

# GENERAL ASSEMBLY

## SEVENTH SESSION

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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

**Economic development of under-developed countries: (a) Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.162 and Corr. 1 & 2, A/C.2/L.162/Add.1, A/C.2/L.164, A/C.2/L.168, A/C.2/L.169/Rev.1, A/C.2/L.171, A/C.2/L.173, A/C.2/L.174, A/C.2/L.175, A/C.2/L.176 and A/C.2/L.177) (continued)**

[Item 25 (a)]\*

1. Mr. NURADI (Indonesia) drew the Committee's attention to the low standards of living of the peoples of the under-developed countries. The difficult situation in those countries would become deplorable if an economic depression occurred in the rest of the world. Pointing out that the present aggregate world expenditure on armaments was about 80,000 million dollars a year, or thirty times the national income of Indonesia, he noted with satisfaction that the United Nations was making efforts to promote economic development and prevent a possible crisis. Those were two aspects of the same problem, for economic development made it possible to stimulate demand in the under-developed countries and experience had shown that an increase in demand was always preferable to a reduction of supply.

2. Perhaps it was premature to speak of a depression, but 1952, as compared with 1951, had unquestionably been a year of recession. The decline in the exports of raw materials from the under-developed countries had sharply affected production, employment, income and development projects in those countries. The volume of exports from Indonesia in the first half of 1952 had been 28 per cent less than in 1951. On the other hand, imports had increased by 30 per cent. The fall in prices as a consequence of declining exports had seriously

affected the production of the small producers of rubber, copra and other goods. Reduced production had cut down employment to some extent and upset the equilibrium of the country's budget and balance of payments. In support of his statements, he quoted figures indicating the seriousness of his country's position with regard to the budgetary deficit, the total of money in circulation and the balance of payments. Lastly, he pointed out that the decrease in exports had compelled the Indonesian Government to reduce its imports and, consequently, to abandon important development projects.

3. Many other under-developed countries were in the same position as Indonesia. That was why the Argentine delegation, by its draft resolution (A/C.2/L.162 and Corr.1 and 2), had attempted to contribute to the stability of economic life. Stability did not mean stagnation or rigidity. Stability did not exclude economic development—on the contrary. Of the factors leading to economic instability, undue fluctuations in the terms of trade were not the least. The Argentine delegation's proposal to request the Secretary-General to study means of checking those fluctuations was therefore a welcome step. Obviously the economic development of the under-developed countries affected the rest of the world. Consequently, it was not out of place to recommend governments to act cautiously and consult together before adopting measures to check fluctuations in the terms of trade.

4. For those reasons, the Indonesian delegation was in favour of the second sub-paragraph of the present text of paragraph 4 of the Argentine draft resolution. Recognizing the complexity of the problem of the terms of trade, it proposed, however, to add a new sub-paragraph (b) (A/C.2/L.175). Its view was that, before an attempt was made to check the fluctuations of the terms of trade, all the factors causing them should be carefully studied.

\*Indicates the item number on the agenda of the General Assembly.

5. The Indonesian delegation approved the amendment proposed by the five Central-American countries (A/C.2/L.169/Rev.1). In its opinion, stability in the prices of primary commodities would help to solve the problem of the terms of trade. Nevertheless, it considered that the amendment required some change. It appeared to advocate the conclusion of separate inter-governmental agreements for each primary product. The Indonesian delegation would be unable to assume an obligation of that kind. It therefore proposed that the text should be drafted in more general terms; in that way the Committee would not prejudice the conclusions of the group of experts mentioned in paragraph 7 of the Argentine draft resolution. The Indonesian delegation did not think the problem could be solved by the conclusion of separate agreements for primary products. On the contrary, it thought that if prices were to be stabilized, primary products must be considered as a whole. It was in favour of the constitution of international buffer stocks as a simpler solution which, if necessary, would allow for monetary reform, by taking the value of the principal primary products as a basis for an international monetary unit, which might or might not be linked to the value of gold.

6. The Indonesian delegation therefore proposed (A/C.2/L.175) that sub-paragraph 3 (c) of the Argentine draft resolution should be amended so as to indicate in more general terms the impact of price and terms of trade fluctuations on economic life. Their effect was not limited to fiscal and balance of payments difficulties; they also affected other spheres of economic life. The Indonesian delegation would like to indicate in sub-paragraph 3 (d) that price fluctuations might affect the implementation of economic development plans and the terms of trade but that they did not automatically do so.

7. With regard to his delegation's proposed modification (A/C.2/L.176) to sub-paragraph 5 (b) of the five Central-American countries' amendment, he pointed out that that amendment conveyed the impression that stability of prices of primary products would benefit only the producers. The fact was that consumer countries would benefit also because they could be sure of a continuous flow of raw materials at prices, the movement of which could be calculated.

