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Mexico, D. F.

AD HOC COMMITTEE ON INTERNATIONAL TRADE

Rapporteur's Report

The Ad Hoc Committee on International Trade was constituted under the chairmanship of the president of the Argentine Delegation, His Excellency Dr. Oscar Hasperué Becerra, on 30 May 1951. The chief of the delegation of the United States of America, the Honorable Merwin L. Bohan, was elected Rapporteur. The Committee completed its work in twelve sessions, the last session having been held on 14 June 1951. Two working groups formed by the Committee dealt with the problems of the accumulation of exchange balances during the emergency period and intra-regional trade. The remaining agenda items were dealt with exclusively in plenary committee meetings.

The major documents considered by the Committee were studies prepared by the Secretariat (a) on Latin American trade with Europe, presented in preliminary form as the joint product of the Secretariats of ECLA, of the Economic Commission for Europe, and of the Food and Agriculture Organization; (b) on the effects of the United States defence programme on trade with

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E/CN.12/255

the Latin American countries; and (c) on the capacity of the United States to absorb Latin American products. Also included in its agenda were the question of intra-regional trade, for which the Executive Secretary had prepared a note indicating the progress made by the Secretariat in studies of this question; and the foreign trade aspects of measures to increase the availability of educational, scientific and cultural materials and of regulation of traffic on the Inter-American Highway.

Because of the interrelated nature of the three major documents, the Secretariat had prepared a guide for discussion covering the short-term and long-term aspects of the principal foreign trade problems confronting the Latin American countries. The Committee decided to use this guide as an informal basis for conducting its discussions.

Several delegations expressed the view that the documents prepared by the Secretariat were very useful since they were thorough, objective and analytical. Regret was expressed, however, that there had been little time to give certain of the documents the careful consideration they merit. The Committee agreed to transmit its concern with this problem to committee 4 on the functions of ECLA, with the indication that it should consider the questions of the interval between circulation of studies to member governments and the time of Commission meetings, and that of the continuing nature of some of the Secretariat's work without presentation at every annual meeting.

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With reference to Latin American trade with Europe, several delegations, including those of Chile, Brazil, Uruguay, Argentina, Mexico, Cuba and Bolivia, expressed their concern with respect to the accumulation of inconvertible European currencies, the limited availability of capital goods for economic development, and the decline in value of accumulated exchange balances that they expected to result from rearmament programmes in the industrialized countries.

A joint draft resolution was presented by Chile and Brazil recommending, among other steps, that trade and payments agreements be concluded containing guarantees regarding the purchasing power of accumulated exchange balances and that studies be made to seek practical ways of enabling the Latin American countries to enjoy the benefits of the European Payments Union. With respect to the joint Chilean-Brazilian draft resolution, the United States delegation pointed out that bilateral agreements were only one possible means of solving the problems arising from the emergency. In view of the undesirability of this instrument over the long run and since the committee should not prejudge the results of studies to be made of the problems, the United States urged that the recommendation to countries that they conclude bilateral agreements be eliminated from the draft resolution. The delegations of France and the United Kingdom indicated that accumulation of European currencies had not yet become a problem. The United Kingdom pointed

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out that only six Latin American countries were nominally affected by inconvertibility of sterling and that there was at present a shortage of sterling in certain of these cases. The United Kingdom delegation indicated that its government would probably be reluctant to give any guarantees regarding the future value of sterling since the costs of capital and other manufactured goods are dependent upon the prices of imported raw materials, wage rates and other factors difficult to control. Furthermore, it viewed as impractical the negotiation of international agreements covering a wide range of manufactured products. The United Kingdom, supported by France, introduced for inclusion in the resolution a statement indicating that the reason for shortages of capital goods was the diversion of resources to the production of defense equipment, which was accepted with some modification. It also expressed the hope that Latin America would not impose impediments to the importation of consumer goods, of vital interest to its export trade. The United Kingdom abstained from voting on the recommendation in the resolution on exchange balances that the Executive Secretary, in collaboration with the Economic Commission for Europe and with the International Monetary Fund, extend to interested governments assistance with respect to the problem of achieving greater transferability of balances in foreign currencies. The delegation of France pointed out that possible Latin American participation in the European Payments Union was a very complex matter and must be handled with great care. It also pointed out that there had been no harmful

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effects on Latin America of the EPU. The delegations of Chile and Argentina, among others, indicated that no criticism had been implied of the EPU but that Latin America was concerned with transferability of European currencies as part of the solution to the problems confronted by them during the present emergency.

The delegation of Uruguay expressed its view that the present spirit of solidarity among the Latin American countries should be continued beyond the present emergency, and that thought should be given to the sharing of the burden of accumulation of various currencies by countries in different regions of the area. Several delegations expressed concern over the internal inflationary impact of the emergency situation. The delegation of Guatemala suggested that the ECLA Secretariat and the International Monetary Fund should study means of sterilizing accumulated exchange balances. The representative of the International Monetary Fund indicated the keen interest of his agency in the problems under discussion, pointing out that they were under study constantly at the Fund as a routine matter. He offered the full co-operation of the Fund in joint studies with the ECLA Secretariat of these matters in which the Commission was expressing interest.

