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POSSIBILITY OF EFFECTING MULTILATERAL COMPENSATION
SETTLEMENTS BETWEEN LATIN AMERICAN AND EUROPEAN COUNTRIES
THROUGH THE EUROPEAN PAYMENTS UNION

PREFACE BY THE SECRETARIAT

Latin American governments have followed with interest the operations of the European Payments Union. Shortly after its creation in July 1950, Latin American representatives attending the annual meeting of the International Monetary Fund in Paris discussed informally among themselves the repercussions which EPU might have for the trade of this region. The matter was further considered at the Mexico meeting of the Commission in June 1951 and again by the ECLA Committee of the Whole in Santiago in February 1952.

It is understandable that Latin American countries should wish to explore every possibility for restoring multilateral trade with European countries. While the causes of stagnation of trade with Europe are of a more fundamental character, as may be seen in the Study of Trade between Latin America and Europe, a solution of the payments problem, enabling Latin American countries to transfer their balances from one European country to another, is nevertheless a prerequisite to an expansion of trade based on favourable economic and physical conditions.

Moreover, Latin American countries, the bulk of whose exports consist of a few basic commodities, have great difficulty in adjusting their import requirements so that they offset exactly in value the needs
/of each trading

of each trading partner for such commodities.

When the Committee of the Whole requested that the "study of implications of the EPU for Latin America" be given a high priority, it was decided to obtain the services of a consultant to make a preliminary investigation of the problem. Professor Robert Triffin who had been closely identified with the studies and negotiations that led to the EPU Agreement, accepted an assignment for this task.

The paper of Professor Triffin, which was written after he had studied and explored the question with officials of EPU, is submitted under his own responsibility.

We believe that this report by Professor Triffin provides an adequate basis for a preliminary discussion of this subject and that from this discussion we may see how to proceed with further studies. Meanwhile, to go more deeply into the problem in our discussions, with a view to arriving at a practical solution, would seem premature. It is essential that more detailed information should first be available regarding the flow of payments between each of the Latin countries and members of the European Payments Union. Apart from other important aspects, without such information it would be impossible to evaluate the effects of the formula of partial payment in gold or dollars, which Professor Triffin suggests could in certain cases facilitate multilateral compensation of Latin American balances through the mechanism of the European Payments Union. Moreover, it is well known that at the present time the problem of convertibility is being discussed again on a wider basis than that of the Payments Union. It might perhaps prove useful to observe the course of events before formulating any conclusions, from the Latin American standpoint.

Consequently, the Executive Secretary has limited himself, at this stage, to submitting Professor Triffin's interesting document in the hope that at the Fifth Session the necessary instructions may be given to proceed with this work, should the Governments deem it advisable.

If these studies were to be pursued, they could examine monetary and trade policies and the influence which a multilateral clearing system might have in liberalizing trade. In order to make an exhaustive analysis of the balance of payments position of individual Latin American countries
/with their

with their trading partners in Europe, it would be necessary as pointed out above, to obtain complete information on trade agreements and balances in the corresponding individual accounts.

Lastly, it should be pointed out that by positing a hypothetical scheme this document makes it possible to better understand the technical limitations and difficulties -- as well as the advantages and disadvantages -- of any attempt to effect multilateral settlements through the facilities of EPU. In this connection, it should be emphasized that in no way does this paper suggest a specific proposal for the consideration of the Commission. Its' only purpose is to provide a basis for discussion of an extremely complex problem.

POSSIBILITY OF EFFECTING MULTILATERAL COMPENSATION SETTLEMENTS
BETWEEN LATIN AMERICAN AND EUROPEAN COUNTRIES THROUGH THE
EUROPEAN PAYMENTS UNION

by Robert Triffin

I. Introduction

1. Insufficient attention has been paid recently, either in Europe or Latin America, to the striking deterioration which has taken place since the war in the mutual trade relations of these two areas. Economic policy in Europe has concentrated essentially on post-war reconstruction, and in Latin America on the problems of inflation and economic development. And yet a return to a more balanced trade and payments pattern will certainly require a close study of the trade pattern which has emerged since the war.

Before the upheavals created by two world wars and the world economic crisis of the thirties, Europe had long been the main supplier and the best customer of Latin American countries, her share of both Latin American imports and exports being considerably more than twice that of the United States and Canada. This ratio declined only slightly, as far as Latin American exports are concerned, in the inter war period, but fell drastically after the second world war, from more than 200 per cent in 1938 to about 65 per cent in 1950 and 1951. The displacement of Europe by the U. S. and Canada as a supplier of Latin America has been even greater, although more gradual. From 250 to 275 per cent in pre-World War I, the ratio fell to little more than 100 per cent in the inter-war period, and to about 50 per cent in 1950 and 1951.

/2. The factors

2. The factors underlying these developments are numerous and varied: the interruption of trade during the two world wars, the growing industrialisation of Latin America, the decline in Argentine exports of primary products, the efforts of European countries to develop substitute sources of imports in their overseas territories or associated areas, etc. Some of these trends may be reversed, while others should require more flexible adaptation in the structure of trade in order to maintain its volume to the desirable level. 1/

Another powerful deterrent to proper trade relations, of particular importance since the early thirties and even more today, is the breakdown of the system of international settlements and its degeneration into a bilateral system of payments between each country and each one of its trade partners. We shall here limit ourselves to this aspect of the problem, in an attempt to analyse its causes, and to seek some constructive remedies, both in the short-run and in the long-run.

3. Contrary to some prevailing views, this bilateral trend pervades not only the trade relations conducted under bilateral payment agreements, but also those now conducted in dollars with the northern group of Latin American countries. In the first case, normal trade relations are obviously impeded by the unwillingness of the surplus country to accumulate large credit balances in inconvertible currencies. In the second case, multilateralism is formally preserved, but narrowly limited in substance by the unwillingness of the deficit country to accumulate large debts payable in scarce gold or dollars.

It is particularly important to note that these deterrents apply not only to overall creditors or debtors, but also to countries which would themselves be in overall equilibrium if they could mobilise their

1/ For an analysis of the factors that have contributed to deterioration of European-Latin American trade, see A Study of Trade between Latin America and Europe, prepared by the ECLA/ECE/FAO Secretariats (United Nations Sales No. 1952.II.G.2.).

bilateral earnings to settle their bilateral deficits in a multilateral network of world trade. Such countries are now faced with the alternative of:

- a) either financing themselves their bilateral surpluses by accepting inconvertible payments; in which case they must discriminate in their import policies in order to shift imports from their normal sources of supply to the countries whose currency they are accumulating;
- b) or accept a contraction of their normal export markets by insisting on gold or dollar payments which the buying countries are unable to provide.