8. He was in favour of the Chilean amendment (A/C.2/L.174), adding that the solution of the problem of the terms of trade was of vital importance not only for the under-developed countries but for the whole world. He could not, however, support the Greek amendment (A/C.2/L.173), which completely avoided the real issue.

9. The Indonesian delegation trusted that the Committee would adopt the Argentine draft and that the work of the proposed group of experts would be fruitful.

10. Mr. DIAS CARNEIRO (Brazil) submitted his delegation's proposed amendment (A/C.2/L.177) to the Argentine draft resolution. In his view, a clear distinction must be made between fluctuations in the prices of primary commodities and secular movements in their value. Often in the discussion, members of the Committee had failed to make clear to which type of fluctuations they were referring and that had caused misunderstandings. In that connexion, the French representative had pointed out at the previous meeting that

the arguments invoked in favour of the Argentine proposal were sometimes contradictory. It would be regrettable if the resolution were to be rejected on account of semantic difficulties. It was curious to note that although the question of secular movements in the terms of trade of countries which exported primary commodities had been mentioned since 1949 in Economic and Social Council documents, not a single General Assembly resolution had mentioned it specifically.

11. The Brazilian delegation had therefore thought it necessary to propose an amendment to the preamble to the Argentine draft resolution making a distinction between cyclical fluctuations in the prices of individual commodities and secular movements in their value as a group in terms of manufactured goods. The cyclical fluctuations in the prices of individual commodities could be seen from statistical series which of course differed for each product, exporting country and period considered. They fluctuated alongside a secular movement in the value of primary commodities as a group; recent studies had estimated the length of that movement to be 140 years; it had reached a maximum during the Napoleonic wars, dropped to a minimum between 1870 and 1880 and reached another maximum in 1937.

12. The Brazilian delegation thought a clear definition of the two types of movements would help to dispel any confusion. It would be given in the preamble to the draft resolution and the operative part of the resolution would be subdivided logically into two parts: one dealing with cyclical fluctuations and means of checking them and the other referring to the establishment of a group of experts to examine methods to remedy the difficulties caused by secular movements in the value of primary commodities in terms of manufactured goods.

13. As the Committee had a number of amendments before it concerning agreements on primary commodities and the establishment of a group of experts, the Brazilian delegation had confined itself to suggesting two texts expressing in different terms the ideas already contained in the Argentine draft resolution and in several amendments.

14. Mr. J. S. F. BOTHA (Union of South Africa) appreciated the extreme complexity of the problem dealt with in the Argentine draft resolution. The problem was very important for countries which, like the Union of South Africa, depended to a large extent on their exports of raw materials for their foreign earnings.

15. He admitted in principle that the industrially advanced countries, particularly the persistently creditor nations, had a special obligation to relate the effect of their economic policies to the economic situation and balance of payments of other countries. However, sub-paragraph (a) of paragraph 4 of the Argentine draft seemed not only to oversimplify the problem, but also to advocate a solution which could only raise new problems. The group of experts appointed by the Secretary-General had made it clear in its report entitled *Measures for International Economic Stability* (E/2156) that a price parity scheme would be very difficult to execute and would not be desirable if a stable and expanding world economy was accepted as goal.

16. In sub-paragraph 4 (b) of his draft, the Argentine representative proposed to request governments to

refrain from encouraging the production of synthetic or substitute materials that unnecessarily affected the international demand for natural primary commodities. At first glance the principle seemed acceptable and that its application should be to the advantage of under-developed countries, the main exporters of raw materials. But it must be remembered that the obligation would be imposed on all countries, both developed and under-developed. In the economic structure of the industrialized countries of the West, private enterprise undertook production without State assistance. On the other hand, in the under-developed countries, industry very frequently relied on State encouragement and assistance in various forms. The obligation mentioned in sub-paragraph 4 (b) would therefore apply more to the under-developed countries than to the developed countries and would have an effect exactly opposite to the one which the Argentine representative had in mind.

17. The Belgian and Canadian representatives had already shown that the application of the provisions of sub-paragraph 4 (b) might have very undesirable consequences. The words "substitute materials" in particular had a very wide meaning; thus cotton could be used as a substitute for wool in the manufacture of certain traditionally woollen goods. Similarly, it might one day be possible to substitute atomic energy for coal and oil for industrial purposes. He was not altogether out of sympathy with the Argentine representative since he was aware that hardships had already been caused in certain specific instances, but he could not support sub-paragraph 4 (b), which he considered to be phrased in too general terms.

18. Turning to sub-paragraph 4 (c), he recalled that the reduction of restrictions on imports of primary commodities was already being studied by certain bodies. His country, which was a party to the General Agreement on Tariffs and Trade, had undertaken certain multi-lateral obligations applying amongst others to the import of primary commodities. Experience had shown that the negotiations on the reduction of restrictions on such imports were extremely protracted and arduous. Sub-paragraph 4 (c) seemed therefore to express only a pious hope that governments would abolish all restrictions simply by unilateral action.

