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ECONOMIC COMMISSION FOR LATIN AMERICA

Second Session

Report of Committee 2 as amended
at the Plenary Meeting held on June 10, 1949

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1. Organization

In accordance with the decision taken at the third plenary meeting of the Commission on 1 June 1949 (Doc.E/CN.12/SR.3), Committee 2 was constituted, with the following officers:

Chairman:	Mr. Ariosto GONZALEZ (Uruguay)
Vice-Chairman:	Mr. Julio RODRIGUEZ ARIAS (Argentina)
Rapporteur:	Mr. Mauclair ZEPHIRIN (Haiti)

In order to expedite the work, it was decided on 6 June to set up a Working Group, composed of the delegations of BRAZIL, CUBA, CHILE, UNITED STATES OF AMERICA, FRANCE, UNITED KINGDOM and PANAMA, Mr. Eurico PENTEADO (Brazil) being appointed Chairman.

2. Meetings

The Committee held five meetings, on 2,3,4,6 and 8 June. The Working Group, instructed to draft the preliminary draft resolutions, met three times, on 6 and 7 June.

3. Agenda

By decision of the plenary meeting the following documents were referred to Committee 2 for consideration:

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- 1) Report by the Executive Secretary on "Prospects of Trade Expansion" (Doc.E/CN.12/85)
 - 2) Content of Chapters VII (Foreign Trade), VIII (Balance of Payments), IX (Progress of Inflation) and X (Latin America and the Economic Recovery of Europe) of the Economic Survey of Latin America (Doc.E/CN.12/82)
 - 3) Report of the International Monetary Fund on the "Multilateral Compensation of International Payments in Latin America" (Doc.E/CN.12/87)
 - 4) Uruguayan proposal for the establishment of an "Inter-American Organization for Economic Cooperation" (Doc.E/CN.12/95).
4. Summary of Committee's activities with regard to

Item 1.

The Executive Secretary made a statement on the content, and especially the intent, of his report (E/CN.12/85) outlining the suggestion as to the possible establishment of a permanent foreign trade committee as a part of the Economic Commission, should the studies to be made on specific problems of foreign trade show such a step to be necessary.

The delegations of CHILE, CUBA the UNITED STATES OF AMERICA and the UNITED KINGDOM asked for clarifications concerning the nature of the mandate to be conferred upon the Executive Secretary, the Committee's specific purposes, the practical benefits expected of his work and an approximate estimate of the expenses it would involve, The Chilean delegation suggested as an alternative that

the Secretariat itself should do the work which it was proposed to entrust to the permanent foreign trade committee. At a later meeting the Executive Secretary explained the purpose of the proposed committee to be set up following various preliminary steps. The first step would be the studies of the problems of foreign trade. The second step would be the meeting of Government experts, called by the Executive Secretary, to examine the completed studies and to make recommendations and judge whether it was justifiable to proceed to the third stage, namely, the formation of the permanent committee.

With regard to the financial implications the Executive Secretary reported that these were being studied.

The discussion enabled delegations to establish their positions. The delegates of CHILE and the UNITED STATES shared the view that the Executive Secretary should make the proposed studies in accordance with the explanations given by him, but that the results should be submitted to the Third Session of the Commission.

The delegation of CUBA submitted a first preliminary draft resolution on the matter (Doc.E/CN.12/AC.2/W.1). At this juncture, it was decided to refer the item to the Working Group, which should draw up a draft resolution. In the Working Group, the CUBAN delegation made a statement (see Annex 1 of this report) outlining the programme to be followed by the Executive Secretary in making the proposed studies. This programme would be in two parts, the first consisting of an investigation of the changes in the structure and trend of Latin American foreign trade, and the second of placing the results of that investigation

before the Governments members of the ECLA in order that the latter, if they deemed fit, could agree to request the Executive Secretary to call a committee of experts instructed to make recommendations as to future action. After an exchange of views it was agreed that the delegations of CUBA and CHILE, in cooperation with the Executive Secretary, should propose a new preliminary draft resolution. This new text was discussed and approved at the third meeting of the Working Group.