The second alternative will lead to a greater contraction of trade, while the first will avoid — in part — such a contraction, but at the cost of a more and more uneconomic pattern of trade and a reduction in productivity and real income.

4. The only ideal remedy, in such a situation, lies in the hands of the overall surplus and deficit countries. The overall surplus countries should follow more liberal commercial policies, and — until their resources are fully employed — adopt expansionary policies domestically and promote capital exports, both private and official. The overall deficit countries, on the other hand, should make the fullest use of their own resources, facilitate capital imports or borrowings, if economically justified and feasible, and reduce simultaneously their own consumption and investment to the levels permitted by their own maximum production supplemented by such aid or capital receipts from the surplus countries. In some cases, the reconciliation between full employment policies and overall balance of payments equilibrium — given the level of international lending — may call for exchange of price readjustments.

The point is, however, that these traditional readjustment policies can only be carried out by the overall creditors or debtors, and should involve action by the first as well as by the latter. Final readjustments of these overall unbalances cannot be avoided anyway. The deficit countries will be unable to maintain indefinitely such deficits if their creditors refuse to finance them, and the disappearance of the deficits will, of course, eliminate the corresponding surpluses of the creditors. In the absence of the conscious readjustment policies indicated above, however, this will involve an overall contraction of trade — involving other

/countries as well —

countries as well — to the lowest level compatible with the international expenditure of the extreme creditor country. It is to guard against this danger that the I. M. F. Charter foresaw the application of systematic discrimination against the exports of a "scarce currency" country.

In fact, however, the broader latitude left to members under Article XIV temporarily to retain and adjust at will their exchange controls to changing circumstances, resulted in a wide extension of discriminatory techniques, as a bargaining weapon in commercial policies, far beyond their justifiable field of application. The result was the use of exchange and import controls by balanced, or even, surplus countries as well as by deficit countries and, even more important, the recourse to discriminatory controls not only against scarce currencies, but against soft currency countries as well.

5. Generalised bilateralism was the inevitable consequence of the situation described above, but elicited a growing resistance and increasing efforts to restore a minimum of multilateralism in trade and payments.

The sterling area succeeded from the start in eschewing such bilateralism among its members and maintained some degree of transferability even in its trade with non-Members. The O. E. E. C. countries, after several years of discussion and efforts, have also succeeded in establishing through E. P. U. an effective system of multilateral settlements covering not only western Europe, but also its overseas territories and associated monetary areas, including the whole sterling area itself. On the other hand, trade and payments between E. P. U. countries and other countries, particularly in Latin America, remain subject to the same bilateral shackles as before. Can anything be done to remove these obstacles and facilitate both trade expansion and trade multilateralism between E. P. U. members and the various countries of Latin America?

II. Outline of

II. Outline of Possible Solutions

6. Ideally, the best approach to the problem lies in the restoration of full, world-wide multilateralism along the lines indicated above (paragraph 4) and under the aegis of the International Monetary Fund. One of the primary objectives of the Fund is indeed "to assist in the establishment of a multilateral system of payments in respect of current transactions between members..." (Article I, iv). This objective is implemented by Article VIII, section 4, which obligates each Fund member to maintain the convertibility of its currency with respect of current transactions. This obligation, however, is still in abeyance under the transitional provisions of Article XIV, and might occasionally be waived even later under Section 2 of Article VIII.

Specific provision is not made in the Articles of Agreement to guard effectively against the spread of bilateralism which will normally flow from the inconvertibility of any major currency. Negotiations among members will be necessary to preserve, in such cases, the maximum transferability among members of the Fund. Various proposals have recently been made in this respect, in order to facilitate for each country the mobilization of its bilateral earnings necessary to provide it with the currencies needed to cover its bilateral deficits. What is basically involved is the right for any member to exchange in the Fund the currencies which it earns for the currencies which it needs in its international transactions. Such clearing operations could be made fully automatic if they did not, in practice, involve any granting of credit to persistent debtors and any continuous drain on the Fund's holdings of the currencies of extreme creditors.

The problem does not arise with respect to the country requesting the transaction, since the latter involves only a mobilization of earnings and not the financing of an overall deficit. If, however, the broad pattern of international trade and payments remains as far from equilibrium as it is today, the cumulative effect of such clearing operations would be a growing accumulation by the Fund of the currencies of the countries in persistent overall deficit — tantamount to the financing of such deficits — and a corresponding depletion of the Fund's assets in the
/currencies of

currencies of persistent creditor nations. The currencies of persistent creditors or debtors must therefore be unavoidably excluded from any automatic clearing mechanism until the respective countries have agreed with the Fund on the corrective policies required to readjust their overall position. The maintenance of clearing facilities for all other currencies would, however, avoid bilateralism and preserve the maximum of transferability, multilateralism and competition compatible with existing disequilibria in world trade. The exclusion of "scarce" and "surplus" currencies from such facilities would, moreover, give the Fund's advice a maximum of leverage on persistent creditors and debtors to readjust their monetary and commercial policies — including exchange rates and exchange controls — in the direction needed to promote better international balance.

The speeches of the British, the French and the Italian Governors at the September Meeting of the Fund in Mexico City indicate considerable support for this type of approach. It would, however, require some radical shifts in the present policies of the Fund and either an outright revision, or a rather flexible reinterpretation, of some legal provisions in the Articles of Agreement. This might possibly be done by stages, beginning for instance with the quasiautomatic acceptance by the Fund of any proposed transaction the effect of which does not aggravate imbalance in the Fund's relative holdings of its members' currencies. For significant progress to be achieved, however, much more will be necessary, and will require agreement among a very large number of countries. In the meantime, some steps could be taken without delay toward this ultimate objective by building up on already existing commitments and mechanisms organizing currency transferability on a regional basis. The gradual broadening of such arrangements would, in the end, lead to the same result of restoring convertibility over the widest possible area, with temporary exception for only the currencies of extreme creditors and debtors.

7. Three possible escapes from bilateralism offer themselves in this direction. The best choice between them may differ for different countries, depending on the precise nature of their actual trade and payments problems.

/The first approach

The first approach is through the exclusive use of gold or the U.S. dollar in a country's international settlements. If export earnings are accumulated in gold or U. S. dollars, they will provide facilities which can, in practice, be used with any and all other countries for the settlement of bilateral deficits. This paramount advantage, however, is offset in part, or more than offset, by the consequent trade and exchange restrictions which many countries will place on the exports of countries which trade only on a dollar basis. This solution, therefore, will appeal mostly to countries whose exports do not depend to any large extent on European or sterling area outlets, or consist mostly in essential goods unavailable from other sources. It may also be unescapable for a country which would find great difficulties in making use of its earnings in sterling or E. P. U. currencies, if it accepted such currencies in payment for its exports.

