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

SUMMARY RECORD OF THE FOURTH MEETING

Held at Mexico City,  
on Monday, 4 June 1951, at 1625 hours.

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Maintenance of purchasing power of balances accumulated during the emergency period: joint draft resolution submitted by Brazil and Chile (E/CN.12/AC.13/2).

/PRESENT:  
E/CN.12/AC.13/SR.4

**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. GONZALEZ	Chile
	Mr. LLUBERES PEÑA	Dominican Republic
	Mr. BARONA ANDA	Ecuador
	Mr. GLOWER VALDIVIESO	El Salvador
	Mr. BROWN	United States of America
	Mr. de SEYNES	France
	Mr. PALACIOS	Guatemala
	Mr. BASTIEN	Haiti
	Mr. CRUZ	Honduras
	Mr. AMADOR	Mexico
	Mr. JONGBAW	Netherlands
	Mr. PEZET	Peru
	Mr. MacVITTIE	United Kingdom of Great Britain and Northern Ireland
	Mr. FREIRE	Uruguay

Representatives of the specialized agencies:

Mr. CORDOVA)	Food and Agriculture
Mr. TERVER )	Organization (FAO)
Mr. del CANTO	International Monetary Fund

Representatives of non-governmental organizations:

<u>Category A:</u> Miss ALDAPE CANTU)	World Federation of United Nations Associations
Mr. BERDEJA )	
<u>Category B:</u> Mr. GALVEZ	Organization for Standardization

Representatives of inter-governmental organizations:

Mr. TAYLOR	Inter-American Economic and Social Council
Mr. JONGBAW	Caribbean Commission

<u>Secretariat:</u> Mr. PREBISCH	Executive Secretary, ECLA
Mr. ALANIS PATIÑO	Secretary of the Committee

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GENERAL DISCUSSION ON LATIN AMERICAN-EUROPEAN TRADE, THE EFFECTS OF THE DEFENCE PROGRAMME AND UNITED STATES IMPORTS OF LATIN AMERICAN PRODUCTS (Documents E/CN.12/225, E/CN.12/234 and E/CN.12/226) (continued)

Mr. NAVAJAS MOGRO (Bolivia) congratulated the Executive Secretary upon the excellent documentation in which the ECLA staff had worked out a genuine economic doctrine adapted to the specific structure and characteristics of Latin American economies.

The focal problem confronting Latin America was that of the accumulation of inconvertible foreign exchange and the simultaneous contraction of the exportation of capital goods during periods of international crisis. Bolivia, whose economy was essentially based on monoproduction, had acquired during such crises a substantial amount of foreign exchange through the sale of its tin and other minerals on the world market. It could not, however, use that foreign exchange for the purchase of the capital equipment required to expand its economy because that equipment was not available in the supply markets. Once the crisis was passed, prices of its raw materials had fallen and Bolivia had to postpone implementation of its various industrial development programmes. Moreover, even its production of raw materials was insufficient to meet the demand, mainly owing to the lack of machinery and the impossibility of repairing existing plants and modernizing working methods, and particularly in times of crisis.

To resolve the problem, Latin America must obtain guarantees of the convertibility of its foreign exchange and the availability of capital goods in times of crisis, and it must find ways to ensure a fair and stable price for its raw materials at all times. Finally, it must be able to look forward to the prospect of continuous, stable

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trade relations with the rest of the world.

Several points made in the Executive Secretary's key statement should be emphasized. Bolivia noted his optimistic approach to the persistent threat of inflation and his confidence that the inflationary spiral could be controlled by positive methods and would not necessarily compel the Latin American countries to abandon their economic development programmes. Bolivia was deeply concerned with the need for qualified Latin American economists trained in the specific economic phenomena of the continent to formulate economic policies for the guidance of member states. It therefore attached great importance to the studies undertaken by ECLA and would advise its sister republic to seek such guidance in the Secretariat's papers on inflation and the effects of the rearmament programme. Finally, the Bolivian government was anxious to have the views of the member states on those subjects and reserved the right, at a subsequent meeting, to introduce a draft resolution dealing with them.

Mr. SCHIOPPETTO (Argentina), commenting first on the Secretariat guide to the Committee's discussion pointed out the close interrelation between issues of an immediate short-term nature and overall structural problems, such as those of supplies, markets and prices, as they affected trade between Latin America and the rest of the world. As a basis for its economic development, Latin America had to increase its supplies of raw materials, processed commodities, capital equipment and machinery. Only thus could it reduce its dependence on foreign countries. It had, moreover, to expand its markets and to stabilize  
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the prices at which it sold its goods, for those factors, which directly determined the production and distribution of its products, fundamentally affected its economic development.

