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ECONOMIC COMMISSION FOR LATIN AMERICA
Ad Hoc Committee on International Trade
Fourth session
Mexico, D. F.

SUMMARY RECORD OF THE THIRD MEETING

Held at Mexico City on Saturday,
2 June 1951 at 0915 hours

CONTENTS:

Latin American-European Trade (E/CN.12/225)

Effects of the United States Defence Programme
on Trade with Latin American countries (E/CN.12/234)

United States capacity to absorb Latin American
products (E/CN.12/226)

/PRESENT
E/CN.12/AC.13/SR.3

PRESENT:

<u>Chairman:</u>	Mr. HASPERUE BECERRA	Argentina
<u>Rapporteur:</u>	Mr. BOHAN	United States of America
<u>Members:</u>	Mr. SCHIOPPETTO	Argentina
	Mr. NAVAJAS MOGRO	Bolivia
	Mr. RAMOS	Brazil
	Mr. VALVERDE VEGA	Costa Rica
	Mr. VALDEZ RODRIGUEZ	Cuba
	Mr. RADRIGAN OYANEDEL	Chile
	Mr. BARONA ANDA	Ecuador
	Mr. ABELARDO DELGADO	El Salvador
	Mr. WYTHE	United States of America
	Mr. de SEYNES	France
	Mr. PALACIOS	Guatemala
	Mr. HUDICOURT	Haiti
	Mr. CRUZ	Honduras
	Mr. AMADOR	Mexico
	Mr. JONGBAW	Netherlands
	Mr. McCULLOUGH	Panama
	Mr. MORALES MACEDO	Peru
	Mr. MacVITTIE	United Kingdom of Great Britain and Northern Ireland
	Mr. LLUBERES PEÑA	Dominican Republic
	Mr. MacEACHEN)	
	Mr. FREIRE)	Uruguay

Representatives of specialized agencies:

Mr. CASSERES	Food and Agriculture Organization (FAO)
Mr. MARTINEZ OSTOS	International Monetary Fund

Representative of a non-governmental organization in Category A:

Miss ALDAPE CANTU	World Federation of United Nations Associations
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Representative of an intergovernmental organization:

Mr. JONGBAW	Caribbean Commission
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Secretariat:

Mr. PREBISCH	Executive Secretary of ECLA
Mr. ALANIS PATIÑO	Secretary of the Committee

LATIN AMERICAN-EUROPEAN TRADE (E/CN.12/225)

The CHAIRMAN opened discussion on the first item of the agenda.

Mr. RADRIGAN OYANEDEL (Chile) reviewed the various tasks entrusted to the Economic Commission for Latin America, namely, the study of economic and social conditions on the American continent, the submission of conclusions to the United Nations and of recommendations to governments regarding the measures to be taken for the removal of obstacles in the way of normal economic development.

He emphasized the special position of Latin America as regards international trade. In view of the fact that Latin American countries were relatively under-developed, their foreign trade was very vulnerable and depended to a great extent on circumstances beyond their control.

As the Secretariat's study had shown, Latin American economy was mainly based on the production of raw materials, foodstuffs and a few manufactured products of minor importance. It was the sale of those various products that would enable those countries to acquire capital goods and take the first steps towards their economic development. Latin America should therefore make every effort to reduce as much as possible the unfavourable effects of any event which might impede its natural development. That explained the control measures and the restrictions (monetary and other) imposed by the various countries of the American continent.

He cited the case of saltpetre, which was one of Chile's main

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export products. His country was at present obliged to regulate the price of saltpetre; if there were a co-ordinated system of trade, it would be possible to revoke such individual measures, which might be injurious to the interests of other Latin American countries. ECLA should study, in collaboration with other United Nations organs, the possibility of eliminating such anomalies, in order to maintain, and indeed to improve the standard of living by preparing overall long-range economic programmes.

In order to achieve normal development, Latin American countries needed stable export markets which would enable them to acquire the necessary convertible currency with which to buy essential capital goods.

To return to the case of Chile, that country was at present unable to purchase capital goods from its usual sources of supply. On the other hand, owing to increased exports, it had accumulated a larger than normal reserve of foreign currency. Consequently, it could either buy consumer goods from its usual source - which might have an adverse effect on its later development - or it could entirely alter its pattern of trade and run the risk of receiving payment in inconvertible currency, without being certain of obtaining the capital goods it needed. It was therefore to be hoped that measures would be adopted on the international plane enabling both Chile and other Latin American countries to maintain their normal sources of supply; that was, incidentally, the aim of resolution XVII adopted by the Fourth Consultative Meeting of Foreign Ministers of American States.

/To sum up,

To sum up, the following were the prerequisites for the normal development of Latin American foreign trade: (a) Latin American countries should be able at all times to procure capital goods, raw materials and foodstuffs at fair prices; (b) the various products should be available at the same price to all the countries of the American continent; (c) the industrialized countries of that continent should give up trade practices which caused the under-developed countries to lose the outlets for their main exports; (d) international agreements should be concluded to stabilize trade for the benefit of Latin America as a whole.

He felt that those principles, which the recent meeting at Washington had decided to apply during the present emergency, should permanently govern the entire economy of the American continent.

In conclusion, he said that the Chilean delegation, together with several other delegations, would shortly present a draft resolution on the question as a whole; he also wondered whether the Economic and Social Council might not seek ways of allowing Latin American countries to enjoy the benefits of the European Payments Union.

Mr. WYTHE (United States of America) congratulated the Secretariat on its admirable studies of Latin American foreign trade. In the view of his delegation, world economic development and higher standards of living depended mainly on the growth of foreign trade.