The Caribbean area has generally tended toward such a position, but some countries, such as Colombia and, recently, Cuba have concluded limited payment agreements when this became necessary to protect their export outlets in Europe. The fact that such agreements had often to be concluded on a purely bilateral basis, however, made them far less attractive than would be the case if some degree of transferability could be introduced in the arrangements.

8. The second most feasible approach would be for a Latin American country to join the sterling transferable account area, thus ensuring a high degree of transferability for the sterling earnings accepted by it in settlement of its surpluses. Such a solution would be particularly attractive to countries which depend primarily on sterling area outlets for their exports, and which can most easily use such sterling earnings for purchases or payments in other countries which are a party to such arrangements. Even then, however, difficulties may be encountered in some cases in negotiating their admission to the transferable account area, and they may have to be content with "administrative" transferability, requiring U.K. authorization for specific transactions.

/Moreover, several

Moreover, several important EPU countries have so far refused to enter the transferable account area. Latin American sterling earnings could not, therefore, be spent automatically to settle deficits with Belgium, France, or Switzerland, for instance. Still, there are reasons to believe that some degree of success could be achieved by a general negotiation designed:

- a) to give some Latin American countries access to the transferable account group; and
- b) to allow sterling settlement between such countries and most — if not all — of the EPU countries.

9. The third possibility is to seek transferability through regional multilateral agreements, such as the European Payments Union. Full participation in EPU clearings would ensure full transferability of earnings over a very wide area, including not only OEEC countries, but the whole sterling area as well. We shall examine more in detail, in the following section, the difficulties that stand in the way of such an arrangement, and some of the alternative techniques which might be explored in order to overcome them.

The conclusion of a Latin American Payments Union would hardly be practicable at this stage, and would be of little value in itself in view of the scant trade relations now existing, or likely to develop, among Latin American countries themselves. Latin American transferability might, however, become far more important in connection with European settlements themselves, and some suggestions will also be made in this respect in the latter part of this paper.

III. Transferability through EPU

10. In view of its broader scope and advantages, transferability via EPU deserves particular study, pending the even broader and more radical solution of the problem through the redirection of IMF policies and operations.

The first idea that springs to mind in this respect would be the possibility for all or any Latin American countries to join EPU as full members. This, however, does not constitute, at the moment, a practical and feasible solution. The EPU mechanism combines clearing operations

/proper with the

proper with the automatic granting of credits among members and with close consultation and co-operation on many phases of commercial, economic, fiscal, and monetary policies. This presupposes a degree of interdependence which is entirely lacking among such countries as, e.g., Switzerland and Honduras, or even Mexico and Paraguay. It might not even be desirable — were it possible — to extend the field of consultation, negotiation and harmonisation of policies over such a large and heterogeneous area, whose interests may be widely different without necessarily entering into conflict with one another.

A less ambitious, but more practicable, solution would be to extend to Latin American countries some — or all — of the facilities offered by the EPU clearing system, without involving them, however, in the other aspects of the EPU and OEEC arrangements. They would not participate — neither as borrowers nor as lenders — in the credit machinery of EPU. Nor would they participate in the management of EPU or OEEC. Latin American membership in EPU would be as undesirable theoretically as it is impossible in practice. It would, moreover, conflict directly with the commitments of both European and Latin American countries toward the International Monetary Fund and GATT.

11. The following exploration of possible solutions is therefore strictly limited to the participation of Latin American countries in the compensation machinery of EPU. That is to say, each Latin American country would be enabled to use its earnings in any one European currency to settle its deficits with any one European country, in a truly triangular, and indeed multilateral, manner, as was the case before the breakdown of the gold standard. In the absence of such compensation machinery, a Latin American country may be forced to pay gold or dollars to settle its deficits with country A, while being forced at the same time to accumulate frozen credits on country B. In practice, being both unable to pay gold, and unwilling to accumulate bilateral credits on a large scale, the country is forced to limit severely both its imports from country A and its exports to country B. It may also, in part, try and shift its imports — through bilateral discrimination — from its most normal and economic sources of supply toward the countries on which it is accumulating bilateral claims, and this in spite of higher costs, lower quality, or lesser essentiality of the imports available from these latter countries.

The loss is therefore a double one:

- a) an actual restriction of the volume of trade, and the abandonment of profitable lines of production for export;
- b) increased costs of imports, and unwanted shifts from wanted to unwanted import lines.

12. Access to the EPU clearing facilities would therefore be of substantial benefit to many Latin American countries, and particularly to those which seek an expansion of their exports to Europe and could make a more economical use of their export earnings if they were able to use them in any EPU country or associated area — including non-member sterling countries — instead of being forced to use them bilaterally in the countries in which they sell. Many difficulties arise, however, from the fact that the net monthly balances of European countries in EPU are subject to different rates of gold and credit settlement, depending on their cumulative surpluses or deficits with the organization. An EPU creditor may not want to increase its lending to EPU in order to finance Latin American purchases in another country. Extreme EPU debtors might similarly object to settling 100% in gold to EPU their deficit with a Latin American country. Finally, EPU itself would suffer a loss in its convertible assets whenever a Latin American country used its earnings on a country subject to low gold settlements, to effect payment to a country entitled to large gold settlements.

These difficulties could be overcome to everyone's benefit, but only after careful study and negotiation on the part of the various countries involved, in order to determine the advantages and disadvantages of the arrangement for each participant and to ensure for each a net favourable balance of the first over the latter.

This is the reason why the first step taken last summer, as a result of explorations with EPU, was a very modest one. European countries were not requested to agree to any automatic compensation involving their Latin American accounts, nor even to indicate the current status of such accounts. They undertook, however, to report monthly any decrease (or increase) of claim (or debt) with individual Latin American countries which they would be willing to compensate against an equivalent decrease (or increase) of their EPU position. In practice, no actual operation would be likely to
/become possible

become possible under this system unless both of the following conditions could be fulfilled:

a) two European countries must propose simultaneously opposite (and therefore mutually offsetting) operations with the same Latin American country;

b) the Latin American country involved must agree to the consequent shift of its claim (or debt) from one European country to the other.

To take a hypothetical example from Annex I, a Uruguayan debt to France could be offset against a Uruguayan claim on Switzerland if all three countries agreed to such a transaction.