Among the observations made by delegations and not directly indicated in the text, it should be mentioned that the UNITED STATES stressed the fact that the experts to be nominated by the respective Governments and called to a meeting by the Executive Secretary, would not necessarily express the official opinion of their Government.

The delegation of BOLIVIA stressed the advisability of the Executive Secretary devoting special attention to the question of the relationship between the prices of imported manufactured products and those of exported raw materials.

The delegation of CUBA, supported by that of Argentina, proposed that the thanks of the Commission be expressed to the Executive Secretary for his initiative with regard to the studies on foreign trade.

The preliminary draft resolution was passed to Committee 2, which approved it at its meeting on 8 June, with the amendments introduced by the delegations of BOLIVIA, CHILE and CUBA figuring in Doc. E/CN.12/AC.2/W.3/Rev.1

5. Summary of Committee's activities with regard to
Item 2

The discussion on the content and method of those chapters of the Economic Survey of Latin America which Committee 2 was instructed to study, gave rise to the following four observations:

- 1) Some delegations took the opportunity of making statements on the problems confronting their countries: BOLIVIA pointed out that it was affected by the instability of its production system and HAITI was anxious that a study be made of the value of the "gourde", which was linked to the dollar by an agreement of 30 years' standing. Two other countries, FRANCE and the UNITED KINGDOM, made statements on the possibilities of development of their export trade to Latin America indicating the products they would be in a position to supply.
- 2) Other delegations, including those of CUBA and CHILE, expressed the wish that the Economic Survey should be less general and more analytical, devoting more attention to examining the national economy of each country.
- 3) The delegations of CUBA, CHILE and MEXICO pointed out that the Economic Survey had omitted some important aspects that should have been considered, namely: tariff policy public finance, exchange systems, banking systems, capital markets and foreign investments.
- 4) Some delegations

- 4) Some delegations, among them CUBA, CHILE and MEXICO, pointed out a few errors in the text, which were noted by the Executive Secretary.

The discussion closed with the understanding that Governments might notify the Executive Secretary direct of any rectifications of facts or figures which they might deem fit.

6. Summary of the Committee's activities with regard to Items 3 and 4

The Committee decided that the International Monetary Fund's report on multilateral compensation of international payments in Latin America and the Uruguayan proposal for the establishment of an Inter-American organization for economic cooperation, the latter of which contained suggestions for the multilateral compensation of payments in Latin America, should be dealt with together by the Working Group. This Group invited the delegations of CUBA and CHILE, which had taken part in the discussion, to draw up a preliminary draft resolution on the pursuance of the studies on the practical possibilities of arranging agreements for partial multilateral compensation, as it appeared from the report of the Monetary Fund that for the time being a sufficient field of action for generalized multilateral compensation did not exist.

The delegation of The Netherlands stressed the advisability of establishing contact with the respective Central Banks in making the studies on the possibilities of arranging partial multilateral compensation agreements.

The preliminary draft resolution was approved and sent to the Committee, where a number of textual amendments were introduced with the object of clarifying certain points, especially the reservations of the International Monetary Fund concerning its report. The draft text approved by the Committee is issued as Doc. E/CN.12/AC.2/W.2/Rev.2.

COMMITTEE NO.2: Annex 1 to the Committee's Report

Together with all the documents presented by the Secretariat the very sound report by the Executive Secretary, issued as Doc.E/CN.12/85, has received the most careful attention of the Cuban delegation, which wishes to express its appreciation of the efforts made to find solutions for the various problems indicated in the report.

In the opinion of the Cuban delegation, this report entitles Committee 2 to outline a programme which might be carried out in connection with the points raised in the report.

The programme could be in two parts:

The first would be concerned with arranging for an immediate investigation, by such experts of the Secretariat as might be considered necessary, on the changes in the structure and trend of Latin American foreign trade.