The points of view expressed on the problem of the accumulation of exchange balances during the emergency period were referred to a working group composed of the following countries: Argentina, Brazil, Chile, Cuba, France, Guatemala, the United Kingdom, the United States of America and Uruguay. It was generally agreed that

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the Committee should not express its views with respect to specific solutions in its resolution, but should indicate the points to be carefully studied in attempts to arrive at solutions. In addition to the original draft resolution presented by Chile and Brazil, the Working Group had before it amendments suggested by Cuba, Guatemala, France, and the United Kingdom. The Working Group presented a single resolution on this problem which, with some modifications, was adopted by the Committee. In addition to the abstention of the United Kingdom noted above, Argentina abstained from those parts of the resolution which recommend that the assistance of the International Monetary Fund be sought since it is not a member of that specialized agency. The power granted in the resolution to the Executive Secretary to call a meeting of experts was understood to relate to non-governmental experts. The Delegation of Uruguay, however, stated the understanding of its Government that experts are considered to be governmentally designated.

Emphasis was placed by a number of delegations including Chile, Mexico, Bolivia, Argentina, Brazil, Uruguay, Cuba, and the United States on the long-term importance of foreign trade to economic development. In this respect, it was pointed out that the terms of trade of Latin American countries vitally affect the prospects of economic development. The view was expressed that development in the long run will result in an expansion and diversification of Latin America's foreign trade. The United States of America indicated that it was pleased to see the Secretariat

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carry out studies on Latin American trade with all major areas since it believes in a multilateral expansion of world trade. As regards the short-run availability of capital goods from the United States it pointed out that policies of allocation had been agreed to at the recent Consultative Meeting of Foreign Ministers of the American Republics held in Washington, and expressed its view that, although there would undoubtedly be some difficulties during the next year or two, there were many encouraging aspects relative to the restrictions required during the second World War. In a full and detailed discussion of the emphasis placed in his country on increased production and in relating this to his country's interest in foreign trade, the delegate of Argentina announced that his country intends to join the United Nations Food and Agriculture Organization this year.

The initiative of the Secretariat in presenting a timely analysis of the effects of the United States defence programme on trade with Latin American countries was praised by the Committee. In a resolution adopted on this item, the Executive Secretary was requested to prepare and circulate similar analyses of fundamental changes in normal economic activity in the United States and, upon the suggestion of Argentina, in European centers of supply.

With respect to the long-term study of the capacity of the United States to absorb Latin American products, a resolution presented by Cuba was adopted with certain amendments, recommending that the Latin American governments give careful consideration to

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the demand factors analyzed in that study and inform the Executive Secretary of the results of such consideration. It was also recommended that the Executive Secretary pay continuing attention to the immediate and long-term prospects of expanding Latin American exports to the United States.

In connection with the item of intra-regional trade, the view was expressed by Uruguay and by a number of other delegations that it is of importance to expand that trade in order to widen markets for developing Latin American industries, to avoid unnecessary competition and to achieve co-ordination of development programmes on a regional basis, and to make up for deficiencies of supply during emergency periods. The means for achieving this suggested by the delegation of Uruguay as possible solutions to be included in the studies to be carried out by the Secretariat, were preferential reciprocal trade agreements, pursuant to Article 15 of the Havana charter and Article 31 of the Economic Agreement of Bogotá, and studies of the possible interchange of specified products that offer opportunities for specialization. The delegation of Uruguay noted, however, that the aforementioned articles of the Havana Charter and of the Economic Agreement of Bogotá, had not been put into effect. A Working Group developed a resolution on intra-regional trade, pursuant to its terms of reference to determine whether the resolution on intra-regional trade studies adopted at the Commission's third session was adequate. The Group and the Committee adopted a resolution broadening the directive to the Secretariat for the

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elaboration of such studies and specifically requesting a report for the fifth session. The power given to the Executive Secretary to convoke a group of experts, as in the case of the resolution on exchange balances, was understood to relate to non-governmental experts. The Committee adopted a complementary internal resolution calling upon Committee 4 on the functions of ECLA to accord these intra-regional trade studies the highest priority and to give full consideration to their financial implications.

A resolution was adopted, at the request of the Delegation of Panama, calling upon the Executive Secretary to make a preliminary investigation and advise the Government of Panama with respect to studies required in connection with bringing the Free Zone of Colon, Republic of Panama, into full operation. In this connection, a complementary internal resolution was adopted bringing to the attention of Committee 4 the satisfaction of Committee 2 at the Executive Secretary's announcement of the opening of an ECLA office in Mexico City.

The Committee agreed not to take any specific action with respect to measures to increase the availability of educational, scientific and cultural materials since it agreed with the comprehensive action on this item taken by Committee 3 on Co-ordination and General Matters on a joint draft resolution of Brazil, Costa Rica, United Kingdom and Uruguay. There was a similar decision not to take action on the matter of regulation of traffic on the Inter-American Highway in view of satisfactory disposition

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of this matter by Committee 3.

The Committee agreed to consider a draft resolution introduced by Chile, Brazil and Ecuador, calling for studies relative to the feasibility of extending to other countries the consultative procedure in price controls affecting foreign trade, established at the Fourth Conference of Foreign Ministers of the American Republics.

This resolution was considered at the Committee meeting on 13 June and was approved, with amendments by various countries. The United Kingdom delegation abstained and reserved its position, explained that due to lateness with which this resolution was presented, it had not yet received instructions from its government.

The five resolutions adopted by the Committee cover the following subjects:

1. Effects of the United States Defence Programme on Trade with Latin American Countries;
2. Capacity of the United States to absorb Latin American Products;
3. Maintenance of the Purchasing Power of Exchange Balances Accumulated During the Emergency;
4. Intra-Regional Trade; and
5. Free Zone of Colón, Republic of Panama;
6. Price Control Measures affecting Foreign Trade.
