

## ECONOMIC COMMISSION FOR LATIN AMERICA

## Second Session

## COMMITTEE 2

## (Foreign Trade and Finance)

## SUMMARY RECORD OF THE FOURTH MEETING

Held at Havana, Cuba,  
on Saturday, 4 June 1949, at 10 a.m.

**CONTENTS:** Prospects for trade expansion (E/CN.12/85);  
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).

<u>Chairman:</u>	Mr. GONZALEZ	Uruguay
<u>Rapporteur:</u>	Mr. ZEPHIRIN	Haiti
<u>Present:</u>	Mr. RODRIGUEZ ARIAS	Argentina
	Mr. ALVARADO	Bolivia
	Mr. PENNEDO	Brazil
	Mr. BALTRAN	Chile
	Mr. ALVAREZ DIAZ	Cuba
	Mr. BRUNET	France
	Mr. ZAMORA	Mexico
	Mr. SENIOR	Netherlands
	Mr. PHILLIPS	United Kingdom
	Mr. NUFER	United States of America

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Inter-American Economic and Social Council:

Mr. TAYLOR

Executive Secretary

Representatives of specialized agencies:

Mr. CASSERES

Food and Agriculture  
Organization (FAO)

Mr. DEMUTH )

Mr. LOPEZ-HERRARTE )

International Bank for  
Reconstruction and Development

Mrs. THOMPSON

International Monetary Fund

Consultants from non-governmental agencies:

Mr. BALGOOYEN

National Association for  
Manufacturers (NAM)

Mrs. DOMINGUEZ

World Federation of United  
Nations Associations

Secretariat:

Mr. MARTINEZ CABAÑAS

Executive Secretary

Mr. PREBISCH

Economic Consultant

Mr. REY ALVAREZ

Economist

Mrs. POULAT-DURAND

Economist

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

Mr. MARTINEZ CABAÑAS (Executive Secretary), replying to questions which the Chilean, Bolivian and United Kingdom representatives had raised at a previous meeting, outlined the Secretariat's plans for the expansion of Latin American trade, the terms of reference for the permanent committee on trade proposed in document E/CN.12/85 and the specific benefits which member governments might expect therefrom.

The studies on foreign trade contained in chapters VII and X of the Economic Survey of Latin America (E/CN.12/82) had convinced the Secretariat that there were four complementary - not mutually exclusive - approaches to the study of Latin American trade.

Firstly, trade with Europe was once more recovering its pre-war importance. The European Recovery Programme might be expected to enable the Western European countries to put their trade on a self-sustaining basis. Those countries were preparing annual plans for production, export and import under that Programme, which is due to terminate in 1952. Latin America plays an important part in that programme both as a supplier of goods required by Europe and as a consumer of European goods. The plans for Europe were co-ordinated as far as possible by O.E.E.C.; but the lack of specialized studies prevented that organization from taking the needs and potentialities of Latin America into due account.

A comprehensive report on the kind, volume and price of products available in Latin America and of that

/region's requirements

region's requirements would enable the European countries to adjust their import, export and production plans.

Latin America alone could provide data which would eliminate duplication and undesirable competition.

Advantageous as such co-ordination would be during the transitional period of the European Recovery Programme, it would be even more so after it had expired.

The precarious character of trade between Europe and Latin America had led to increase of bilateral agreements. An objective study of the results of such agreements might suggest methods to co-ordinate existing agreements, or to extend or replace them. That study could be combined advantageously with the continuous analysis of import and export prices in Latin America.

Second, the study might be approached from the point of view of increasing Latin American trade with the United States and Canada. A considerable effort in that direction had already been made, but there was ample room for comprehensive studies of the prospects for a further increase.

Third, a study might be made of intra-regional trade. The war period had shown the considerable potentialities of intra-Latin American trade. The volume of that trade had, however, begun to decrease in the post-war period. A thorough study of the causes of that trend and of the prospects for further expansion of such trade would certainly benefit the countries concerned.