This procedure, initiated in October 1952, has given very meager results so far. Only a very few transactions, for a total amount of about \$1 million, were reported during the first four months. This was to be expected, for the following reasons:

a) the use of sterling balances in automatic or administrative transfers is regulated by the very different arrangements concluded between the UK and its various trade partners, both in Europe and in Latin America;

b) unanimous agreement between all interested parties would be necessary for the implementation of any proposed compensation. Experience shows, however, that such unanimous agreement is extremely rare. Country A might be extremely interested in compensation 1, but Country B might have no interest in it. Country B may be greatly interested in compensation 2, which presents no interest for country A. Both operations will therefore be rejected unless an organic link is established between them, inducing country B to accept compensation 1 in order to obtain the agreement of country A to compensation 2.

c) the scope for compensations has been particularly unfavourable during this period because of the exceptional deficits accumulated by Argentina and Brazil towards most of their trade partners in Europe. Such a situation cannot last, but limits severely as of now the real possibilities of compensations.

13. The scope of voluntary compensations may increase somewhat as Latin American countries — and particularly Brazil and Argentina — make further progress toward overall balance in their international transactions. On the whole, however, large scale compensations could result only from an organic and automatic system under which all EPU members would accept in advance:

a) all proposed compensations the net impact of which, when taken together rather than one by one, does not increase their imbalance in EPU; or, better still,

b) all proposed compensations provided that some method be found to offset any net unfavourable impact that they might have on the position of a particular member in EPU.

14. The first possibility could be implemented very easily by a special agreement between some -- or all -- EPU members and some -- or all -- Latin American countries:

(1) Any Latin American participant would be allowed to transfer to EPU its claims on any EPU participant which is in a cumulative surplus position in EPU, and be credited in exchange in a special "Latin American EPU account." The EPU member would be relieved of its debt to the Latin American participant against a corresponding debit in its EPU accounting surplus;

(2) Any EPU member whose accounting surplus has been reduced under provision (1) above, will accept automatically to cancel its claims on any Latin American participants, in the same or in following accounting periods, against corresponding credits to its accounting surplus, up to the total amount of reductions effected under (1);

(3) Any EPU participant which is in a cumulative debit position with EPU will accept automatically to cancel its claims on any Latin American participants, against corresponding credits to its accounting position in EPU;

/ (4). Any EPU

(4.) Any EPU member whose accounting deficit has been reduced under provision (3) above will accept automatically to have it increased, in the same or in following accounting periods, against cancellation of its debts to Latin American participants, up to the total amount of reductions effected under (3);

(5.) Latin American participants could, therefore, acquire special "Latin American EPU accounts" by transferring to EPU their claims on:

- a) any EPU participant which is in a cumulative surplus position in EPU;
- b) any EPU participant which is in a cumulative deficit position in EPU, up to the total amount of reductions effected under (3) above;

(6.) These special "Latin American EPU accounts" could be drawn upon by any Latin American participant to discharge a debt owed to:

- a) any EPU participant which is in a cumulative debit position in EPU;
- b) any EPU participant which is in a cumulative surplus position in EPU, up to the total amount of reductions effected under (1) above;

(7.) Any Latin American participant will be allowed to transfer freely to any other Latin American participant all or part of the creditor balance of its special Latin American EPU account;

(8.) In the event of a termination of EPU or of such special agreement as might be entered into between Latin American countries and EPU, the "Latin American EPU accounts" would be liquidated, and all EPU obligations to Latin American participants cancelled, through the retransfer to the Latin American holders of the unused residual balances initially transferred by them to EPU.

/15. In order to

15. In order to maximize compensations under this method, Latin American participants would agree among themselves to transfer to EPU all their claims on EPU creditors in accordance with 14 (1) and (5a) above, and to discharge all their debts to EPU debtors in accordance with 14 (3) and (6a) above, insofar as such operations would not increase their special account balance, or deplete it unduly, after taking into account all possibilities for transfers under 14 (7).

16. These automatic commitments could be expanded further through discretionary operations. For instance, an EPU participant might accept to have its accounting deficit or surplus in EPU increased up to a given amount — as well as decreased — as a result of corresponding cancellations of debts and surpluses to Latin American participants, accompanied by equivalent increases in the Latin American countries' special accounts with EPU. Such transactions would, however, increase the imbalance of European members in EPU, and tend to paralyze the use of quotas. This would be of concern to all EPU members, and the approval of the Managing Board should probably be required in these cases.

17. In order to give maximum scope to these operations, however, a method should be found to enable Latin American countries automatically to use their earnings on EPU debtors as well as creditors, to pay EPU creditors as well as debtors. The negotiation of an agreement along these lines would, of necessity, involve a commitment to compensate — at least in part — the net unfavourable impact of such transactions upon the members' position. The added deficits of the debtors in EPU and the added surpluses of the creditors in EPU will give rise to additional settlements which it would be very difficult to channel into the normal quotas of these countries in EPU. This is because:

a) the debtors will be reluctant to expose themselves to the higher rates of gold payments (up to 100 per cent) stipulated in the EPU Agreement when their cumulative deficit in EPU increases;

b) the creditors may

b) the creditors may be reluctant to grant the same credits for their Latin American surpluses as for their European surpluses without getting in exchange the trade commitments (gradual elimination of restrictions on their exports) which are the counterpart of their EPU credit commitments;

c) EPU members in general will resist the use -- and eventual depletion -- of quota facilities for the financing of Latin American rather than intra-EPU trade.

18. Some reconciliation of the conflicting interests at stake might, however, be negotiated by the interested parties:

a) the creditor countries may accept some addition to their regular EPU quota, for the settlement of their Latin American surpluses via the special Latin American EPU accounts mentioned above. There is little doubt, however, that they will make this conditional upon a higher ratio of gold settlement -- and a lower ratio of credit settlement -- than provided in the EPU Agreement itself;

b) the debtor countries may similarly accept to make some fractional gold settlements outside their regular quotas, on their debts to Latin American countries transferred to the special Latin American EPU accounts of these countries;

c) the size of these additional quotas, and the exact ratio of gold settlements, would certainly require much bargaining and negotiation between creditors and debtors; it is most unlikely that the gold settlement ratios offered by debtors will be high enough to meet the creditors' claims;

d) in order to bridge this probable gap between the gold ratio acceptable to creditors and the gold ratio acceptable to debtors, some fractional gold settlements might be instilled in the machinery of the Latin American EPU accounts. It is extremely difficult to discuss concrete situations in this respect in the abstract, and in advance of actual negotiations. The attempt to do so, in the following paragraphs, should therefore be regarded as an illustrative example, and not as an /actual proposal,

actual proposal, of how a concrete scheme might function.

