

## ECONOMIC COMMISSION FOR LATIN AMERICA

## Second Session

## COMMITTEE 2

## (Foreign Trade and Finance)

## SUMMARY RECORD OF THE FIFTH MEETING

Held at Havana, Cuba  
on Monday, 6 June 1949, at 10 a.m.

- CONTENTS:** Prospects for trade expansion (E/CN.12/85)  
(discussion continued)  
Multilateral compensation of international  
payments in Latin America (E/CN.12/87) and  
Uruguayan proposal for the establishment of  
an Inter-American organization for economic  
co-operation (E/CN.12/95) (discussion  
continued)  
Establishment of a working group

<u>Chairman:</u>	Mr. GONZALEZ	Uruguay
<u>Rapporteur:</u>	Mr. ZEPHIRIN	Haiti
<u>Present:</u>	Mr. RODRIGUEZ ARIAS	Argentina
	Mr. ALVARADO	Bolivia
	Mr. PENNERADO	Brazil
	Mr. SANTA CRUZ )	Chile
	Mr. SCHNAKE VERGARA )	
	Mr. MEJIA PALACIO	Colombia
	Mr. VALDES RODRIGUEZ )	
	Mr. GUERRA )	Cuba
	Mr. VILLANUEVA	Dominican Republic
	Mr. BURON	France

**NOTE:** Any corrections of this record should be submitted in writing, in any of the working languages (English, French or Spanish) and within three working days, to the Executive Secretary, Escuela Municipal Valdes Rodriguez, Havana, Cuba. Corrections should be accompanied by or incorporated in a letter, on headed note-paper, bearing the appropriate symbol number and enclosed in an envelope marked "Urgent". Corrections can be dealt with more speedily by the services concerned if delegations will be good enough also to incorporate them in a mimeographed copy of the record.

\* This document has been reproduced in New York from the original issued at Havana.

Mr. HUDICOURT	Haiti
Mr. SENIOR	Netherlands
Mr. ZAMORA )	Mexico
Mr. ORTIZ MENA )	
Mr. McCULLOUGH	Panama
Mr. PHILLIPS	United Kingdom
Mr. NUFER	United States of America

Inter-American Economic and Social Council:

Mr. TAYLOR	Executive Secretary
------------	---------------------

Representatives of specialized agencies:

Mr. CASSERES	Food and Agriculture Organization (FAO)
Mr. DEMUTH )	International Bank of Reconstruction and Development
Mr. LOPEZ HERRARTE )	
Mrs. THOMPSON )	International Monetary Fund
Mr. del CANTO )	United Nations Educational, Scientific and Cultural Organization (UNESCO)
Mr. JIMENEZ	

Consultants of non-governmental organizations:

Mr. BALGOOYEN	National Association of Manufacturers (NAM)
---------------	--

Secretariat:

Mr. MARTINEZ CABANAS	Executive Secretary
Mr. PREBISCH	Economic Consultant
Mr. REY ALVAREZ	Economist
Mrs. POULAT-DURAND	Economist

PROSPECTS FOR TRADE EXPANSION (E/CN.12/85) (discussion continued)

Mr. VALDES RODRIGUEZ (Cuba) thought that the Committee could adopt a plan for action on document E/CN.12/85 in two stages. Firstly, a study of the changes in the structure and trend of Latin American Foreign trade could be made immediately by the appropriate experts of the Secretariat. Second, when that study had been made, the Executive Secretary would transmit the results to the Governments for information. The Governments would decide whether it would be opportune for the Secretariat to convene a committee of experts to recommend what kind of action should be taken on the basis of the conclusions of the study.

The Cuban delegation was not opposed to the view that the Executive Secretary should be given immediate authorization to convene a committee of experts as soon as the studies had been completed, but believed that the procedure which it had suggested would be more appropriate if the Governments concerned avail themselves of those studies and make their comments before the proposed committee initiates its work and present those comments before it for guidance.

In view of the proposal contained in the European Recovery program that European trade with Latin America should be increased to twice its pre-war level by 1952, the studies should investigate to what extent that program had been adjusted to the needs of Latin America as to imports, whether due account had been taken of the changes which had occurred during the past ten years as a result of Latin American industrialization, the possibility

/of satisfying

of satisfying the demand for capital goods, the practicability of competing with the United States, the likelihood of discriminatory measures and the way in which Latin American exports might be made to fit the requirements of the European countries concerned.

The problem of payments and of the disadvantages of bilateral agreements and the question of the likelihood of a revival of undesirable protective tariffs on either or both sides should also be the subject of studies undertaken in connection with trade between Latin America and Europe.

With regard to trade with the United States, the study should cover the practicability of expanding exports to that country in order to relieve the shortage of dollar exchange. Furthermore, the problem of United States exports and the measures taken by each country to safeguard its dollar reserves or protect its industrial production should be investigated thoroughly.

With regard to intra-Latin American trade, an analysis should be made of any changes in its trend and structure. The studies should embrace the artificial division of markets caused by unduly protectionist measures taken by certain Latin American countries and, more particularly, the practicability of expanding markets by means of broader trade agreements.

Those studies should not be merged with any other studies which ECLA might undertake. Neither the complexity and diversity of the subjects involved nor the lack of adequate resources should be permitted to impede the work once its necessity had been demonstrated and accepted.

/The Executive Secretary'

The Executive Secretary's description of the urgent problems confronting Latin America had clearly shown that their study and solution was of such vital importance that no other consideration should stand in the way of immediate action.