There was yet a fourth direction in which an expansion of Latin American trade might be sought - the

/markets of Asia

markets of Asia and parts of Africa which had previously been insufficiently explored.

Certain general problems, such as exchange or tariff restrictions and transportation difficulties, had added to the difficulties involved in the geographical distribution of contemporary trade trends. No adequate studies were available as a basis for finding practical solutions of an overall character.

The summary review of the current problems of Latin American trade had convinced the Secretariat that comprehensive studies were needed to guide the countries or groups of countries concerned in practical planning. It was obvious that the magnitude of the problems involved exceeded the ability of countries to study them and take the requisite action individually. Moreover since those problems frequently arose from causes beyond the control of the country concerned, it was clear that it was essential that a fully co-ordinated study should be undertaken immediately.

The Executive Secretary believed that only the co-ordination of the efforts of the countries concerned could achieve a comprehensive study which also took into account the specific characteristics of each country or group of countries. He therefore requested from the Commission the authorization to proceed immediately to the analysis of those problems, subject to the limitations imposed upon him by the resources available. The Secretariat would make that analysis; but the support of the Governments concerned would be indispensable.

He further requested the authorization to arrange

/that the results

that the results of such studies " which would require several months - should be examined by groups of experts appointed by each Government concerned. The experts would be convened when the Executive Secretary deemed opportune. Their function would be exclusively that of examining the substance of the Secretariat's studies and the conclusions arising therefrom. On the basis of those conclusions they could suggest measures of practical application.

The Executive Secretary believed that the setting up of a Permanent Committee on Trade would probably be included among the experts' suggestions. That committee would be a consultative body and would act as a permanent forum for discussion and the exchange of views upon the subjects which fell within its competence. It would also study and submit recommendations on measures for the expansion of Latin American inter-regional and foreign trade. If necessary, the committee would request the collaboration of the specialized agencies of the United Nations. It would naturally refrain from making any recommendations which might in any way infringe upon the sovereign rights of any country. Its principal task would be to achieve better understanding in economic affairs between the countries concerned. The Commission was the only body competent to grant such authorization. The interests of the Governments concerned would be fully safeguarded because the studies would be examined by experts appointed by them and because the assent of their representatives would be required before any action was taken.

/Mr. BALTRA

Mr. BALTRA (Chile) emphasized that the re-establishment of Latin American trade with Europe involved problems which needed the most careful examination.

The scarcity of dollars in Latin America had induced many countries to enter into bilateral agreements with Europe. That method of conducting trade was becoming increasingly general.

Mr. BALTRA pointed out two aspects of the system of bilateral agreements. They reduced the possibilities of establishing the multilateral system recommended by the Bretton Woods conference. The bilateral system, moreover, placed obstacles in the way of the extension of trade expansion.

With regard to trade with Europe, the situation for Latin America was serious because the European countries were paying for Latin American exports prices lower than those prevailing on the world market. In order to liquidate their accounts, the Latin American countries were compelled to purchase from Europe at rates higher than those prevailing in the dollar area; whereas the European countries made their purchases from Latin America at less than the world market price. The terms of trade which were generally unfavourable with regard to raw materials were even more unfavourable for that situation as a whole.

/Furthermore,

Furthermore, the need to liquidate the value of purchases compelled the Latin American countries to import goods which were unsuited to their needs or goods which they would not normally buy. The basic problem in that connexion was the high price of European exports and the exporters' failure to obtain any correct understanding of the type of goods required by Latin America.

Mr. Baltra wondered whether an inter-governmental committee on trade could do much to solve such problems.

With regard to the Executive Secretary's suggestions, some of the problems were under study by other bodies; that of tariffs, for example, was being examined by the International Trade Organization. His Government would be reluctant to approve the proposed committee unless it were assured that the results of its work were likely to be satisfactory. On the other hand, the Executive Secretary could initiate the studies which he had suggested since that action fell within the terms of reference of the Economic Survey. The results of such studies should be submitted to the third session of ECLA. The governments would thus receive time in which those studies could be examined by their experts and comments could be made. It would then be possible to consider whether the creation of such a committee would be opportune.

