clearing accounts has shown clearing account trade to be calculated at about 85 per cent of a total trade of approximately 861 million dollars in 1955, a fact which shows the advantage of providing Latin American trade with more flexible clearing and payments mechanisms than those which resulted from the bilateral system.

I cannot close this short address without declaring my profound faith in the future improvement of trade relations and Latin American payments. I hope for an increasing and efficient co-operation among the monetary authorities and the central banks, which, as the authorities responsible for the monetary and exchange policy of their respective countries, must play a predominant part in the attainment of this noble objective. I also wish this Working Group of representatives of Central Banks the greatest possible success in its task.

/ADDRESS BY

ADDRESS BY MR. ESTEBAN IVOVICH, CHIEF OF THE  
TRADE SECTION OF THE SECRETARIAT OF THE  
UNITED NATIONS ECONOMIC COMMISSION FOR  
LATIN AMERICA, AT THE INAUGURAL  
MEETING ON 30 APRIL 1957

As the Central Banks Working Group on a Multilateral Payments System embarks upon its task, my first words must be to express the gratitude of the Economic Commission for Latin America and of Dr. Raul Prebisch, its Executive Secretary, whom I have the honour to represent at this time, for the invitation of the Government of Uruguay to hold this session in Montevideo. At the same time, I wish to express our appreciation to the Banco de la República Oriental del Uruguay, which has enhanced the prestige of the Conference by providing the accommodation for the meetings and supplying the stimulus arising from the intelligent and careful consideration which it has for long been giving to the problems of supreme importance to Latin America which are included in the agenda of the meeting.

Dr. Francisco Forteza, President of the Banco de la República and Dr. Pedro Ramón Chamorro, General Manager of the Banco Central del Paraguay, have already drawn attention to the importance to Latin American development of strengthening reciprocal trade relations. They also outlined the aims and objectives of the task before the Central Banks Working Group.

The outlook in inter-Latin American economic relations summons us to action. Many efforts have been made to increase the flow of trade and there have been achievements which may be displayed with pride, although they are confined to the  
/bilateral field.

bilateral field. Nevertheless, the future of reciprocal relations as a whole is still dominated by obstacles whose elimination requires a collective effort. It is worth while to glance at them, beginning with some that concern trade policy. It is common knowledge that, with a few differences from country to country, Latin American trade policy has from time immemorial followed one primary aim: to safeguard and strengthen the placing of primary goods and foodstuffs in the great world centres. In the days before the pressure which now weighs on our countries to raise the level of living was felt, and when the expansion of exports was greater than the growth of the population, trade agreements were prompted above all by the desire to obtain security and favourable conditions for the products of the region in its overseas buyer markets. After the world crisis of the nineteen-thirties, circumstances changed considerably. The level of exports no longer exceeded the rate of growth of the population. Producing a new phenomenon, the growth of exports began to operate at a slower rate than that of the net income of the Latin American countries as a whole. The deficit trend began to predominate in the balances of payment. In its more or less chronic disequilibrium - with certain exceptions amongst the regional countries - a new factor appeared: expenditure for the purchase of equipment and raw materials required by the import substitution policy, which in its turn was due to the weakening of external resources from the point of view of per capita national income.

In recent decades we have seen how the new conditions  
/arising from

arising from the effects of the great crisis are changing trade policy in Latin America. As before, this continues to safeguard the basic interests involved in trade movements with the great centres which take its exports, at the same time limiting the scope of traditional tariff commitments. Its aim is to have a margin in which, within the customs tariffs, it can support plans for diversification of domestic productive sources. And, as can be appreciated in practice, this does not have the effect of limiting trade with the great centres, since it is these centres which in fact determine the amount of reciprocal trade by the volume of their purchases and the level of trade is not affected by changes in the composition of purchases by Latin America.

It should be noted that this change in trade policy is developing on the plane of a promising understanding with the countries which have from time immemorial provided a market for surpluses of primary goods and products traditionally exported by the region. The experience of recent years clearly shows that it is possible to reconcile two positions: that of safeguarding the advantage of a growing trade with the great areas, and that of ensuring that the composition of imports is gradually adjusted to the requirements of development.

It is at the level of inter-Latin American relations that adaptation of trade policy to the new circumstances still seems scanty, or barely starting. It is generally appreciated that the regional market offers a considerable

/potential demand



potential demand for exportable Latin American goods, the production of which could be increased without reducing the level of deliveries required by habitual purchasers in other areas. The fact that many natural products complement each other offers an encouraging basis for future trade expansion.

There is yet another aspect. The new industries in the region are making semi-finished goods and manufactured goods of the type for which the demand increases with population growth and increase of income. Furthermore, together with this fact, which collaboration between trade policies could utilize to the common benefit, the outlook presents certain disturbing factors. Purchases by countries of the region of raw material and foodstuffs from the region, and payment by means of their own exportable surpluses, are often made difficult by the absence of suitable pacts or by limitations arising from the rigid bilateral system which predominates in inter-Latin American trade.