The Cuban delegation would therefore submit a resolution incorporating the substance of its views on the action to be taken on the Executive Secretary's report on the prospects for trade expansion (E/CN.12/AC.2/W.1).

Mr. McCULLOUGH (Panama) supported the Executive Secretary's proposal that he should be authorized to convene a meeting of experts. The practicability of setting up a permanent committee on trade should be studied at that meeting, because experience had shown the difficulty of convening meetings of large and relatively inflexible bodies such as ECLA. A small committee of experts would be more flexible and would be able to meet more frequently and act more rapidly on problems which could not await the annual meetings of ECLA.

He proposed that a small working group should be formed to unify the views expressed in the Committee and to draft a resolution on the report of the Executive Secretary on prospects for trade expansion.

Mr. SANTA CRUZ (Chile) proposed that the Executive Secretary should prepare a report on the financial implications of making studies for the permanent committee for submission to the Economic and Social Council. The Council should be assured that ECLA had taken that question into consideration.

/Mr. VALDES RODRIGUEZ

Mr. VALDES RODRIGUEZ (Cuba) hoped that the financial implications would not be taken as a pretext to reject the entire proposal if its vital necessity were accepted.

MULTILATERAL COMPENSATION OF INTERNATIONAL PAYMENTS IN LATIN AMERICA (E/CN.12/87); URUGUAYAN PROPOSAL FOR THE ESTABLISHMENT OF AN INTER-AMERICAN ORGANIZATION FOR ECONOMIC CO-OPERATION (E/CN.12/95) (discussion continued)

Mr. GUERRA (Cuba) felt that the document on multilateral compensation of international payments prepared by the International Monetary Fund (E/CN.12/87), despite some shortcomings caused by lack of available information, had conclusively shown that the structure and character of Latin American trade provided no adequate basis for the establishment of a system of multilateral compensation of payments at the present stage. The figures supplied in that document demonstrated that the proportion of multilaterally compensable funds available was too small to justify the setting up of such a system. The fact that a large part of the multilaterally compensable funds available were situated in the northern portion of Latin America reinforced that conclusion. If the establishment of such a system with the inclusion of such countries would be extremely difficult, it would be virtually impossible without their participation.

Cuba, for example, had no objection in principle to such a system, but at the present time its balance of payments was favourable, it did not lack dollars and, owing to special circumstances, had adequate gold and dollar reserves. Cuba had deficits with certain Latin

/American countries,

American countries, which it was able to pay in dollars; those countries in turn could use those dollars in their transactions with the United States. If Cuba were included in a system of multilateral compensation, those dollars could not be employed as compensable funds but only for intra-Latin American trade. Cuba's Latin American creditors would thus be the losers.

The Cuban trade figures for 1948 showed that that country's situation had not been basically altered since 1947. These are the figures which appeared in the Fund's report. Excluding services - as the Fund had been compelled to do - Cuban imports from Latin America had totalled approximately 30,690,000 dollars in 1948; its exports to that region approximately 11,917,000 dollars, thus leaving a net balance of approximately 19,000,000 dollars available in Latin America.

The more favourable situation of countries in the northern part of Latin America was due to the fact that the bulk of their trade was with the United States rather than Europe. In the case of Cuba, the average surplus from trade with Europe had totalled only approximately nine million dollars in the period 1935-1939; that sum almost certainly had not covered the costs of services, overseas remittances and similar items. The narrow margin of surplus showed that Cuba normally had a deficit in current account with Europe, compensated by its favourable balance of payments with the United States. The reverse was true of most Latin American countries; their exports to Europe would assist them in balancing their deficit with the United States.

/Mr. Guerra suggested

Mr. Guerra suggested that the experts of the International Monetary Fund might make a more detailed study of the extent of payments difficulties in impeding Latin American trade.

Cuba would be prepared to enter a system of multilateral compensation of payments if the situation with regard to net dollar payments in fact was causing great difficulties; it was, however, suffering as a result of discriminatory trade practices and the manipulation of exchange rates and could, therefore, be interested in such a system only if it were assured that such discriminatory practices would be relaxed or eliminated.

He agreed with the representative of Chile in regard to the fact that further study of triangular agreements between Latin America and Europe would be useful. Such triangular arrangements need not, in his opinion, be restricted to three countries but might be extended to embrace as many countries as were interested. That might provide a desirable substitute for a multilateral system. Cuba would welcome such a study because, although it had been able in the past to obtain dollars for its exports to Europe, it might in the future be in a position where such an arrangement should be desirable.

With regard to the Uruguayan proposal (E/CN.12/95), the conclusions which must be drawn from the Fund's report rendered inopportune the presentation of such a detailed plan for the machinery of a multilateral system at a stage when it had become clear that there was no basis for the establishment of such a system.



ESTABLISHMENT OF A WORKING GROUP

The CHAIRMAN supported the proposal of the representative of Panama that a small working group should be set up to draft a resolution on the Executive Secretary's report on prospects for trade expansion (E/CN.12/85).

At the suggestion of the Chilean representative, he proposed that the working group should also examine action to be taken on the report of the International Monetary Fund on multilateral compensation of international payments in Latin America (E/CN.12/87) and the Uruguayan proposal for the establishment of an inter-American organization for economic co-operation (E/CN.12/95), since the two items were closely interrelated in substance.

The working group would be composed of the representatives of Brazil, Chile, Cuba, France, Panama, United Kingdom and United States of America. The Mexican representatives suggested that all Members of ECLA should have access to the working group, and should be able to express their views.

It was so decided.

The meeting rose at 11.45 a.m.

-----