Mr. Baltra agreed with the Fund that intra-Latin American trade constituted ten per cent of Latin American /trade.



trade. Could that trade be expanded to any considerable extent?

Such expansion, in his opinion, could take place only if production were adequately diversified. His delegation's previously expressed position on industrialization and the mechanization of agriculture had been confirmed by the Bank's report. Although a multilateral system of payments would certainly contribute to the solution of Latin American problems, the negotiation of such agreements on such a scale as to constitute a general system did not appear feasible. The Fund might, however, continue its valuable work by examining the practicability of triangular agreements in Latin America. It would be useful, too, if the Fund were to investigate the probable effects of the termination of the Marshall Plan and the repercussions of that termination on Latin American economy. The Fund should report on the effects of the Marshall Plan to date and its current effects upon the Latin American countries. A study of that kind would throw important light on Latin American economic problems.

Mr. Baltra announced, in conclusion, that his delegation would submit resolutions dealing concretely with the problems which he had mentioned.

Mr. ALVARADO (Bolivia) recalled that his delegation had suggested to other delegations at the Conference of Rio de Janeiro in 1947 that the problem of economic stability should be studied in conjunction with the

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stabilization of intra-Latin American political relations, since his country regarded economic stability as one of the principal factors in the maintenance of peace. Although the countries consulted had agreed with the Bolivian suggestion, the Conference had regarded the introduction of that subject as inopportune. A joint resolution submitted by Colombia, Mexico and Argentina had proposed that the subject should be examined at the Inter-American Conference at Bogota. The Charter of Bogota had included a reference to the desirability of stabilizing the markets for basic raw materials. At the first session of ECLA, the Bolivian delegation had submitted a resolution to the effect that the Economic and Social Council should ensure the normal marketing of basic raw materials, particularly from countries substantially dependent upon a single product and that the Secretary-General should prepare a list of such products. The first session had adopted a resolution on basic raw materials along similar lines (E/CN.12/73).

A crisis affecting the trade in basic raw materials was approaching; the need to examine the problem thoroughly was opportune and urgent. The stabilization of the market for basic raw materials was required as urgently as the stabilization of prices to which he had referred at a previous meeting. Bolivia, Colombia, Cuba and Venezuela were substantially dependent upon a single product; other Latin American countries depended upon

/only two or

only two or three.

Mr. Alvarado pointed out that during the war, when Latin America had been the only surviving source for the supply of such products, the basic raw materials had been dignified by the name of strategic raw materials. The Latin American countries, however, had failed, for laudable reasons, to take advantage of their position and had accepted the prices imposed upon them. They had regarded that as their duty as democrats. Today, the former strategic raw materials were failing to find markets. That failure implied not merely a decrease in profits but, combined with the fall in prices, was leading directly to a crisis which might prove fatal. If production were diversified, it might be possible to set off losses in one field against gains in others. The problem of diversification was extremely difficult; a solution should be found before the crisis broke out.

Mr. Alvarado said that the absence of free play of supply and demand constituted another aspect of the weakness of the Latin American countries' position. Countries producing only one or a few products were at the mercy of a limited number of purchasers. The difference in political and economic power as between seller and buyer was so great that free bargaining was not feasible. That position considerably contributed to the instability of Latin American economy.

Furthermore, a psychological factor entered into play. It was impossible for countries substantially dependent upon a single product with a single market to

/plan ahead

plan ahead if they did not know whether there might be a danger that the situation in 1952 might be as disastrous as it had been in the crisis year 1932.

In view of the extreme dangers inherent in the instability of basic raw material markets, the Bolivian delegation suggested that the Governments concerned, the Executive Secretary and the Inter-American Economic and Social Council should pay particular attention to that problem in any studies which they made. The problem was complex; but the need for a solution was, in his opinion, vital.

