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**ECONOMIC
AND
SOCIAL COUNCIL**

**CONSEIL
ECONOMIQUE
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UNRESTRICTED

E/CN.12/AC.2/SR.2*

2 June 1949

ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICAN

Second Session

COMMITTEE 2

(Foreign Trade and Finances)

SUMMARY RECORD OF THE SECOND MEETING

Held at Havana, Cuba,

on Thursday, 2 June 1949, at 10.a.m.

CONTENTS: Prospects for trade expansion (E/CN.12/85);
Economic Survey of Latin America (E/CN.12/82).

Chairman: Mr. GONZALEZ Uruguay

Rapporteur: Mr. ZEPHIRIN Haiti

Present: Mr. FORMICHELLI Argentina
Mr. ALVARADO Bolivia
Mr. PENTEADO Brazil
Mr. SANTA CRUZ) Chile
Mr. GONZALEZ ALLENDE)
Mr. MEJIA PALLACIO Colombia
Mr. VALDEZ RODRIGUEZ Cuba
Mr. CRUZ MORDAN Dominican Republic
Mr. BURON France
Mr. ZAMORA Mexico
Mr. SENIOR Netherlands
Mr. LARUE Peru
Mr. PHILLIPS United Kingdom
Mr. NUFER United States of America

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| Mr. CASSERES | Food and Agriculture Organization (FAO) |
| Mr. DELUTH | International Bank for Reconstruction and Development International Monetary Fund |
| Mr. LOPEZ HERRARTE) | |
| Mrs. THOMPSON | |

Consultants of non-governmental agencies:

| | |
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| Mr. ROMUALDI | American Federation of Labor (AF of L) |
| Mr. BALGOOYEN | National Association of Manufacturers (NAM) |

Secretariat:

| | |
|----------------------|---------------------|
| Mr. MARTINEZ CABANAS | Executive Secretary |
| Mr. PREBISCH | Economic Consultant |
| Mr. REY ALVAREZ | Economist |
| Mrs. POULAT DURAND | Economist |

PROSPECT FOR TRADE EXPANSION (E/CN.12/85)

Mr. MARTINEZ CABANAS (Executive Secretary), introducing the Secretariats report on the prospects for trade expansion (E/CN.12/85), explained that the problems of foreign trade had been treated as fully as possible in the Economy Survey of Latin America (E/CN.12/82) and that the document under discussion merely summarized and presented in analytical form the most important points contained in Chapter VII, together with some suggestions for a solution of those problems.

The principal problems analysed in the document before the Committee included the dependence of Latin American economy upon dollars resources, the adjustments which the Governments had been compelled to make in their development programmes and their probable repercussions, and the changes in the trends of trade in favour of the United States. The trade deficits of the Latin American countries in relation to the United States had been analysed in relation to trade trends in Europe. The supposition that the United States might increase its purchases from Latin America and that that increase might in 1949 amount to ten per cent over the 1948 level had also been presented for consideration. Furthermore, the Committee should study the implications of the intention of European countries to double their exports to Latin America, if feasible, by 1952-53. It was to be questioned whether Latin America would be able to absorb such an increase and in turn increase its exports to Europe proportionately. Moreover, the
/question whether

question whether Europe could satisfy Latin American requirements as to prices, quality and terms must be studied, since that region had become accustomed to the quality and favourable terms accorded by the United States.

With regard to intra-Latin American trade, a considerable increase had been noted during the war as a result of transport difficulties, the shortage of goods in the traditional markets and the industrial development of the Latin American countries themselves. How far would those countries be able to maintain and continue the increase in trade?

Finally, the study presented the problem of the multilateral compensation of payments. Bilateral agreements have been resorted to, but the limitations of such a method are obvious. The possibilities of developing a system of multilateral compensation should be considered on the basis of the study by the International Monetary Fund.

The Secretariat has therefore requested the authorization to make studies of the export potentialities and probable import requirements of each country. For that purpose full information ~~in~~ the structure of imports was needed as a basis for practical conclusions. Furthermore, the practicability of co-ordinating the work of ECLA with other organs such as the Committee on the Development of Trade of the Economic Commission for Europe - at present in full activity- has been suggested.

With regard to the proposed committee on trade, it had been envisaged as including all countries which desired to
/participate in the

participate in the examination of current problems and their solution. Such solutions would not be identical for all countries but would be such as might benefit the majority. The committee would be more flexible than ECLA itself, because the latter was bound by certain somewhat rigid procedures. It was therefore requested that ECLA should give the proposed committee instructions and the authorization to study practical problems in a methodical manner. After that had been done, the Executive Secretary would request from the Commission powers to set up a body with concrete terms of reference.

Mr. SANTA CRUZ (Chile) was interested in the proposed committee but requested the Executive Secretary to submit at a subsequent meeting specific suggestions for its terms of reference and explain what benefits might be expected to accrue from it. The members of the United Nations which made the major contributions to the budget might be unwilling to accept the financial implications of such a body unless they were assured that benefit would be derived from it.

