

Montevideo, 30th July 2004

Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David,

The MERCOSUR Specialized Cooperative Conference (RECM) was established on October 2002 as an institutional organisation with mixed participation. The R.E.C.M. was created by Resolution of the Common Market Group (Grupo Mercado Comun) in October 2002, upon a request made through a Recommendation of the Economic and Social Consultation Forum in Dec 2000. It is made up of national governmental organisations responsible for co-operatives and the social economy, and National Confederations of Co-operatives. It is one of the few MERCOSUR organisations with a Permanent Technical Bureau and independent Activities Plan. It registers all its activity on the MERCOSUR official website, www.mercosur.org.uy/recm.html

As a product of its impact, the Joint Communiqué of the Summit of Presidents of Argentina, Brazil, Paraguay and Uruguay (the States forming part of MERCOSUR) of 18 June, declares in point 16:

...“They agreed on the need to provide impetus to the co-operative movement in MERCOSUR, recognising this activity as an important tool for development. To this respect, they urged the MERCOSUR Specialised Cooperative Conference to continue to advance in their discussions, considering that the cooperative movement is an important agent for regional development, economic integration, inclusion and social cohesion”.

In a recent RECM document addressed to the Common Market Group (MERCOSUR's executive body), the RECM warned on 27/11/03:

*“We are witnessing the evolution of the socio-economic situation of the MERCOSUR countries with growing concern. Economic and financial instability in these countries is accompanied by tax adjustments which, in general, are not contemplating **the specific nature of the co-operatives**, giving rise to situations which have endangered the productive accumulation of socially-owned capital, obtained through the collective effort of several generations and, in many cases, with explicit backing from the State.*

While discussions on Tax Reform are taking place in each of the MERCOSUR countries, we wish to warn of the possible economic damage, its disastrous social consequences and the serious conceptual confusion from a juridical point of view, which would quite simply mean assimilating the Co-operative Acts to those of a commercial nature, with only tax reasons in mind."

This situation is repeated in other countries on the continent, with an existing gap in many cases between the government's lines of favourable argument to the specific promotion and the enforcement of policies, particularly with regard to structural reforms and tax adjustments.

It's the same thing with the proposed Amendments to IFRS 3

The ED on Amendments to IFRS 3 plans to scoop in combinations by contract alone or involving mutual cooperatives entities. The Exposure Draft also intends to use a *different* method of purchase in such cases.

After analysing the proposal, we disagree with the Exposure Draft of amendments to IFRS3. Amendments to IFRS 3 are not appropriate to cooperatives, and do not reflect their juridical nature or their economic reality. We therefore suggest to the IAS Board to keep the IFRS 3 as approved last March 2004, and to continue applying the accounting method of "pooling of interest" to cooperatives entities until adequate guidelines are issued.

Yours truly,



Daniel Bentancur
CUDECOOP



Eduardo Fontenla
INAES