The Inter-American Economic and Social Council had dealt with the aspect of Latin American economies and would do so again at its forthcoming August session. The problem was directly related to international trade policy of countries producing goods required by Latin America, monetary and credit formulae and the prospect of accumulating foreign exchange and must be dealt with in close consultation and fruitful collaboration with the highly-developed supplier countries. Moreover, without prejudice to the paramount importance of economic development, the immediate issues affecting Latin America's trade with Europe and the United States must be thoroughly explored and solutions sought in a spirit of friendly solidarity among all the nations concerned.

Mr. Schioppetto reviewed briefly the economic position of Argentina stressing the methods employed by the Argentine government in the past five years to direct the economy away from the multiple pitfalls enumerated in the Secretariat's documentation and noted the overwhelming progress achieved in all branches of the economy since 1947.

Argentina had, to a large extent, solved the perennial problem common to under-developed countries of processing their products in their own countries, with its concomitant effects on the development of their foreign trade. In the conviction that the natural process of development required a minimum of industrialization to raise the

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standard of living of the population, the Argentine government had provided strong impetus to industrial activity without being compelled to reduce its volume of trade with the outside world.

In that respect, the Argentine government fully shared the views of the United States that trade should be expanded as fully as possible in order to raise the living standards of all nations. Industrialization in Latin America, far from restricting trade, should result in an expansion and diversification of trade relations. Argentina had achieved that goal without seeking economic autarchy; its industrialization had been necessary for the normal development of its social economy.

The key to solution of the problem of industrialization was the establishment of a permanent, not a transitory trend to increase production of raw materials and at the same time supplies of capital goods required for the development of infant industries. Much remained to be done in Latin America - and not enough attention had been devoted to the problem - to increase production of both consumer and producer goods, obtain better output through rationalization and improved organization, and put to work capital equipment and new machinery as basic factors in production. Adherence to that policy would result in an increase in domestic consumption and a resulting rise in the general standard of living. Thus poverty and inflation could be fought simultaneously and many other problems endangering Latin American economies could be resolved. One result, for example, would be more effective co-operation in the defence programme.

/Mr. Schioppetto

Mr. Schioppetto then reviewed the measures taken by the Argentine government to stimulate activity in all branches of the economy and the striking advance resulting therefrom. As compared with 1937, for example, industrial production in 1950 had increased by 73 per cent, owing, in part, to substantial imports of the capital equipment and machinery required. Wages and salaries had risen and family incomes had increased.

Mining production, particularly output of iron ore, had risen considerably and continued to increase monthly, while substantial coal reserves had been built up. To achieve that end, Argentine had had to import digging equipment and means of transport from producing to consuming centres. Oil production had also risen significantly and many new areas were being drilled. To maintain the increased rate of output, drilling equipment had had to be imported and Argentina had greatly increased the number of its oil tankers. To feed the growth of industry, production of electric power had been vastly increased, millions of kilowatt-hours had been produced from imported equipment and the rapid rate of industrialization had actually created a deficit in electric power.

As a result of the absorption of manpower by industry, there had been a large-scale movement of the population from the country to the urban centres and output of cereals and other essential farm products had initially been reduced. Since domestic consumption had been greatly expanded, exportable residues were being reduced, foreign exchange resources were being exhausted and the balance of payments was being

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affected adversely. In 1950, Argentina was in a position to maintain its rate of industrial development, but had to give great impetus to its agricultural and livestock production for sale abroad in order to obtain the foreign exchange necessary for continued imports of capital goods.

To solve the shortage of labour in the farm areas, Argentina had imported considerable quantities of agricultural machinery. The government had given further incentive to increasing agricultural production by price-fixing, cheap credit facilities, distribution of selected seeds and technical aids to improve farming methods and by investing huge sums to cover the difference between cost of production and the sale price of the products. Moreover, farmers had been enabled to obtain concessions of land or own it outright and the cultivated area had been substantially expanded. In the same way, to promote livestock production, the government had fixed prices, set up an Institute of Livestock Production and offered various other incentives. Owing to the rise in domestic consumption, the numbers of slaughtered animals had risen considerably. When Argentina became a member of the United Nations Food and Agriculture Organization (FAO) during the current year, it would co-operate fully in fostering an increase in farm and livestock production.

Argentina's trade with foreign countries had also been greatly expanded. Multiple exchange rates had been reduced to two: one applicable to imports and exports from abroad and the other to trade within the region. Adjustment of the exchange rate to the appropriate



level had facilitated export possibilities. With the nationalization of public utilities and the great volume of goods purchased by foreign countries, in 1950, the Argentine balance of payments showed substantial surpluses. The country broadened and diversified the markets in which it placed its products and offered guarantees regarding its exportable surpluses which it had been unable to offer earlier. Moreover, it increased its merchant fleet to transport goods overseas to the point where in 1955, it hoped to have its own fleet handle 50 per cent of its volume of foreign trade. At the same time, it multiplied its goods and passenger traffic within Argentina and the region.