Mr. NUFFER (United States of America) thought that the question of the terms of reference might be referred to a small working group.

Mr. VALDES RODRIGUEZ (Cuba) wished to know whether the formation of such a committee was opportune and what its membership would be.

Mr. PHILLIPS (United Kingdom) said that he was not opposed to the creation of such a committee in principle but felt that the approach from general terms of reference to the

/particular was the

particular was the reverse of what it should be. The experience of ECE had shown that it was possible to obtain agreement on specific problems, but impossible on general policies. Furthermore, the committee might duplicate the work of ITO and analogous bodies. He could not see how a committee of the kind proposed would proceed in laying the groundwork for trade negotiations between Europe and Latin America.

Mr. MARTINEZ CABANAS (Executive Secretary) thought that the Commission should take action on the proposed committee at the current session. The committee would be open to all Members of ECLA which desired to participate in it.

Mr. SANTA CRUZ (Chile) said that the Committee had to choose between setting up a committee of representatives of Governments or requesting the Executive Secretary to do the work. The Executive Secretary should inform the Committee of the financial implications involved in either case.

Mr. VALDES RODRIGUEZ (Cuba) thought that the work must be done in stages: firstly, an investigation of the changes in the trends and structure of foreign trade; second, the convening of a committee of experts to assess the results of that investigation; third, a decision on the way in which the proposed committee would function.

The CHAIRMAN announced that the Executive Secretary would submit concrete suggestions at a subsequent meeting.

Mr. ALVARADO (Bolivia) regretted the little attention paid in the report on prospects for trade expansion to the question of import and export prices, despite the resolution adopted on that subject at the first session (E/CN.12/71).

/At that session

At that session, almost all delegations had pointed out that the price of manufactured goods had risen since the first world war, whereas the prices of basic raw materials had remained stationary. The Bolivian delegation had pointed out that the volume of minerals exported was identical with that after the first world war, whereas the quantum index had fallen. The only practical basis for measurement was the value of gold in 1914, since sterling and the dollar had been revalued in 1931 and 1934 respectively. The inescapable conclusion was that the value of Latin American basic raw materials had fallen. The application of the gold basis would also show that the value of manufactured articles had undoubtedly risen between 1914 and 1949. The unfavourable ratio seriously endangered Latin American economy because it drained dollar reserves and also became a predominating factor in their economic life. Before 1914, fifty per cent of Latin American trade (excluding Cuba, Mexico and Central America) had been with Europe; during the past ten years it had passed almost entirely to the United States.

Too little emphasis had perhaps been given to an essential feature in this development: that of the increment in the industrial power of the United States resulting from that very tendency.

In the case of Bolivia, 90 per cent of its trade before the second world war had been with the United Kingdom, because its tin ores were smelted there. Owing to bombardment, the smelting had to be transferred to the United States. The United States had thus become a tin-smelting country and there was every prospect that it would remain so.

/A similar trend

A similar trend could be seen in the case of France. It would be difficult in the future to import the type of goods which Latin America had traditionally drawn from that country because many of the most typically French industries had been transferred to Latin America. Thus, the bonds between Latin America and the United States were being drawn tighter.

The report on trade prospects suggested that United States exports to Latin America might decrease and its imports from that region increase. The data for last six months showed an apposite trend with regard to volume; but the problem of prices remained.

At its first session, ECLA had unanimously endorsed the principle that production of raw materials should be diversified. Such a trend, however, implied the need for capital, which could be obtained only from loans or from a favourable balance of trade. Diversification would not be possible unless adequate dollar funds were available. The resolution adopted at the first session (E/CN.12/73) had requested the Executive Secretary to make a thorough study of that question. That study had obviously not been feasible in the time at the Secretariat's disposal.

The Bolivian delegation would therefore submit a resolution to the effect that the requisite study should be prepared for submission to the third session. The interval would enable the Secretariat to bring the statistics up to date. Until that was done, and until a framework for prices of raw materials and manufactured goods had been established, the Latin American countries would always be at the mercy of
/the instability

the instability of world prices due to the exposure of the highly developed countries to cyclical fluctuations. That instability was even more disastrous in that it affected countries substantially dependent upon a single product. Instability prevented long-term planning and discouraged both investors and producers, who would invest and produce fully only if they were guaranteed reasonably steady prices. Bolivia itself was a prime example of that problem, with all its disastrous implications.

ECONOMIC SURVEY OF LATIN AMERICA (E/CN.12/82) (discussion continued).

Mr. PHILLIPS (United Kingdom) regretted that adequate and timely statistical data relating to Latin American trade had been unavailable. He pledged the United Kingdom's cooperation in that respect; it had later figures available. He announced that Mr. Curie, his alternate, would be stationed at Santiago, Chile with the special work of transmitting all relevant United Kingdom statistics to ECLA.