19. Latin American EPU accounts could be acquired by a Latin American country:

a) against equivalent transfers of claims on any EPU creditor country;
or

b) against equivalent transfers of claims on any EPU debtor country, only insofar as the resulting deterioration of that country's position in EPU is offset by reverse operations, as outlined in paragraph 14 above; or

c) against simultaneous transfers of gold or U.S. dollars and claims on EPU debtor countries outside provision (b) above, in the proportion 25 per cent gold or U.S. dollars and 75 per cent claims.

20. These accounts could be drawn upon to settle deficits anywhere in the EPU area:

a) in full for payments to any EPU debtor country;

b) in full for payments to any EPU creditor country, only insofar as the resulting increase in that country's accounting surplus in EPU is offset by reverse operations, as outlined in paragraph 14 above;

c) for 75% of the amount to be paid to any EPU creditor country not falling under provision (b) above, provided that the remaining 25 per cent be covered by simultaneous payment in gold or U.S. dollars.

21. Settlements between EPU and its own members, arising from these operations would take the following form:

a) through the regular EPU quota rules and the application of the cumulative principal insofar as settlements are made under provisions 19 (a) and (b), and 20 (a) and (b) above;

b) outside the EPU quotas, in cases falling under 19 (c) and 20 (c) above, with gold payments of 35 per cent by debtors, and 70 per cent to creditors, these ratios to be readjusted every six months — with retroactive effect — with a view to eliminate any permanent impact — favourable or unfavourable — of such operations on EPU's convertible assets.

22. A simplified example will illustrate the mechanical arrangements involved in EPU:

- a) Let us assume that Argentina has accumulated
1. a claim of \$20 million on an EPU creditor country (Italy) and a claim of \$18 million on an EPU debtor country (Norway)
 2. a debt of \$12 million to an EPU debtor country (France) and a debt of \$16 million to an EPU creditor country (Germany)
- b) Argentina could use any credits in its special EPU account to discharge its debts to France and Germany
1. in the case of France, on a full clearing basis, by drawing the \$12 million due from its special EPU account
 2. in the case of Germany, by a 25 per cent gold or dollar payment (\$4 million), and a 75 per cent drawing on its account (\$12 million)
- c) In order to build up its EPU account to the required amount (\$12 million + \$12 million = \$24 million), Argentina would:
1. pay into this account its \$20 million claim on Italy, and receive an equivalent credit of \$20 million
 2. complete the \$24 million needed by paying into the account 25 per cent (\$1 million) in gold or dollars, and 75 per cent (\$3 million) in claims on Norway
- d) The final result for Argentina would be:
1. a total gold payment of \$5 million
 2. the total extinction of its debts (\$28 million) to France and Germany
 3. the total extinction of its claim on Italy (\$20 million), and the partial amortization (\$3 million) of its claim on Norway
 - /4. a residual

4. a residual claim of \$15 million on Norway
- e) The results for the four European countries involved would be:
1. for Norway, a payment of about \$1 million (35 per cent) in gold and a debt of \$2 million to the EPU Latin American account
 2. for France, a reduction of \$12 million in its regular EPU deficit, involving in this case a \$12 million gold repayment to France, which is now beyond its quota (in the 100 per cent gold tranche) in its EPU transactions
 3. for Italy, a reduction of \$20 million in its cumulative EPU surplus, involving in this case a \$10 million gold repayment to EPU (because its surplus in the EPU account exceeds by at least 20 per cent its quota), and a \$10 million amortization of its EPU creditor position
 4. for Germany, a claim of \$4.8 million (30 per cent) on the EPU Latin American account, and a gold receipt of \$11.2 million (70 per cent) from EPU
- f) In this particular example, the \$5 million paid in by Argentina would not compensate the excess of outpayments by EPU (\$12 million to France, and \$11.2 million to Germany) over receipts (\$10 million from Italy and \$1 million from Norway). There would be a net drop of \$7.2 million in EPU's convertible assets. This, however, should not cause particular concern since it would be the direct consequence of a substantial reduction in the cumulative surplus position of Italy and the extreme deficit position of France.

23. The arrangement outlined above would be open to all Latin American as well as EPU countries which wish to join it, and could begin to operate

/among the

among the participants — other countries remaining unaffected — as soon as they agree that a sufficient number of countries have acceded to it to make it workable in practice.

The arrangement would be re-examined after one year's experience, in order to amend it in the light of this experience. This revision would apply particularly to the size of the special quotas and the ratios of gold settlement applicable to EPU members and Latin American countries with respect to the clearing operations between EPU and Latin American participants.

24. It is important to note that the operations contemplated above would always tend to decrease — and never to increase — the credit or debit balance of an EPU member toward a Latin American member. On the other hand, they might increase as well as decrease the credit or debit balance of an EPU member with EPU itself. This solution therefore combines automatic first-category compensations among all members with automatic second-category compensations among EPU members only. The well known objections to second-category compensations — shifts of debtors and creditors — would make them impossible as far as Latin American countries are concerned, but are overcome between EPU members by the system of joint guarantees implicit in the liquidation provisions of the EPU agreement.^{1/}

25. It cannot be denied, however, that a number of difficulties remain unsolved, and may deter some countries from accepting the above arrangements:

- a) The obligation for Latin American countries to accompany with fractional gold or dollar settlements their use of balances on EPU debtors to pay EPU creditors is obviously a burdensome one. On the other hand, in the absence of transferability, they may be forced now to make full dollar payments to their European creditors, and to accumulate frozen credits on their debtors or to shift their

^{1/} A similar system of joint guarantees among the Latin American countries themselves would be most unlikely to be accepted by them. Mexico, for instance, would hardly accept to guarantee the debts of Paraguay or Bolivia with which it has no significant trade or economic relations.

imports from cheaper to more expensive supply sources and to decrease exports to their best and more normal markets. The proposed system would be clearly unfavourable only if a Latin American country could otherwise obtain large credits from its European creditors while getting at the same time substantial dollar payments from its debtors. There exist very few, if any, cases of this sort, but some countries which are extremely short of dollars may still wish to cling to bilateralism and discrimination, whatever their costs, as an easier way out of their present difficulties. On the whole, however, it seems that the above suggestions should be well received by the Southern countries who conduct most of their trade under payment agreements.

b) The obligation to make fractional dollar payments is, of course, no burden for those countries which already conduct all their trade in dollars. On the contrary, the opportunities thus opened for triangular settlements via EPU may help maintain or expand their markets with their EPU debtors who now restrict their purchases because they are forced to make bilateral dollar payments. This favourable effect would be accentuated further if, instead of claiming full dollar settlements for its uncompensated surpluses, the Latin American creditor could transfer them in part to other Latin American countries which need them for settlements in Europe.

c) The agreement would, of course, remain unoperative -- but not damaging -- for a Latin American country which is either in deficit or in surplus with every single European country. Such a situation would, in any case, be most unlikely to prove a maintainable and durable one.

d) The most serious objections are likely to come from Europe rather than from Latin America.