All those measures - expanded industrialization, increased production and consumption and increased volume of trade - had led to a rise in the Argentine standard of living. That favourable situation was threatened not by lack of foreign exchange to obtain capital goods but owing to restrictions placed on export of those goods by supplier countries in response to the needs of the defence programme. That danger constituted the major problem of the Latin American economies and must be given special attention. A review must be made of the prices at which Latin American products were sold abroad and of the prospects of using accumulated foreign exchange.

International groups had been set up to regulate trade in most basic materials. One such group for example, dealing with the production and distribution of materials in short supply, was considering such Latin American products as minerals, wool, cotton, wood pulp, etc., and would adopt measures basically affecting Latin  
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American economies. The objective of such international groups was to increase production of goods in short supply and improve distribution of exportable surpluses. It would make recommendations which, while not binding upon governments, would influence the prices of goods subject to regulation.

The countries of Latin America must be alert to the possible effects of such international regulation of the flow of basic materials. They must defend their exports and maintain their traditional markets. They must resist any dislocation of trade trends and upsetting of price levels. They must insist upon fair prices for their products compatible with the rights of producers as factors in social and economic progress. The price of products must do more than cover the minimum subsistence needs of the producer; he must be assured a fair return and the prospect of an improved standard of living. The prices of goods sold abroad must be kept in line with the prices paid abroad for similar commodities.

Mr. Schioppetto was confident that the countries directing the international regulation of the flow of basic materials had the same objectives as the Latin American nations, and could be depended upon to co-operate in a spirit of goodwill in defence of Latin America's basic economic interests. Their presence at the current ECLA session would make possible a fruitful exchange of ideas and progress toward a fair solution of the problem.

In conclusion, Mr. Schioppetto noted that while the ECLA Secretariat had provided in its voluminous documentation an invaluable guide to

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facts and trends in Latin American economy, it was impossible to present constructive criticism of that work in view of the brief interval between distribution of the documents and the holding of the session.

Accordingly, some method must be found which would afford the Secretariat ample time for preparation of the documentation and, at the same time, get it into the hands of delegations early enough before the opening of the ECLA session to provide full opportunity for study. At Montevideo, Argentina had supported a proposal to submit documentation to delegations two months before the opening of the session; it felt that, in any case, a 30-day deadline might be fixed. The Argentine delegation would support any motion to resolve the problem along those lines, taking into account the financial implications of additional translators, services of economists and other concomitant factors.

MAINTENANCE OF PURCHASING POWER OF BALANCES ACCUMULATED DURING THE EMERGENCY PERIOD: JOINT DRAFT RESOLUTION SUBMITTED BY BRAZIL AND CHILE (E/CN.12/AC.13/2)

Mr. RAMOS (Brazil), expressed his delegation's satisfaction with the work done by ECLA in the field of international trade. The ECLA/ECFAO report on trade between Latin America and Europe (E/CN.12/225) was an excellent document and dealt with all the main aspects of international trade.

Referring to the joint draft resolution submitted by the Brazilian and Chilean delegations (E/CN.12/AC.13/2), which he asked all delegations to support, he emphasized that the balance of trade between Latin American countries and Europe amounted to approximately 80

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million dollars more in 1950 than in 1949. Such a surplus would increase as European countries tended to reduce their imports of basic products from Latin American countries.

The problem of trade between Latin American countries and Europe was very important and means should be found to solve it. Brazil's position as regards that problem was similar to that of Chile, and the Brazilian delegation therefore supported the Chilean representative's statement made at the previous meeting. His delegation wished to emphasize two points in that statement, namely the problem of the instability of the purchasing power of accumulated foreign exchange and the question of the form which any attempt to attenuate the unfavourable effects of a rise in the price of foreign goods should take.

Referring to the commercial agreements suggested in the joint draft resolution, he pointed out that after such agreements had been reached the contracting parties would be able to carry on their economic activities in much greater security. It was not sufficient, however, to plan trade between two countries on a sound basis - it was more important to carry out that plan.

Accumulated foreign exchange reserves should not lose their purchasing power because one of the contracting parties was unable to supply goods within the specified time limit. Surplus foreign exchange earnings should be used to acquire capital goods and products at prices in force at the time the agreements were drawn up.

Mr. GONZALEZ ALLENDES (Chile), said he had listened with great interest to the Bolivian representative's statement.

/Referring

Referring to the joint draft resolution submitted by the Brazilia and Chilean delegations, he supported the Brazilian representative's statement and reserved his right to speak to that resolution at the following meeting.

Referring to the Argentine representative's suggestion that documents should be submitted to the members of ECLA well in advance of the Commission's sessions, he pointed out that increasing demands were being made on ECLA's Secretariat, and suggested that the matter should be discussed by the Chairman with the Chairman of the Ad Hoc Committee on Functions of ECLA and placed on that Committee's agenda. It should be borne in mind that ECLA's Secretariat could not carry out the work entrusted to it unless adequate funds were placed at its disposal by the General Assembly.