The equalizing effects of the most-favoured nation clause are not extended to all Latin American countries. There is thus a paradoxical case in which, in the absence of agreements, which apply this rule as a minimum trade condition, higher customs duties are applied to Latin American products than to similar goods from other areas. Together with this peculiar situation, there are others. In some countries, import substitution is already covering most of the goods in whose production capital investment is attractive from the point of

/view of

view of the present and potential capacity of the respective consumer markets.

Industrial parallelism is growing, as also idle installed capacity for many durable and non-durable consumer goods. The generally small domestic demand reduces incentives for the heavy capital investments required for the manufacture of certain types of equipment and machinery necessary for development or for the purchase of raw materials whose production in the country requires considerable financial resources. At the same time, the lower productivity often inherent in industrial activities which are mainly based on supplying one single small market makes it difficult and often impossible to overcome the competition which similar outside products offer to the penetration of surpluses in other consumer centres.

In this brief outline of some of the present characteristics of Latin American trade policy, other matters which affect the economic and trade relations of the countries might be mentioned. To quote only one, I may perhaps be permitted to mention that concerning inter-Latin American co-operation in such important problems as those of maritime traffic. On the one hand for lack of direct sea transport services, the need to tranship at various points of the Latin American coast prejudicially increases the incidence of freight on trade and thus makes market competition difficult between regional products and those from other sources. On the other hand, the conclusion of isolated bilateral agreements, without co-ordination, for the purpose  
/of transporting

of transporting in equal portions the freights of the reciprocal trade in ships of the two countries has become an element which does not encourage the introduction of the direct services required to normalize transport costs, at the same time presenting a field where collaboration in trade policy could produce beneficial results for the region as a whole.

After these references to some of the current limitations of inter-Latin American trade, which also provide food for thought about its great possibilities, let us consider for a moment the general picture of payments in the area. The ideal of complete liberty in international monetary transactions is attractive to countries which at the intra-regional level make their payments for reciprocal trade on the basis of accounts. During certain periods of acute lack of convertible currencies, the clearing method supported the levels and continuity of trade between the Latin American countries which employed it. But it lacks the dynamic power which would enable it to be used as an instrument for a more active economic co-operation than at present, because of the known defects and gaps in the rigid isolationism of bilateral liquidation. We thus have in the area a series of payments agreements with notably heterogeneous structures but with one common denominator: the repeated immobilization of trade balances between pairs of countries and the consequent depressive effect of this phenomenon on the normal movement of transactions.

In view of this prospect - not very different from that

/which predominated

which predominated in the area a decade ago - Uruguay proposed in 1948, during the first session of the Economic Commission for Latin America, the establishment of a multi-lateral system, as a transitional measure. That was at the time when the European Payments Union was testing its first formulae, which after many adjustments have made it an efficient organization for the economic recuperation and growth of the member nations. The technical study made as a result of Uruguay's proposal of 1948 advised against its adoption at that time. Years later, in 1953, a further suggestion by Uruguay - this time supported by Chile and later by all member states of the Economic Commission for Latin America - brought the Trade Committee into being. Its programme includes the search for practical solutions to problems such as those already mentioned in trade policy, maritime transport and payments. The Trade Committee met in Santiago last November with all the member Governments of ECLA represented, and amongst other matters examined that of payments. On that occasion one point became evident: to a greater or lesser degree the countries which maintain inter-Latin American clearing accounts are at present unable to devote to their financial operations the working capital in convertible exchange which they would require to establish liberty of transactions. This capital would have to be taken from that used in the daily movement of traffic with some world centres, or from that set aside to cover obligations which must be met in convertible currencies. It also became clear, /however, that

however, that with the experience of the European Payments Union and of the Hague Club, it is possible to put into practice methods of transition towards the desired liberty of trade. Amongst other principles, and for basic orientation in its task, the Trade Committee made it clear that the proposed system of relative multilateralism may be seen as only one progressive step towards complete liberalization of trade, both in Latin America and in the rest of the world.

Thus, any new rules that may be adopted with reference to inter-Latin American clearance payments would go hand in hand with other rules designed to ensure the gradual elimination of trade restrictions. This implies another point. Steps should also be considered with a view to setting up machinery for co-operation between the countries members of the system, the object being to correct or reduce disequilibria in bilateral payments by increasing the volume of commodity trade. Clearly, the attainment of these objectives will help to transform the complementary nature of the natural areas of production into a real factor for economic development, thereby paving the way for the conclusion of agreements which will eventually forge links between markets and thus contribute to the solution of problems of investments, productivity, and costs and levels of living.

The technical studies already carried out on the possibility of implementing the proposals submitted by the Governments of States members of the Trade Committee concerning payments between Latin American countries indicate that this task can

/be accomplished

be accomplished and that it holds out promising prospects. It will of course necessitate a considerable joint effort, particularly as effective economic co-operation between the Latin American countries has not yet been developed to a sufficiently high level. All these considerations serve to emphasize the importance of the task which has been undertaken by the eminent experts of Central Banks who are now embarking upon their work. We hope that on this occasion the Latin American peoples will prove that the geographical, historical and social bonds that make their respective countries a well-defined unit within the community of nations can also help us to achieve that economic co-operation which is essential for a better future.