The objection to the use of 1947 statistics was that it failed to give a picture of immediately contemporary trends. In 1947, imports could still be partially paid out of gold and foreign exchange reserves built up during the war; today, that had become impossible. The picture had been altered, moreover, by the imposition of import restrictions, a question to which due regard should be given. The recent fall in the world prices of raw materials had seriously affected Latin America.

Document E/CN.12/85 contained speculations on the effect of that fall on the direction of trade trends.

/Mr. PHILLIPS

Mr. Phillips suggested that that trend/might be directed to the non-dollar areas, since the fall was principally in respect of items in supply in the dollar areas.

With regard to the competitive attractions of European prices, prices for goods produced in the United Kingdom would be found satisfactory.

Mr. Phillips thought that the Survey should have laid more stress on the sterling transferrable account which, though bilateral in principles, was multilateral in its application. That was part of a conscious policy to assist the expansion of trade. The United Kingdom was most anxious to enter into arrangements with all Latin American countries - as it had already done with Chile - with the object of buying from and selling to other areas.

The United Kingdom was assisting in the solution of general problems for Latin America by three methods.

Firstly, in the ordinary course of trade, by providing machinery and materials. In 1948, the United Kingdom had exported to Latin America goods to the value of 120,000,000 pounds, of which 80,000,000 pounds had comprised metals, engineering products, chemicals and coal. All of those exports were of substantial importance for Latin American development and would contribute to the solution of its problems. He hoped that that trade would increase in the future.

With regard to alleged difficulty of supply, Mr. Phillips said that that had almost been overcome. The following goods were now in easy supply: diesel engines, pumping equipment, low tension electrical appliances and
/agricultural

agricultural machinery, with the exception of heavy crawler tractors. There still existed supply difficulties - which would be overcome in the near future - with regard to locomotives and high tension electrical equipment.

With regard to durable consumer goods such as domestic appliances and cars, the supply position was easy.

It should not be forgotten that many items of heavy equipment required a production cycle of as much as one year; that accounted for certain supply difficulties. The United Kingdom, however, was most anxious to provide capital equipment from the non-dollar areas.

Mr. Phillips pointed out, in the second place, that restrictive measures taken by certain Latin American countries prevented the expansion of trade in other fields, an expansion which the United Kingdom desired. Certain countries were prepared to buy capital goods but imported the less essential goods from the hard currency areas. The Executive Secretary had stated that that was a traditional trade pattern; Mr. Phillips, did not think that it need necessarily continue to be so in the future.

Third, the United Kingdom had traditionally provided technical assistance and would continue to do so. Such provision was now virtually an international matter; the United Kingdom would of course fully support the United Nations programme of technical assistance. It would, however, continue to provide such assistance in the ordinary course of commercial exchanges.

Mr. MARTINEZ CABANAS (Executive Secretary), in reply to the Bolivian representative, pointed out that some reference to the problem of prices occurred in chapter VII of the Economic

/Survey, facing

Survey, facing pages 238 and 256 in the Spanish text. The International Monetary Fund had also prepared a study of which the Secretariat had made an analysis, and further material appeared in document E/CN.12/89, on page 17 (Spanish Text). The Secretariat was fully aware of the vital importance of that problem and would make every effort to conduct further studies, within the limits of its available resources. He would provide the details on the proposed committee requested by the representatives of Chile, the United States and the United Kingdom at a subsequent meeting.

Mr. GONZALEZ ALLENDE (Chile) regretted that chapters VIII and IX of the Economic Survey lacked the statistical approach. The informative sections were satisfactory, although they might need certain additions or corrections. Chapter VII was open to similar criticism, but many of its defects had been remedied in document E/CN.12/85. He proposed, therefore, that the relevant parts of that document should be incorporated into the final text of the Survey.

The sections on the relation of prices was interesting, especially where they reflected the methods and data used. Those methods should provide a model for future studies made by ECLA.

The period reviewed in connection with foreign trade should not in future be only ten years but should be longer in order to reflect and draw conclusions from cyclical trends.

Chapter X (Latin America and European Recovery) was well drafted; the Secretariat had been able to make good use of the relevant data supplied by ECE and OAS.

The Chilean delegation would have liked to see a fuller explanation of the suggestion that Latin American problems

/might be solved

might be solved by the operation of the European Recovery Programme.

Mr. VALDES RODRIGUEZ (Cuba) said that the Survey did not reflect the situation in Latin America as a whole. Insufficient attention had been given to the Central American and Caribbean countries.

Mr. ZEPHIRIN((Haiti) said that his country was not greatly affected by the problems under discussion except in regard to the currency situation. The fact that few details on Haiti appeared in the Survey was explained by the fact that very little statistical work had been done in that country. He agreed, however, with the Cuban representative that more attention should have been paid to the Caribbean countries.

The problem of the Haitian currency resided in the fact that its unit, the gourde, had been pegged in 1922 by agreement with the United States at 20 cents. Haiti had not carried out any financial manipulations since that date. It therefore seemed unfair and uneconomic that it should remain pegged at the same rate in 1949.

The meeting rose at 12.15 p.m.
