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ECONOMIC COMMISSION FOR LATIN AMERICA

Fifth Session
Rio de Janeiro, Brazil.

COMMITTEE I (Current Economic Situation and Prospects)

PROVISIONAL SUMMARY RECORD OF THE SEVENTH MEETING

Held at Rio de Janeiro, on Tuesday,
21 April 1953 at 10 a.m.

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Consideration of draft resolutions
(Conference Room Papers Nos. 7, 10, 17, 18, 19 and 23)

NOTE:

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/PRESENT.

PRESENT:

<u>Chairman:</u>	Mr. VENTURA	Argentina
<u>Rapporteur:</u>	Mr. CASAS BRICEÑO	Venezuela
<u>Members:</u>	Mr. MARTINEZ	Argentina
	Mr. ALCAZAR	Bolivia
	Mr. MANGIA	Brazil
	Mr. MEJIA PALACIO	Colombia
	Mr. CARDENAS	Ecuador
	Mr. QUESADA	El Salvador
	Mr. COTTIER	France
	Mr. NORIEGA NORALES	Guatemala
	Mr. HUDICOURT	Haiti
	Mr. ZAIORA	Mexico
	Mr. FEIN	Netherlands
	Mr. CANTARELO	Nicaragua
	Mr. KOLBERG	Paraguay
	Mr. GODFREY)	United Kingdom of Great Britain and Northern Ireland
	Mr. MACKENZIE)	
	Mr. ASHER	United States of America
	Mr. PASTORI	Uruguay

Also present:

Representatives of specialized agencies:

Mr. MONTEIRO	International Labour Organisation (ILO)
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/Mr. LARSEN

Mr. LARSEN		International Bank for Reconstruction and Development (IBRD)
Mr. DEL CANTO)	International Monetary Fund (IMF)
Mr. ROBICHEK)	

Representative of an inter-governmental organization:

Mr. TAYLOR	Inter-American Economic and Social Council (IA-ECOSOC)
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Representative of a non-governmental organization:

<u>Category A:</u>	Mr. STEBELSKI	International Chamber of Commerce (ICC)
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Secretariat:

Mr. URQUIDI	Secretary of the Committee
Mr. MENDIVE	

CONSIDERATION OF DRAFT RESOLUTIONS (Conference Room Papers Nos. 7, 10, 17, 18, 19 and 23)

Draft Resolution of the Working Group on Multilateral Compensation Operations (Conference Room Paper No. 17)

Mr. CAMPS (Argentina) presented the draft resolution submitted by the working group on multilateral compensation operations. The group's work had been based on proposals submitted by the delegations of Ecuador, Brazil, Peru, Uruguay, Argentina and Chile. The final version of the draft resolution had been unanimously supported by all members of the working group and by the United States delegation.

The draft resolution (Conference Room Paper No. 17) was unanimously approved.

Draft Resolution on Terms of Trade Presented by Brazil, Bolivia, Argentina, Uruguay and Guatemala (Conference Room Papers Nos. 7, 10, 18, 19 and 23)

Mr. FASTORI (Uruguay), supported by Mr. RUIZ (Chile), pointed

out that

out that the five draft resolutions submitted on terms of trade covered substantially the same points and proposed that, in order to save time, a sub-committee should be appointed to produce one or if necessary two consolidated draft resolutions embodying the points included in the original five.

Mr. ASHER (United States), after some discussion on the procedure proposed, said he would give an outline of his delegation's general views on the question of terms of trade to assist the sub-committee in its work.

During the last few years a number of proposals had been made at international meetings with the aim of establishing an equitable relationship between the prices of primary products and those of manufactured goods. At the last session of the General Assembly, a resolution (General Assembly resolution 623 (VII)) had been adopted requesting the Secretary-General to appoint a small group of experts to prepare a report on practical measures which might be taken to achieve such an equitable relationship. Although his Government had opposed that resolution and a similar resolution adopted at the meeting of the Inter-American Economic and Social Council in Caracas, it was awaiting the submission of the experts' report with interest. His Government felt, however, that pending the submission of the report and its consideration by the Economic and Social Council, the adoption of further resolutions by subsidiary bodies would be premature and unlikely to clarify the situation.

The United States' position had not changed since the General Assembly. It still saw grave objections to any price-fixing or parity

/price relations,

price schemes, not because it was opposed to the principle of fair prices, but because of the practical difficulties involved. The only effective way of establishing prices was through the normal play of economic forces, and the prices so fixed were those most likely to be conducive to economic progress since they were the most reliable guide to the profitable use of resources. As he had already emphasized, economic progress required flexibility. His Government was, however, prepared in the case of certain products which were particularly susceptible to price fluctuations, to consider the feasibility of an international stabilization programme for such commodities.

Even greater difficulties than those involved in determining a fair price for a particular commodity were encountered when an attempt was made to decree an equitable relationship between the prices of different categories of goods. It was simply not possible to determine fair price relationships by administrative measures. The factors affecting production changed and those changes must be reflected in new price relationships.