The second part would be concerned with arranging for the Executive Secretary, on completion of the investigation, to report to the Governments members of the ECIA with a view to their agreeing, if they deemed fit, that the Secretariat should call a committee of experts to recommend the action to be taken, in the light of the results obtained.

The Cuban delegation has no objection to the suggestion that the Executive Secretary here and now be authorized to call a commission of experts when the investigation is completed, but considers its own suggestion of procedure

/more suitable;

more suitable; because, if that procedure were followed, by the time the requested meeting took place Governments would have sufficient information and would have formed various conclusions of their own which would facilitate the work of the Commission.

Having clarified the Cuban delegation's position concerning the second part of the programme, we will now indicate which matters, in its opinion, should be covered by the investigation.

Obviously, in the first place, it should deal with Latin America's trade with Europe, the United States and the other nations and territories of this hemisphere as well as with trade between the Latin American countries themselves.

As regards trade with Europe, it should be stressed that, as the Executive Secretary, mentioned one of the points in the European recovery programme is the increase of exports to Latin America (it is estimated that the volume in 1952 will be 100 per cent more than before the war).

How and to what extent does this programme meet Latin America's import requirements?

Has any account been taken of the changes in the last decade resulting from the industrial development of Latin America?

Can Latin America's needs in capital goods be satisfied?

Can the programme be carried out in open competition with the United States or will there be recourse to discriminatory practices?

How and to what extent will Latin America's exports be able to meet European requirements?

In connection with this trade, various problems arise,

/namely:

namely:

- a) the problem of payments: bilateral settlements, which, as we have already seen from the Executive Secretary's report, tend to become more and more widespread under the pressure of circumstances. How are the resulting disadvantages to be removed?
- b) the problem of a possible recrudescence of protectionist policies in Europe and Latin America, leading to the raising of tariffs to a level higher than is compatible with a sound policy of economic development.

These are some of the questions which the Cuban delegation is asking itself in connection with trade between Latin America and Europe.

Let us now consider trade with the United States,

This part of the study should cover the existing possibilities of increasing Latin American exports to the United States, in order to alleviate the dollar shortage problem.

The subject of imports from the United States and the measures which various countries may find it necessary to adopt, either because of the dollar shortage or to promote the stability of their own industrial production, should be examined.

As regards inter-American trade, it will be necessary to analyse the composition of trade between the Latin American countries, the changes that have taken place in its structure and the prospects it offers.

The artificial dispersion of markets due to certain

/excessively

excessively protective measures adopted by some of our countries should also be considered and above all the possibility of widening markets by means of agreements for trade expansion.

The foregoing, we repeat, is an outline of the programme which should be taken into account by the Secretariat in instructing its experts to carry out the investigation of which we have spoken.

This investigation should not be confused with any of the other studies which the ECIA is to undertake, nor should we allow our aims to be limited on account of the fact that the diversity of subjects complicates the Secretariat's work, owing to its lack of funds for the purpose.

We believe that in this matter as in any of the studies or investigations or monographs which may be required to reach a better understanding of our real problems and enable us to produce recommendations which will lead us to take action, we should not limit ourselves by any other consideration than that of necessity.

The vital importance for trade policy with the United States and Europe of the problems indicated by the Executive Secretary is so obvious and unquestionable that we need not emphasize it.

In view of that importance, it is inexcusable not to seek a solution for the difficulties, and the solution cannot be found except through a thorough investigation by specialists in the subject, who, under the guidance of the Secretariat, could perform a really useful service.

The Cuban delegation therefore proposes that the following

/resolution

resolution be adopted:

1. To thank the Executive Secretary for his report;
2. In accordance with the suggestions contained in the said report and with the statements made by the various delegations, in this Committee to request the Executive Secretary to arrange for experts, designated by him, to make an investigation into the true situation confronting Latin America in this connection and to formulate suggestions on the subject.
3. To request the Executive Secretary, upon completion of the investigation, to present a fully documented report to the Governments members of the ECLA, in order that they may decide, within the period indicated by him, whether a commission of experts of their Governments should be called to determine a plan of action to be undertaken.
