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AND  
SOCIAL COUNCIL



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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 NINTH MEETING

Held at Rio de Janeiro, on Wednesday,  
22 April 1953, at 9.30 p.m.

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Consideration of draft resolutions (Continued)  
(Conference Room Papers Nos. 21 and 45)

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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. TORRES	Brazil
	Mr. RUIZ	Chile
	Mr. MEJIA PALACIO	Colombia
	Mr. CARDENAS	Ecuador
	Mr. QUESADA	El Salvador
	Mr. COTTIER	France
	Mr. NORIEGA MORALES	Guatemala
	Mr. FEIN	Netherlands
	Mr. CASTILLO	Nicaragua
	Mr. BARRETO	Peru
	Mr. GODFREY	United Kingdom of Great Britain and Northern Ireland
	Mr. ASHER	United States of America
	Mr. PASTORI	Uruguay

Also present:

Representatives of specialized agencies:

Mr. DEL CANTO )	International Monetary Fund (IMF)
Mr. ROBICHEK )	

Secretariat:

Mr. MENDIVE	Secretary of the Committee
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Mr. URQUIDI

/CONSIDERATION OF

CONSIDERATION OF DRAFT RESOLUTIONS (Continued) (Conference Room Papers Nos. 21 and 45)

Draft resolution on the Annual Economic Survey submitted by the Delegation of Ecuador (Conference Room Paper No. 21)

Mr. NORIEGA MORALES (Guatemala) intimated that the working group established to produce a final version of the text of the Ecuadorian draft resolution had been unable to meet, but he hoped it would be in a position to do so before the Committee's next meeting.

Joint draft resolution on terms of trade submitted by the delegations of Argentina, Bolivia, Brazil, Guatemala and Uruguay (Conference Room Paper No. 45)

Mr. ASHER (United States) expressed his delegation's appreciation of the efforts made by the working group which had produced the consolidated text of the draft resolution, and of the Guatemalan representative's lucid introduction of the text.

He deeply regretted that he was unable to support the text, as it stood. In the first place, the resolution still placed heavy emphasis on the debatable assertion that it was essential to improve the terms of trade which were unfavourable to the Latin-American countries. As he had already pointed out, the terms of trade could not be favourable to all countries all the time. Nevertheless, he emphasized that all were fully agreed that greater stability in trade was desirable and that any repetition of the crisis of 1929-1930 must at all costs be avoided.

He further felt that the draft resolution tended, unjustifiably, to lump all economic problems together under the question of terms of trade. The problem of synthetic substitute products, for example, was not

/strictly related

strictly related to the terms of trade, and the recommendation made in respect of it would appear to place a check on technological progress. Finally, he considered the draft resolution somewhat one-sided in that it called on the industrialized countries to admit they had been giving unfavourable treatment to the less developed countries and to take steps to modify their behaviour, while there was no corresponding recommendation to the under-developed countries that they in turn should avoid restrictive or discriminatory measures against the industrialized countries.

His delegation had considered three possible courses of action, and had decided that for it to discuss and vote against the draft resolution or to introduce wholesale amendments would have led to an acrimonious debate in the full Committee and detracted from the unanimity which was so desirable. It had therefore been decided to place before the Committee the kind of resolution on terms of trade which it felt it could support. He would not formally introduce the draft resolution without the Committee's permission, since the latter might feel it preferable first to submit it to a smaller body which could consider the possibilities of reaching unanimous agreement.

Mr. COTTIER (France) said his Government's position on the question of terms of trade had already been stated in the United Nations General Assembly. His delegation could not support the resolution submitted by the working group and would prefer a compromise text which would enable the Committee to achieve a certain degree of unanimity.

Mr. GODFREY (United Kingdom) also thanked the delegations who had facilitated the Committee's work by producing the joint text, while

/regretting that

regretting that he could not support it. As the United States representative had said, the resolution contained a number of highly debatable assertions. It appeared, for example, to state that there was an appropriate relationship between the prices of raw materials and those of manufactured goods which could be achieved and maintained. The resolution also referred to the restrictions placed by industrialized countries on imports of primary products. While his Government was anxious to remove such restrictions, it could not support the expressions used in the resolution. Furthermore the resolution made no reference to reciprocal action to prevent discrimination on the part of the under-developed countries.

His delegation fully appreciated the universal desire for greater trade stability, and the concern of countries whose principal products were subject to wide fluctuations in price, and it was prepared to consider the possibility of entering into international commodity arrangements. It could not, however, recede from the position it had adopted in the debate on General Assembly resolution 623(VII).

His delegation did not wish to prevent discussion of the question and would be prepared to support a resolution along the lines outlined by the United States representative.

Mr. BARRETO (Peru) said there was general agreement that the worsening of the terms of trade had an adverse effect on the progress of the under-developed countries. One constructive aspect of the joint resolution was the concept that the further processing of raw materials in the producing countries might partly attenuate the deterioration in their terms of trade. He pointed out, however, that as a result of their

/unfavourable terms

unfavourable terms of trade the under-developed countries were unable to obtain sufficient foreign exchange to enable them to acquire the capital goods necessary for the processing of their raw materials. Consequently, there was a kind of vicious circle which must be broken by the injection of capital, both foreign and domestic. His delegation therefore felt the joint resolution should be supplemented by the addition of a paragraph underlining the necessity of creating conditions which would stimulate capital investment. He would submit an amendment proposing the addition to the joint resolution of a paragraph I (v) to the effect that the Executive Secretary should contemplate means calculated to: "Create suitable conditions for the encouragement of domestic and foreign capital investment for the purpose of aiding industrialization and mitigating the possible effects of variations in the terms of trade on foreign currency receipts, which can impede the economic development of these countries".

