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ECONOMIC COMMISSION FOR LATIN AMERICA  
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PROBLEMS OF FOREIGN TRADE

MAINTENANCE OF PURCHASING POWER OF FOREIGN EXCHANGE BALANCES  
ACCUMULATED DURING THE EMERGENCY PERIOD

Resolution Approved 14 June 1951

THE ECONOMIC COMMISSION FOR LATIN AMERICA,

CONSIDERING that as a result of the emergency the Latin American countries are accumulating excess exchange reserves, and that given present circumstances, it may be assumed with reason that such accumulations may continue:

THAT THIS fact derives directly among others from the difficulties experienced by Latin American countries in finding sources of supply of products and capital goods which they must buy abroad in order to maintain normal economic activity and the development of their economies, which difficulties result from the sacrifice imposed by the diversion of production to defense purposes and from the different nature of the products involved in the interchange;

THAT, by reason of this development, Latin American countries

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might be compelled to increase the importation of non-essential or luxury goods or else might aggravate the inflation from which they are suffering by being forced to issue circulating media against the increase of reserves;

THAT if the Latin American countries decide, even at the risk of greater inflation, to accumulate foreign exchange balances in order to acquire subsequently the capital goods and other goods necessary to their continued economic development, they will still be exposed to the danger that, if the price relationships which existed when sales were made are not maintained, these extraordinary reserves will lose their buying power before useful purchases can be made;

THAT, in so far as trade among the American countries is concerned, the Fourth Consultative Meeting of Foreign Ministers of the American States, held recently in Washington, adopted resolutions which indicate the means through which the solution of this grave problem can be sought;

THAT nevertheless the problem exists and might become very intense with respect to Latin American trade with European countries, and that it is generally and mutually desirable that this trade be maintained and increased;

THAT, as regards the European markets, practical methods should be studied to ensure, as far as possible, supplies adequate to the normal operation of Latin American economies and the provision of capital goods for their development; and that if such supplies cannot be obtained simultaneously with Latin American sales to Europe, it is

Europe, it is necessary that ways be found at once, without prejudice to other permanent solutions, to the maximum extent possible the purchasing power of the foreign exchange balances that may be accumulated;

THAT in studying this problem, account should be taken also of the disparities which might arise in the evolution of prices and available quantities of basic products exported by the Latin American countries, on the one hand, and, on the other hand, of products and capital goods supplied by the countries of Europe;

1. RECOMMENDS to the governments concerned that, in studying the application of practical measures to maintain and expand trade between Latin America and Europe, they give special consideration to:

- (a) The problem of maintaining and increasing the purchasing power of Latin American countries in Europe;
- (b) The adoption of methods to assure, as far as possible, the maintenance of the purchasing power of the foreign exchange that may be accumulated;
- (c) The fair and orderly liquidation of foreign exchange balances that may be accumulated;
- (d) Practical means of avoiding or mitigating the consequences for Latin American-European trade, and, in particular, for the maintenance of the purchasing power of accumulated foreign exchange that might be caused by any disparities which arise in the evolution of prices and available supplies of the various types of goods involved in this trade.

/2. REQUESTS the

2. REQUESTS the Executive Secretary to continue the studies recommended in resolution E/CN.12/200 of the third session in Montevideo, developing more fully their significant aspects and particularly, to seek practical ways of enabling the Latin American countries to enjoy greater transferability of European currencies; and to extend to governments concerned the technical assistance at his disposal to carry out the studies mentioned in point 1 of the operative part and to advise them concerning measures they might take in the future to obtain greater transferability of their foreign exchange balances.

3. AUTHORIZES the Executive Secretary, if he deems it necessary and without prejudice to the studies requested in this resolution, to convene a group of experts to study the problems mentioned in paragraph 1 of the operative part and to make the relevant recommendations.

4. EXPRESSES ITS SATISFACTION that the Executive Secretary has been chosen to represent the United Nations on the Ad Hoc Committee established by resolution XVII, 6, of the Fourth Consultative Meeting of Foreign Ministers of American States; and requests him to offer that committee the fullest co-operation of the Economic Commission for Latin America.

5. NOTES with satisfaction the study on Latin American-European trade and, in particular, the effective collaboration in the preparation of this study of the Economic Commission for Europe, the Food and Agriculture Organization and the International Monetary Fund; and

Fund; and expresses its desire that these studies be continued, and that the Executive Secretary periodically publish information on this trade with special reference to capital goods and the materials that enter into their manufacture; and

6. RECOMMENDS to the Executive Secretary that he seek the collaboration of the International Monetary Fund in studying the possibility of taking measures to obviate and combat the disturbances in the monetary field which might affect some Latin American countries as a result of the accumulation of foreign exchange balances during the emergency period.

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