The studies before the Committee quite properly emphasized the danger of ignoring the industrialized countries' growing need for

/raw materials

raw materials and the fact that the production of such raw materials, which were necessary for the defence of the democratic countries, must be increased. In the long run, those countries were in less danger of shortages of labour or industrial equipment than of the raw materials which would keep industry going and ensure full employment. He was happy to note that, according to the experts of ECLA, ECE and FAO, the prospects in that field were favourable. He particularly approved of the suggestion made by these experts with regard to the balance that must be maintained between investments in industry and capital engaged in the production of raw materials.

Examining the Report on United States Capacity to Absorb Latin American Products, he observed that it did not deal with production costs, the standardization of manufactured products, export charges and obstacles in the way of the free circulation of goods; all of them questions affecting the volume of trade with Europe as well as with the United States. He suggested that ECLA should do further research work on those points to complete the study it had made.

He recalled that the basic principles of the policy of establishing quotas and priorities in connection with the exportation of capital equipment - principles which were adopted at the time of the recent Meeting of Foreign Ministers of American States in Washington - were already being applied, as was shown by a statement made on 28 May by Mr. Wilson, Director of Defence Mobilization.

In that respect too, the situation was encouraging because industrial production capacity was expanding rapidly, while the

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needs of the rearmament programme were fewer than in time of war, and sea routes remained open. It was to be hoped that the volume of exports from the various countries of America and of Europe would grow. At present, the volume was satisfactory; it was, in fact, larger than it had ever been, in the matter of United States exports to Latin America. Nevertheless certain difficulties would have to be overcome in the immediate future.

Mr. RAMOS (Brazil) stressed the objective nature of the research done by the Secretariat on international trade. The problems studied were of first-rate importance. International trade played a prominent part in the life of Latin American countries, since the results those countries might be able to obtain in matters of economic development depended directly upon it.

Brazil was in the process of acquiring useful experience in that respect. From day to day, capital goods and equipment needed by Latin America were becoming scarcer in foreign markets. Within a short time, Latin American countries would forcibly find themselves in the position of having to accumulate foreign exchange, or to acquire less useful products.

The Brazilian delegation thought that these unpleasant consequences could effectively be avoided by the conclusion of bilateral trade agreements with a view to stabilising the purchasing power of accumulated exchange. At the proper time, he would submit a proposal along these lines.

Mr. MacEACHEN (Uruguay) felt that the democratic countries

/should share

should share the consequences of the accumulation of exchange that would result from the present situation. Solidarity should be maintained at the time of the liquidation of those balances. A joint fund might be created to ensure a fair distribution of sacrifice among the various countries, according to their volume of trade.

Mr. SCHIOPPETTO (Argentina) observed that in view of the complexity of the problems presented, the delegation needed time to prepare concrete proposals. He therefore suggested that the Committee should postpone study of the items on its agenda until the following Monday. Doubtless the Chilean and Brazilian delegations would then be in a position to submit their draft resolutions.

Mr. RAMOS (Brazil) supported that proposal.

Mr. AMADOR (Mexico) also supported the proposal. He wished to make a few general observations which he would develop later.

The changing world situation was affecting countries producers of raw materials more immediately and more profoundly than any others. In the United States of America and in the industrial countries of Europe, production of capital equipment was decreasing. The resulting shortage would prevent Latin American countries from making rational use of foreign exchange derived from the sale of their raw materials. Such rational utilization was essential to the success of programmes of economic development in all the countries of Latin America, and as far as Mexico was concerned it was imperative if production were to be maintained at its present level.

Countries producing capital equipment, and those of Latin America

/should therefore

should therefore jointly seek a solution to the problem. Two principles should be observed: the first, that of the maintenance of great flexibility of trade, and the other, the assurance of fair exchange rates. Latin American countries should be given adequate guarantees as to the maintenance of the purchasing power of the foreign exchange at their disposal. The problem had already been studied at the Meeting of Foreign Ministers of American States in Washington, which he had attended. He hoped that the resolutions adopted at that meeting would provide the required solution. ECLA should, however, continue to study the problem thoroughly, with due attention to the needs of both countries producing capital equipment and those producing raw materials.

Mr. FREIRE (Uruguay) was of the opinion that the two basic problems arising from the current situation were the equitable distribution of capital equipment among Latin American countries and the fair distribution of accumulated foreign exchange, so that hardships might be shared equally. It was imperative that Latin American countries should stand together on matters of foreign trade and international transport, so as to be able to cope with possible crises. The fact that the question would appear on the agendas of certain specialized institutions and other international bodies in the near future should not dissuade ECLA from attaching primary importance to it and planning practical measures on the basis of suggestions made by the Secretariat in its report.

/Mr. FREIRE

Mr. FREIRE (Uruguay) asked whether the Progress Report on the Study of Intra-Regional Trade (E/CN.12/228) which was mentioned at the end of item 6 of the agenda, but which had not been included in the agenda of the present meeting, had been excluded from the Committee's work.

The CHAIRMAN replied that there were only three items on the agenda of the present meeting, but that the fourth item would be included on the agenda of the following meeting of the Committee.

Mr. SCHIOPPETTO (Argentine) asked that the Committee's entire programme of work should appear in the agenda of future meetings as that would enable the Committee to take up any point in its programme.

The CHAIRMAN asked the Secretariat to draw up future agenda in that manner,

At the request of Mr. AMADOR (Mexico), the CHAIRMAN said that the Secretariat would do its best to distribute documents regarding the next meeting on Monday morning.

The meeting rose at 10⁴⁵ hours.