Mr. NUFER (United States of America) agreed with the Executive Secretary upon the desirability of further studies on the subjects which he had envisaged. He suggested the proviso, however, that such studies should be co-ordinated with those of the Inter-American Economic and Social Council, which was preparing studies in similar fields. With regard to the proposal that a consultative committee of experts should be set up, Mr. Nufer thought that such consultation could be arranged without the necessity of setting up special technical committees. The results of the Executive Secretary's studies should be submitted to the third session of ECLA, which should decide upon the desirability of setting up a permanent committee on trade.

Mr. PHILLIPS (United Kingdom) observed that no convincing arguments had yet been advanced in favour of setting up a permanent committee on trade. With regard to the Executive Secretary's proposals, he did not think

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that a separate body was needed to act as a centre for the exchange of views; that was the function of ECIA, which acted at the highest level. There could be no objection to the preparation of further studies; that, however, was work for the Secretariat, not for an inter-governmental body. With regard to the proposal that the committee should have facilities for collaboration with the specialized agencies, Mr. Phillips pointed out that the Economic and Social Council took the view that such collaboration should be carried out at the Secretarial level. He had been impressed, moreover, by the weight of the Chilean representative's arguments in that connexion. He felt that the Committee had no clear view about the desirability of setting up the permanent committee on trade.

The CHAIRMAN, in view of the lack of any definite proposals for action on the part of the delegates, suggested that the debate on the Executive Secretary's proposal should be suspended.

It was so decided.

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)

Mrs. THOMPSON (International Monetary Fund) emphasized the Fund's desire to co-operate closely with ECIA but stressed that due regard should be paid to the limitations of the Fund's available resources in personnel and to the specific functions which it was called upon to perform.

The Fund had been requested by a resolution adopted at the first session of ECIA (E/CN.12/72) to study the practicability and desirability of establishing machinery for the multilateral compensation of international payments with regard to Latin America. Members of the Fund's staff had devoted considerable efforts to an attempt to collect the requisite trade and financial statistics, but a great deal of material had been unavailable. The lack of data on non-trade payments between countries, for example, had prevented a realistic appraisal of the possibilities of multilateral compensation. The fact, moreover, that statistics had been procurable only for the period until the end of 1947 had prevented an accurate reflection of the significant changes which had marked the close of 1948.

It had also been difficult to obtain accurate information upon bilateral trade and payments agreements; certain of the information, necessarily collected from unofficial sources, might be inaccurate.

Despite those shortcomings, Mrs. Thompson believed

/that the study

that the study would prove useful because it had shown that the prospects for establishing a system of multilateral compensation of payments were not favourable.

She summarized the findings of the report of the International Monetary Fund (E/CN.12/87) and concluded that the difficulties involved in setting up special machinery for regional multilateral clearing outweighed the advantages which might be expected therefrom. The technical difficulties, such as those relating to multiple exchange rates, would militate against the success of a comprehensive system for regulating regional payments.

A system of multilateral clearing, if divorced from special credits and sources of foreign exchange, would depend for a short-term effects upon the structure of trade in the region concerned. If there were a large proportion of multilaterally compensable trade, multilateral clearing would be likely to contribute more to solving genuine technical payments difficulties than it would if a large proportion of trade were bilaterally balanced or made up of net export or import surpluses for individual countries. Actual trade statistics for Latin America showed a small proportion of multilaterally compensable trade between members of a limited group of countries. That pattern itself, however, might be the result of bilateral agreements and credit difficulties. The substitution of multilateral for bilateral payments, by allowing any country to spend the proceeds of its exports to other members of the group

/anywhere within

anywhere within the group, would widen the range of choice and, by increasing competitive pressure, might lead to changes in the structure of trade.

In conclusion, Mrs. Thompson said that one of the conclusions to be drawn from the report was that concentration on the remedying of regional payments difficulties in a case in which symptoms of a wider disequilibrium existed should not be allowed to distract attentions from the solution of the basic overall payments problems.

The meeting rose at 11.45 a.m.

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