It was decided that the Chairman should get in touch with the Chairman of the Ad Hoc Committee on Functions of ECLA regarding the question of documents.

Mr. FREIRE (Uruguay), supporting the joint draft resolution, said that it would benefit all democratic countries. His delegation considered that any agreements reached as a result of the resolution should be based on the principle of the solidarity of the democratic powers as regards purchases from Latin American countries of products required to meet any emergency in order to obviate any inequitable liquidation of inconvertible exchange balances.

Mr. VALDEZ RODRIGUEZ (Cuba) suggested several amendments to the joint draft resolution which he proposed to submit in writing at a later meeting. His delegation considered that the wording of

/paragraph 1

paragraph 1 was too general and should be made more specific. The liquidation of surplus foreign exchange and the transfer of that exchange from European currency into other currencies in order to facilitate the purchase of capital goods should be guaranteed.

Referring to paragraph 2 of the draft resolution, he suggested that it should propose that a group of experts be set up to assist the Secretariat in carrying out its studies.

As regards paragraph 3, he thought that the Executive Secretary should be asked to give the Inter American Economic and Social Council the greatest possible co-operation.

Referring to paragraph 4, he considered that a study should be made of the functions of the European Payments Union in order to decide how that body could assist Latin American countries. He also thought that two paragraphs should be added to the joint draft resolution thanking certain specialized agencies for their assistance and asking the Executive Secretary to submit annual reports on international trade with special reference to capital goods.

Mr. PALACIOS (Guatemala) supported the joint draft resolution. He felt, however, that it should refer to the problem of accumulated foreign exchange and should suggest that ECLA and the International Monetary Fund study together means by which foreign trade earnings might be used to the best possible advantage.

The Guatemalan delegation had carefully studied the problem of the accumulation of foreign exchange, which was of great importance to international trade, and would submit a written amendment to the joint

draft resolution at a later meeting.

Mr. GONZALEZ ALLENDES (Chile) accepted the amendments suggested by the Cuban representative, but reserved his right to speak on the Guatemalan proposal when it had been submitted in writing.

Mr. de SEYNES (France) said he would refer in detail at a later meeting to the joint Brazilian Chilean draft resolution and to the amendments submitted thereto. His remarks should not be taken as evidence that France's attitude towards that resolution was a negative one.

The question of the accumulation of foreign exchange by Latin American countries was a serious one and should receive ECLA's careful attention. Latin American countries were asking European countries to guarantee that the purchasing power of their currencies would be preserved during periods of rearmament. Such a reassurance had already been given at the twelfth session of the Economic and Social Council and also by the United States government. The President of France had also given that assurance during his visit to Washington, D.C.

Referring to the suggestion in the joint draft resolution that the benefits of the European Payments Union should be extended to Latin American countries, he wished to assure the members of ECLA that the Union had no desire to restrict European trade with other parts of the world. The extension of the facilities offered by the European Payments Union to Latin American countries should be considered very cautiously as considerable difficulties might arise. After outlining some of the difficulties, he suggested that the working group proposed by the

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Guatemalan representative should study the problem.

He emphasized that European countries which paid dollars for goods purchased in countries other than the United States of America were helping to maintain the level of European purchases in Latin America.

Referring to the question of bilateral agreements, he felt that although they were not ideal, they might lead to a considerable expansion of trade between Latin American countries and Europe.

As regards the question of general guarantees to be given to Latin America, he said he would make a statement when a definite proposal on that problem had been submitted to the Ad Hoc Committee on International Trade.

Mr. del CANTO (International Monetary Fund) said he had listened with great interest to the statements made by various representatives, and reserved his right to speak again when the amendments to the joint draft resolution had been circulated.

Mr. NAVAJAS MOGRO (Bolivia) suggested that the proposed working group should be composed of the representatives of Brazil, Chile, Cuba, France and Guatemala, and that a revised draft resolution should be submitted to the Committee.

Mr. SCHIOPPETTO (Argentina) supported the draft resolution and considered that it might lead to a solution of the problem of the accumulation of foreign exchange earnings. He reserved his right to suggest amendments at a later date.

Mr. GONZALEZ ALLENDES (Chile) felt that representatives should have the opportunity of hearing all the members of ECLA before the suggested

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working group was set up.

Mr. AMADOR (Mexico) supported the joint draft resolution and the Chilean representative's suggestion that the working group should be set up after the final draft of the resolution had been considered.

Mr. NAVAJAS MOGRO (Bolivia) withdrew his proposal regarding the working group in view of the statements made by the Chilean and Mexican representatives.

The meeting rose at 7 p.m.

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