As he had already pointed out, the prosperity of the Latin-American countries was dependent on increased production rather than on terms of trade for any single group of nations. The most important factor in economic development was technological progress and that would only be hampered by the establishment of fixed prices. A similar conclusion had been reached by the group of experts appointed by the Secretary-General two or three years previously to report on "Measures for International Economic Stability".

/He urged

He urged the Committee to wait for the submission of the report by the new group of experts before making any policy pronouncement on the subject.

Mr. NORIEGA MORALES (Guatemala) commenting on the United States representative's remarks, said it was well known that the United States had always been opposed to any administrative mechanism for the freezing of prices. He himself doubted whether any mechanical device could be satisfactory. The problem was one of extreme complexity and required goodwill and co-operation by the best brains available if any adequate solution were to be found. Everyone was fully conscious, however, of the inequity in the structure of price relationships between industrialized and other countries, and it was urgently necessary to seek not a rigid administrative formula but a fundamental solution, if serious conflicts were to be avoided.

His delegation believed that results might be achieved if attention were devoted to certain positive aspects of the question. One possible solution was the adoption of concrete measures to promote the processing, for export, of products in the raw material producing countries themselves, which would indirectly lead to an improvement in price relationships. That step by itself was not however sufficient; it must be accompanied by a considerable reduction of tariff and trade barriers on the part of the industrialized countries.

Such measures would provide a long-term solution to the problem but it was also essential to devise some short-term measures, administrative or otherwise, which would improve the terms of trade of

/the under-

the under-developed countries. Those with a single-commodity economy were particularly vulnerable since their whole economy might be dislocated by the imposition of excessively low prices by a country which had the monopoly of the buyer's market.

Everyone was awaiting the report of the group of experts with interest, but the problem was of such deep concern to the under-developed countries that they could not suspend their consideration of it in the meantime. He urged the working group to be appointed to consider the draft resolutions not to under-estimate the gravity of the situation or the human anguish involved. It must be remembered that the free interplay of economic forces could only occur where there were dynamic factors and, if circumstances remained static, those countries already in an unfavourable position would continue to suffer more than others.

Mr. GODFREY (United Kingdom) agreed with the United States representative that since the problem was already under consideration by a group appointed by the General Assembly, it appeared preferable to await the report before taking further action. Everyone was agreed that just and equitable prices were desirable, but the problem of achieving them would not be solved by the mere adoption of another resolution.

He felt that any attempt to confine the relationship between prices of raw materials and manufactured goods within a rigid framework would have the opposite effect to that desired, since growth and development was a dynamic process. Moreover, he failed to see how such a relationship could be fixed, in view of the fact that the price of raw materials was one of the factors directly influencing the price of manufactured goods.

/The possibility

The possibility of technological progress, to which the United States representative had referred, was another incalculable factor affecting price determination.

Finally, he felt that the draft resolutions laid undue stress on the question of terms of trade. The most important single factor for the economic progress of Latin America was an increase in total productivity.

Mr. COTTIER (France) said his country had always been favourable to stabilization of raw material prices and had already entered into some agreements relating to basic products. He doubted whether the question of the establishment of equitable prices could be studied satisfactorily until the group of experts had submitted its report, and he emphasized the enormous practical difficulties involved in fixing such prices. He did, however, advocate the conclusion of international agreements which would fix prices for basic commodities taking into account the conditions of the market, so as to avoid any undue rise in the prices of manufactured goods which would be to the detriment of all concerned.

Mr. ZAMORA (Mexico) stated that his delegation fully agreed with the views expressed by the Guatemalan representative for the following reasons. First, the General Assembly resolution to which the United States representative had referred (623 (VII)) was very broad in scope. Its various consideranda and recommendations corresponded to those set out in the draft resolutions before the Committee. The Committee was therefore in reality reaffirming that resolution -- a reaffirmation made necessary because of the peculiar economic conditions of the Latin-American countries.

Secondly, the draft resolutions had been criticized on an erroneous assumption. Not one of them suggested that fixed price levels should be /determined. It

determined. It would obviously be wrong to believe that price fixing could solve the basic economic problems involved.

Lastly, it had been asserted that the Latin-American countries had forgotten the most constructive method of solving their problems: economic development. On the contrary, that was their chief aim and the suggestion in one resolution that processing of primary products should be encouraged indicated their desire to intensify industrialization.

Mr. MANGIA (Brazil) said that the Brazilian delegation found no fundamental contradiction between the proposals before the Committee and the views of the United States. The problem of terms of trade and the disparity between prices of primary and manufactured products was not confined to Latin America alone. No general solution had as yet been found, largely because of the interplay of world economic forces. In view of the fact that the expert studies initiated by the United Nations had not yet been concluded, the Brazilian delegation had preferred to leave its draft resolution flexible, merely recognizing the existence of the problem, and the need for further study in order to point the way to a definitive solution.