First of all, countries which now obtain large credits in Latin America under payment agreements will be reluctant to see these compensated against their EPU position, especially if this involves the risk of substantial gold payments by them to EPU, and the

/consequent loss

consequent loss of a bargaining position facilitating their own exports to Latin America. This difficulty is met in part — but in part only — by provision 21 (b) above.

e) Secondly, there will be difficulties from the European countries which are large dollar earners in Latin America, especially if the settlement of their Latin American surpluses via EPU brings them small dollar savings or dollar receipts in their settlements with EPU (i.e., if their EPU deficits or surpluses are settled largely through credit, rather than gold settlements). Again, this difficulty is met in part — but in part only — by provision 21 (b) above.

26. The tables presented in the Annexes illustrate the practical working of our proposals. It must be noted, however, that they are based exclusively on trade balances, since bilateral data on invisible transactions and capital movements are available only to the central banks concerned. The inclusion of these transactions would modify substantially our results, and would particularly decrease the amount of residual, uncompensated, Latin American claims on Europe.

The tables, moreover, do not take into account the further compensations which could be effected by transfers of EPU accounts among the Latin American countries themselves. Such transfers would also tend to reduce both the uncompensated Latin American balances and the gold payments to be made to EPU.

Finally, the figures used bear little relationship to the current situation. The position of many Latin American countries — particularly Brazil and Argentina — vis-a-vis their European partners deteriorated greatly in 1952, and most of them were during that year in substantial deficit — rather than surplus — in their European accounts.

For these reasons, the figures used in Annex I and those quoted in the text itself should not be regarded in any way as indicative of the probable results of a compensation system. Their only purpose is to illustrate the mechanical steps involved in the proposal. From this point of view, other and purely hypothetical, figures could serve as well. In any case, we

/should insist

should insist again that the full potentialities of a transferable payments mechanism cannot be gauged from the actual trade pattern emerging under the shackles of a bilateral system of settlements. Indeed, the very purpose of our proposals would be to modify the present trade pattern and allow it to develop in freer and more multilateral fashion. Actual compensations would grow in volume as countries are encouraged to let their exports and imports develop along their most normal and economical channels, with the assurance that exports to any country can be used to pay for imports from any other country in the system.

27. If all Latin American countries and all EPU countries joined an agreement, compensations of balances would have cleared \$170 million of surpluses and, of course, an equal amount of deficits. Gold payments would have amounted to \$68 millions, i.e., 20 per cent of the total compensations, or 28 per cent of the total debt reductions of \$238 million.

The claims of EPU debtors on Latin American countries would have been reduced by \$42 million, improving correspondingly their EPU position. On the other hand, their debts to Latin American countries would have been reduced by \$57 million, involving a corresponding increase in their deficits within EPU. This net deterioration of \$15 million would have required minimum gold payments of \$5 million to EPU under rule 21 (b) above, but probably more insofar as the increases and decreases affected different countries in the group.

The EPU creditors on the other hand would have reduced their Latin American debts and their European surpluses by about \$113 million. On the other hand, the reduction of \$195 million in their Latin American claims would have increased their European surpluses by an equivalent amount. If the same creditors were involved in both cases, net gold payments to them by EPU would have totalled \$57 million (70 per cent of the net increase of \$82 million in their EPU surpluses) and new credits by them to EPU of \$25 million (30 per cent of the net increase in their surpluses). On the other hand, if the increases and decreases had affected different countries in each case:

/a) the total

a) the total decrease of \$113 million in their surpluses would probably have been settled equally by gold repayments and credit amortization of \$56.5 million each;

b) the total increase of \$195 million in their surpluses would have led to gold payments to them of \$136.5 million, and additional credits by them to EPU of \$58.5 million.

The exact effect of these operations on EPU's convertible assets would vary greatly, depending on whether increases and decreases of positions affected the same, or different, countries.

In the first case, gold payments to EPU by European debtors (\$5 million), and by Latin American countries (\$68 million) would have exceeded by \$16 million the gold payments by EPU to the creditors (\$57 million). In the most unfavourable case, however, gold payments by EPU to the creditors (\$136.5 million) could theoretically exceed by \$7 million the gold payments of \$129.5 million made to EPU by other creditors (\$56.5 million), by Latin American countries (\$68 million), and by EPU debtors (\$5 million).

Such differences would have been readjusted under paragraph 21 (c) above so as to eliminate any lasting impact on EPU's convertible assets. 28. The great bulk of compensations, in the example above, originates with Argentina, Brazil, Uruguay, and Venezuela. These total \$134 million in each direction, as against \$35 million for all other countries taken together. The first three countries alone account for \$116 million and are among those who may be most interested in participating in a clearing system within EPU. Moreover, the unavoidable improvement in the overall balance of payments of Brazil would open up additional opportunities for compensations on a very substantial scale.

On the other hand, the very establishment of transferability would undoubtedly tend to facilitate imports — as well as exports — on the part of other countries, such as Cuba or Mexico for instance. The ultimate results of transferability cannot be gauged from the trade pattern associated with bilateralism and which the proposed reform is precisely designed to transform radically.

29. It should finally be noted that of the European countries, the United Kingdom is least likely to be interested in participating in a

/system such

system such as outlined above. No great harm would result from this, however, if compensations involving sterling can be broadened through an expansion of transferable sterling facilities, along the lines suggested in paragraph 8.

30. The International Monetary Fund could provide the most effective and logical link between EPU and the Latin American countries for the implementation of any arrangements along the lines suggested in this paper:

- a) as far as compensations proper are concerned, it is best able to provide the necessary technical assistance and facilities, since it includes representatives both from Latin American and from European countries;
- b) a more active use of the countries' quotas in the Fund would greatly facilitate the settlement of both net surpluses and net deficits after compensation, and could also be substituted in part for the gold payments suggested above;
- c) the Fund should retain responsibility for monetary co-operation between any regional organization, such as EPU, and the countries which are not members of such an organization.

31. The suggestions presented in this paper with respect to Latin American transactions with EPU countries do not imply any displacement of the Fund by EPU. They are based on the two following assumptions:

- a) the present inadequacy of the Fund — and superiority of EPU — with respect to clearing transactions proper (see paragraph 6 above);
- b) the permanent unsuitability of EPU — and superiority of the Fund — with respect to all other aspects of EPU-Latin American monetary and exchange relationships.