After a procedural discussion, Mr. MARTINEZ (Argentina) proposed that another meeting of the original working group, with the addition of other representatives should be held to study, on the basis of the joint draft resolution, the possibility of reaching a compromise text which would harmonize all the views expressed.

Mr. PASTORI (Uruguay), Mr. TORRES (Brazil) and Mr. RUIZ (Chile) supported the Argentine proposal.

Mr. NORIEGA MORALES (Guatemala) joined with previous speakers in welcoming a further opportunity to work for unanimity on the thorny problem of terms of trade.

Two well-defined positions on the subject had emerged from the extensive discussions in the Commission and in wider international bodies:

/the position

the position of the industrial countries and that of the Latin-American countries. Despite the strong opposition of the former group, certain principles, fundamental to the future progress of the Latin-American countries, had been adopted by the General Assembly and by IA-ECOSOC. In the laudable desire to achieve unanimity, Guatemala would not be prepared to sacrifice or compromise any one of those principles. Furthermore, it would be most inappropriate for ECLA, the regional body representing Latin-American interests, to retreat from the stand thus already taken.

The United States' proposal, it seemed to him, represented a minimum attempt at conciliation. The chief object was apparently to weaken the joint draft resolution and there were certain provisions in it which he could not possibly accept. The general recommendation to lower customs barriers was a typical example. How could such a recommendation be accepted with its so widely disparate effects on the respective economies of the under-developed and industrial countries? And how could the same high level of efficiency and productivity be demanded of the Latin-American countries in the initial stages of their industrialization? It had taken many generations for the industrial countries to attain their present high level in those respects. Those were but two instances. He could cite other features of the United States' proposal which did not correspond to reality in Latin America.

What the Latin-American countries were seeking to achieve was a steady improvement in the terms of trade in their favour. No rigid price structure for that purpose had ever been envisaged nor had it been contended that the terms of trade had invariably been against them. The long-term effects, however, had been disadvantageous. Despite what he had just said, he believed that there was sincere sympathy in the opposition camp for some

of the provisions of the joint draft resolution. Accordingly, the working group should make every effort to formulate proposals that would lead to a raising of the level of real income in the Latin-American countries -- the ultimate objective of all their countries.

In conclusion, he observed that he fully understood and appreciated the position of the United States. He would have no objection to cutting out of the joint draft resolution any references that might be construed as reproach or criticism of the industrial countries. On the other hand, he would not, he reiterated, accept the deletion of any of the fundamental principles to which he had referred.

Mr. TORRES (Brazil) expressed his confidence that an acceptable draft resolution would be produced by the working group. His assurance stemmed from the fact that in large part the joint draft resolution merely affirmed principles that had already been adopted by the General Assembly and the IA-ECOSOC. Those principles could therefore serve as a starting point for the attempt to reach unanimous agreement in the Committee, thus obviating any possibility of a retrograde step or weakened stand as feared by the Guatemalan representative.

In fact, the object now was to build on past achievements and initiate specialized studies on topics mentioned in the General Assembly resolution that were of particular interest to the Latin-American countries. ECLA should indeed be asked to seek measures for overcoming the effects of the introduction of synthetic substitutes for raw materials, for example, or the single-commodity type of economy on the future development of the Latin-American countries.

He agreed with the Guatemalan representative that certain sections of

/the joint

the joint draft resolution might be toned down without sacrifice of principles.

Mr. ASHER (United States of America) welcomed the Argentine suggestion and warmly thanked all its supporters. The Committee could be assured of his delegation's eagerness to work for unanimity, but he must warn it that he would be unable to go beyond the position taken by the United States in the General Assembly, on the question of the terms of trade.

The Guatemalan representative, to whose eloquence and integrity he paid a sincere tribute, was under a misapprehension on one point. The United States' proposal had merely recommended the lowering of tariff barriers to the maximum extent possible, not a uniform reduction in all countries.

Mr. GODFREY (United Kingdom) found himself in a similar position to that of the United States representative. He too was unable to go farther than the stand taken by the United Kingdom in the General Assembly on the subject. Nevertheless, general agreement might be achieved on certain points, and the attempt was therefore worthwhile.

Mr. BARRETO (Peru) withdrew his proposed amendment to the joint draft resolution in order to facilitate the Committee's work.

Mr. COTTIER (France) added his thanks for the Argentine representative's suggestion which he was sure would further the possibility of reaching accord.

/The CHAIRMAN

The CHAIRMAN, noting the general agreement on the Argentine proposal, designated the five countries that had jointly sponsored the draft resolution (Conference Room Paper No. 45), together with the United States, United Kingdom and France, to form the working group.

The meeting rose at 12.15 a.m.