Mr. MARTINEZ (Argentina) welcomed the statement that the United States Government was desirous of seeing just and equitable prices offered for raw materials. He too agreed that it would be hard to find a practical solution to the problem but that should not deter the Commission from taking further action. It was the appropriate body to do so on behalf of the Latin-American countries.

He further recognized the impossibility of establishing a rigid system of parity prices. To do so now would be merely to ratify the existing /inequitable position.

inequitable position. Efforts should rather be directed to finding means of improving the terms of trade. And administrative machinery did not appear to be the appropriate instrument. The United Kingdom representative held that the solution lay in greater productivity, by means of economic expansion. What would be the net gain to the Latin-American countries if the final result proved to be a drop in world prices, with resultant loss of revenue? Export prices had to be defended.

The Argentine delegation did not believe that the studies advocated in the draft resolutions were contrary to the terms of General Assembly resolution 623 (VII). The most logical procedure now would be to have the five texts combined in a joint draft resolution before debating the opposing viewpoints further.

Mr. HUDICOURT (Haiti) observed that the positions taken up by the various countries were substantially the same as when the subject had been first broached five years ago. The present discussion showed there clearly were two blocs: the Latin-American countries, requesting further study, and the industrial countries, stating that it was useless to make further study for the time being. He felt there was no reason why further studies should not be carried out on the question by the Commission. No one expected an immediate solution to emerge from the further studies now advocated, but gradual progress would be made.

The fact that five countries had submitted resolutions on the matter was a measure of its importance and the extent to which they agreed on aims and methods pointed to the need for a combined text. Three of the draft resolutions raised the question of the processing of raw materials. The Bolivian draft sought the removal of discrimination in the consuming markets. The chief factor involved was no longer price relationships

/but customs

but customs barriers, preferential tariffs and so on. That was an aspect therefore that might be dealt with immediately without awaiting the report of the United Nations experts. Also, it should be noted that the drafts included recommendations to governments.

He also advocated the deferment of further discussion until a joint text was before the Committee.

Mr. MEJIA PALACIO (Colombia) recalled that the doctrine of a just relationship between prices of raw materials and manufactured products had been established nine years earlier at Chapultepec, with the assent of the United States. Since that time, it had been Colombia's consistent policy to seek in all international organs to encourage the study of basic problems relating to terms of trade. His Government's position had not changed.

The United Nations had appointed an expert group for the purpose at its seventh session, but there was a group of countries in the western hemisphere, with common interests, that would prefer to have an additional study carried out, related directly to their particular situation. ECLA could provide the best means for an exchange of their views.

The text of any joint draft resolution that was prepared should be brought into line with the wording of previous international decisions, particularly those taken at the recent IA-ECOSOC session.

Mr. RUIZ (Chile) said that his delegation had already explained its position on the matter. The basic problem was caused by the substantial difference in income levels in the under-developed and the highly industrialized countries respectively. So long as that disparity persisted, the under-developed countries would continue to suffer from

/unfavourable terms

unfavourable terms of trade. The solution, he agreed, lay in diversification of the structure of their economies, and increasing productivity. For that, however, a certain degree of assurance that world prices would remain stable was necessary. He had therefore been glad to hear the United States' statement, since Chile's stability depended to a large extent upon continued United States prosperity.

Mr. PASTORI (Uruguay) failed to understand the opposition to the proposals in the five draft resolutions. The importance, complex nature and interest of the problem had been recognized by the General Assembly resolution 623 (VII). Moreover, if as the United States and United Kingdom representatives had affirmed, they felt that there should be an equitable relationship between the prices of raw materials and manufactured commodities, then there was no valid reason why the studies advocated should not be carried out.

The United States representative had asserted that in effect prices on world markets were determined by the free interplay of supply and demand. That was not so for most raw materials, since the interest of the buyer who in most cases exercised a virtual monopoly was a significant factor. That aspect had to be borne in mind.

The United Kingdom representative had queried the possibility of establishing a relation between the prices of raw materials and manufactured goods. Studies should be carried out and amplified precisely because of the complex nature of the question.

Mr. CARDENAS (Ecuador) said that a study of all aspects of the matter was essential. In the past, the industrialized countries had imposed fixed prices for raw materials that had been disadvantageous

to the producer countries and slowed down their rate of development.

The Ecuadorian delegation would therefore support any draft resolution proposing further study of the matter. He agreed that the encouragement of national processing of raw materials would provide a long-term solution to the problem. Shorter-term means should, however, be energetically sought.

The CHAIRMAN recalled the Uruguayan-Chilean proposal to set up a sub-committee to combine the five draft resolutions submitted on terms of trade.

The proposal was adopted.

The meeting rose at 1 p.m.

Dear Mr. ...
I have received your letter of the 25th and am glad to hear that you are still interested in the project.
I have been very busy lately and have not had time to write you more fully, but I am sure that you will understand my situation.
I am sure that you will be satisfied with the progress made so far.
I am sure that you will be satisfied with the progress made so far.
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