32. Clearing operations will facilitate triangular settlements and decrease correspondingly the bilateral pressures arising from the present system of monetary settlements. Even after full resort has been taken to such clearing opportunities, however, there will remain residual surplus or deficit positions of a bilateral character. Settlement of such positions through the Fund may, in many cases, remain preferable to gold payments or to bilateral payment agreement credit. Some Latin American countries may also wish to resort to Fund drawings to pay EPU creditor countries in order to avoid the fractional gold payments required under paragraph 20 (c) above.

The question of expanding the use of the Fund's resources has long been

/a matter

a matter of public discussion, and the Fund has taken certain steps in that direction. In view of the deficits recently accumulated by many Latin American countries in Europe, it might be pointed out that Latin American drawings of European currencies would, in many cases, result in a better balance in the Fund's holdings of member currencies.

33. The active co-operation of the Fund in Latin American-EPU settlements might create additional incentives for full participation of Latin American countries in the Fund.

IV. Summary of Conclusions

34. Trade between Europe and Latin America is susceptible of considerable expansion if transferability can be substituted for the present bilateralism of settlements.

35. The most radical and desirable solution of the problem, pending a general return to full convertibility, would be the automatic mobilization through the IMF of a country's earnings in any currencies -- except that of an extreme debtor -- against any other currencies needed to settle its bilateral deficits -- except the currency of an extreme creditor. Beyond this, the Fund would of course continue to finance, on a non-automatic basis, net deficits of a temporary character.

Such a solution, however, requires extensive modifications in present Fund policies and is likely to involve difficult and protracted negotiations among its members. Gradual progress toward it may be initiated along the lines indicated below.

36. As far as sterling is concerned, Latin American countries should consider the possibility of joining the transferable account area, particularly if arrangements can be made to ensure automatic transferability with those EPU countries which have remained so far outside this area.

37. Automatic transferability via EPU itself might best be negotiated along the following general lines;

a) the right for any Latin American country to compensate its deficits with some EPU members against its earnings on other EPU members;

b) this should be acceptable to EPU members, on a pure compensation basis, with no gold settlements, as long as the compensations do not increase the imbalance of any EPU member toward the organization. A Latin American

/country could,

country could, on that basis, effect via EPU all settlements of its deficits toward EPU debtors, and of its surpluses toward EPU creditors.

The settlement of deficits toward EPU creditors, and of surpluses toward EPU debtors should also be acceptable:

(1) if it merely reverses previous operations of the same Latin American country with the same European countries;

(2) if transfers of balances between Latin American countries can be arranged, permitting similar reversal operations between different Latin American countries and the same European countries.

c) operations involving a net increase in the imbalance of a European member in EPU could hardly be channelled through the regular quota machinery of EPU. They might, however, be feasible if the resulting gold settlements by EPU debtors remain on a moderate scale (let us say 30 or 35 per cent), and the resulting credit extensions by EPU creditors remain also on a moderate scale (let us say 25 or 30 per cent). To make this possible, it is suggested that fractional gold payments of 25 per cent be made by Latin American countries:

(1) when using earnings on an EPU debtor to acquire transferable EPU balances; and

(2) when using such transferable balances to pay an EPU creditor.

38. Latin American countries might wish to examine the current and prospective pattern of their bilateral payments position with OEEC member countries, in order to determine, in the light of the above analysis, whether EPU transferability would contribute substantially to the removal of present bilateral obstacles to a freer flow of trade and to the attainment of overall equilibrium in their international transactions.

Annex IBilateral Trade Balances of Major Latin America Countries in 1951

(in millions of U. S. Dollars)

A

	<u>W i t h E P U c r e d i t o r c o u n t r i e s</u>						Total sur- pluses	Total defi- cits	Total Net
	Belg	Italy	Sweden	Switz.	Germ.	Neth.			
Argentina	-10	+57	-52	-6	+17	+10	+84	-68	+16
Uruguay	-2	-4	-3	+7	-15	+1	+8	-24	-16
Brazil	-16	-10	-12	-27	-38	-1	-	-104	-104
Subtotals		+57		+7	+17	+11	+92	-196	+16
	-28	-14	-67	-33	-53	-1			-120
Peru	+8	+1	-3	+5	-2	+6	+20	-5	+15
Chile	+2	+12	+2	-1	-3	+0.3	+16.3	-4	+12.3
Bolivia	-1	-1	-0.4	+2		+0.1	+2.1	-2.4	-0.3
Ecuador	+1	+1	-1	+0.2	-2	-0.2	+2.2	-3.2	-1.0
Colombia	-11	-3	+1	-5	-5	+2	+3	-24	-21
Subtotals	+11	+14	+3	+7.2		+8.4	+43.6	-38.6	+27.3
	-12	-4	-4.4	-6	-12	-0.2			-22.3
Venezuela	-6	-1	+14	-5	-9	+4	+18	-21	-3
Mexico	+8	+3	+2	-1	+4	+1	+18	-1	+17
Cuba	-4	+1	-4	+0.2	+21	+36	+56.2	-8	+50.2
Dom. Rep.	+10				-2		+10	-2	+8
Subtotals	+18	+4	+16	+0.2	+25	+41	+104.2	-32	+75.2
	-10	-1	-4	-6	-11				-3
Total, gross	+29	+75	+19	+14.4	+42	+60.4	+239.8	-266.6	+118.5
Total, gross	-50	-19	-75.4	-45	-76	-1.2			-145.3
Total, net	-21	+56	-56.4	-30.6	-34	+59.2			-26.8

Annex I
(continued)

B

	W i t h E P U D e b t o r c o u n t r i e s				Total Sur- pluses	Total defi- cits	Total Net
	Norway	Denmark	U. K.	France			
Argentina	-1	+2	+160	-7	+162	-8	+154
Uruguay	+0.1	+0.3	+12	-7	+12.4	-7	+5.4
Brazil	-4	+7	+30		+37	-4	+33
Subtotals	+0.1 -5	+9.3	+202	-14	+211.4	-19	+192.4
Peru	-1	+0.1	+45	+4	+49.1	-1	+48.1
Chile	-1	-1	+2	+13	+15	-2	+13
Bolivia	-0.1		+42	-0.1	+42	-0.2	+41.8
Ecuador			-4	+0.4	+0.4	-4	-3.6
Colombia	-1	-1	-17	+7	+7	-19	-12
Subtotals	-3.1	+0.1 -2	+89 -21	+24.4 -0.1	+113.5	-26.2	+102.9 -15.6
Venezuela	+3	-2	+7	+22	+32	-2	+30
Mexico	+1	+1	+31	+21	+54		+54
Cuba	-1	-1	+115	+7	+122	-2	+120
Dom. Rep.			+62	-1	+62	-1	+61
Subtotals	+4 -1	+1 -3	+215	+50 -1	+270		+265
Total, gross	+4.1	+10.4	+506	+74.4	+594.9	-50.2	+560.3
Total, gross	-9.5	-5	-21	-15.1			-15.6
Total, net	-5.4	+5.4	+485	+59.3			+544.7

Annex I
(continued)

C.

With all E P U countries reported

	Total surpluses	Total deficits	Net
Argentina	+246	-76	+170
Uruguay	+20.4	-31	-10.6
Brazil	+37	-108	-71
Subtotals	+303.4	-215	+170 -81.6
Peru	+69.1	-6	+63.1
Chile	+31.3	-6	+25.3
Bolivia	+44.1	-2.6	+41.5
Ecuador	+2.6	-7.2	-4.6
Colombia	+10	-43	-33
Subtotals	+157.1	-64.8	+129.9 -37.6
Venezuela	+50	-23	+27
Mexico	+72	-1	+71
Cuba	+180.2	-10	+170.2
Dom. Rep.	+72	-3	+69
Subtotals	+374.2	-37	+337.2
Total, gross	+334.7	-316.8	+637.1 -119.2
Total, net			+517.9

Annex II

Settlements of Deficits

(in millions of U. S. dollars)

	Latin American Deficits toward EPU Debtors				Residual debts to Debtors
	Total	100% by claims on creditors	F r a c t i o n a l		
			75% by claims on debtors	25% by gold	
Argentina	8	8	-	-	-
Uruguay	7	7	-	-	-
Brazil	4	-	3	1	-
Subtotal	19	15	3	1	-
Peru	1	1	-	-	-
Chile	2	2	-	-	-
Bolivia	0.2	0.2	-	-	-
Ecuador	4	2.2	0.4	0.13	1.27
Colombia	19	3	7	2.33	6.67
Subtotal	26.2	8.4	7.4	2.46	7.94
Venezuela	2	2	-	-	-
Mexico	-	-	-	-	-
Cuba	2	2	-	-	-
Dom. Rep.	1	1	-	-	-
Subtotal	5	5	-	-	-
Total	50.2	23.4	10.4	3.46	7.94

Annex II (continued)

Latin American Deficits toward EPU Creditors

	Total	Compensated with claims on EPU creditors		Residual Debts to creditors	Compensated with claims on EPU debtors					Residual Debts to creditors
		75% claims	25% gold		75% claims on debtors	25% gold	EPU account	25% gold	Total	
Argentina	68	51	17	-	-	-	-	-	-	-
Uruguay	24	1	0.25	22.75	12.4	4.13	16.53	5.51	22.04	0.71
Brazil	104	-	-	104	34	11.33	45.33	15.11	60.44	43.56
Sub-total	196	52	17.25	126.75	46.4	15.46	61.86	20.62	82.48	44.27
Peru	5	3.75	1.25	-	-	-	-	-	-	-
Chile	4	3	1	-	-	-	-	-	-	-
Bolivia	2.4	1.8	0.6	-	-	-	-	-	-	-
Ecuador	3.2	-	-	3.2	-	-	-	-	-	3.2
Colombia	24	-	-	24	-	-	-	-	-	24
Sub-total	38.6	8.55	2.85	27.2	-	-	-	-	-	27.2
Venezuela	21	15.75	5.25	-	-	-	-	-	-	-
Mexico	1	0.75	0.25	-	-	-	-	-	-	-
Cuba	8	6	2	-	-	-	-	-	-	-
Dom. Rep.	2	1.5	0.5	-	-	-	-	-	-	-
Sub-total	32	24	8	-	-	-	-	-	-	-
Total	266.6	84.55	28.10	153.95	46.4	15.46	61.86	20.62	82.48	71.47

Annex IIISummary of Compensations effected in Annex II

(in millions of U. S. dollars)

A. Debts

	Total Debts	Residual Debts	D e b t		
			Total	By compen- sations	R e d u c t i o n By gold payments
Argentina	76	-	76	59	17
Uruguay	31	0.71	30.29	20.4	9.89
Brazil	108	43.56	64.44	37	27.44
Subtotal	215	44.27	170.73	116.4	54.33
Peru	6	-	6	4.75	1.25
Chile	6	-	6	5	1
Bolivia	2.6	-	2.6	2	0.6
Ecuador	7.2	4.47	2.73	2.6	0.13
Colombia	43	30.67	12.33	10	2.33
Subtotal	64.8	35.14	29.66	24.35	5.31
Venezuela	23	-	23	17.75	5.25
Mexico	1	-	1	0.75	0.25
Cuba	10	-	10	8	2
Dom. Rep.	3	-	3	2.5	0.5
Subtotal	37	-	37	29	8
Total	316.8	79.41	237.39	169.75	67.64

Annex III (continued)

B. Claims

	<u>Total Claims</u>	<u>Residual Claims</u>	<u>Reduction of Claims</u>	<u>Total Compen- sations</u>
Argentina	246	187	59	118
Uruguay	20.4	-	20.4	40.8
Brazil	37	-	37	74
Subtotal	303.4	187	116.4	232.8
Peru	69.1	64.35	4.75	9.50
Chile	31.3	26.3	5	10
Bolivia	44.1	42.1	2	4
Ecuador	2.6	-	2.6	5.2
Colombia	10	-	10	20
Subtotal	157.1	132.75	24.35	48.70
Venezuela	50	32.25	17.75	35.50
Mexico	72	71.25	0.75	1.50
Cuba	180.2	172.2	8	16
Dom. Rep.	72	69.5	2.5	5
Subtotal	374.2	345.20	29	58
Total	834.7	664.95	169.75	339.50

Annex III (continued)

C. Effect on EPU members

	<u>Readjusting:</u> <u>Claims on</u> <u>Creditors</u>	<u>Reductions of</u> <u>Debts to</u> <u>debtors</u>	<u>Maladjusting:</u> <u>Debts to</u> <u>Creditors</u>	<u>Reductions of</u> <u>Claims on</u> <u>Debtors</u>
Argentina	59	8	68	-
Uruguay	8	7	23.29	12.4
Brazil	-	4	60.44	37
Subtotal	67	19	151.73	49.4
Peru	4.75	1	5	-
Chile	5	2	4	-
Bolivia	2	0.2	2.4	-
Ecuador	2.2	2.73	-	0.4
Colombia	3	12.33	-	7
Subtotal	16.95	18.26	11.4	7.4
Venezuela	17.75	2	21	-
Mexico	0.75	-	1	-
Cuba	8	2	8	-
Dom. Rep.	2.5	1	2	-
Subtotal	29	5	32	-
Total	112.95	42.26	195.13	56.8