19. Although he did not object to the Greek amendment (A/C.2/L.173), he recalled that the group of experts had stated, in paragraph 36 of its report entitled *Measures for International Economic Stability*, that international commodity agreements were "notoriously difficult to organize and to operate" and that the range of products which they could cover was necessarily limited. He did not think that the Committee would be acting realistically if it placed governments under a binding obligation to conclude international agreements when it knew the limitations of such agreements. In any case, on many occasions already the importance of international commodity agreements had been emphasized and it seemed unnecessary to do so again.

20. Although he had no objections to the Greek amendment, he would nevertheless prefer the Committee to deal with specific proposals rather than vague generalizations. The same comments applied in general to the amendments of the five Central-American countries. He considered the Indonesian amendment (A/C.

2/L.175) to be drafted in very wide terms and would welcome elucidation.

21. Lest he be thought too negative in his approach he referred the Committee to the solution provided by the experts in paragraph 47 of their report: "The pursuit of higher standards of productivity is likely to be more rewarding than a concentration upon restrictive policies designed to improve the position of one group at the expense of another".

22. In paragraph 7 of its draft, the Argentine delegation requested that a group of experts should undertake a new study of the relation of the prices of primary commodities to those of manufactured goods. In that connexion, he drew the attention of the Committee members to the report prepared by the group of experts in accordance with Economic and Social Council resolutions 290 (XI) and 341 (XII) which already dealt with the problem. He would have preferred not to see a draft resolution on that extremely complex problem placed before the Committee. A resolution which adhered to one particular formulation might tend only to obscure the problem and render it even more complex.

23. Mr. KATZ-SUCHY (Poland) remarked that the Argentine draft resolution referred to a problem which was not new to members of the Committee. The problem could be summarized thus: the exports of certain under-developed countries were, generally speaking, based on a single commodity or on certain raw materials. For those countries exports represented an important source of income which should enable them to pay for their imports of capital goods. It was thus essential to establish a fair relationship between the prices of raw materials and those of capital goods to enable the under-developed countries to secure the capital necessary for their development. In other words, the problem to be solved was that of financing economic development by organizing international trade. The Argentine representative's proposal should be considered in a broader context. Due account should be taken not only of terms of trade, but also of all factors which contributed to determining the position of the under-developed countries in the world market.

24. Without entering into an argument with the French representative, he stated that he did not share the views which that representative had advanced in his statement at the previous meeting. He realized that it was difficult to establish statistical series which would give a general picture of the relationship between the prices of foodstuffs and of raw materials exported by the under-developed countries and those of the manufactured goods which they imported. Despite those handicaps one thing was certain: there could be no question of justice and fairness in the capitalist market where prices were fixed according to the monopoly interests which dominated it. The terms of trade of the under-developed countries corresponded to their position in a market dominated by the imperialist Powers. With regard to the French representative's misgiving as what he had called the "theory of transfer" (217th meeting), he recalled that in the capitalist economy increased productivity generally manifested itself in a rise in the rate of profits. But, in the case of under-developed countries, the fact must be noted that foreign monopolies appropriated the major part of the profits accruing from increased productivity, because they con-

trolled the production of and trade in raw materials and foodstuffs exported by those countries.

25. He further recalled that the French representative had drawn the Committee's attention to the difficulty of defining the current trend of economic development. He (Mr. Katz-Suchy) felt that it was easy to clarify the matter, because the mere fact that the United Nations was discussing the problems raised by the Argentine draft resolution indicated a reversal of the trend. The discussion reflected the growing resistance of the under-developed countries to imperialist exploitation and showed that the governments of the under-developed countries had realized the economic potentialities which would be theirs if they regained control of their own natural resources. They were therefore engaged in a struggle the outcome of which would determine their economic relations with the outside world. It was the duty of the United Nations to assist them in their efforts to achieve political and economic freedom.

26. The current position of the under-developed countries was the outcome of a long process of historical evolution. For several decades those countries had been subjected to foreign political and economic domination. Foreign exploitation had forced upon them a special economic structure in which cheap labour produced raw materials and foodstuffs which they traded, under unfavourable conditions, for industrial goods. Hence the terms of trade had been distorted.

27. The exports of raw materials and foodstuffs were practically the only source of foreign currency and also the major portion of the national income of those countries. Their resources were sold at prices determined by factors outside the control of the producing countries. Their economic life therefore depended upon extraneous circumstances, the most important of which were the business cycle and the technological changes taking place in the industrialized countries. In the past it had been possible for the foreign currency receipts of the under-developed countries to vary by as much as 30 per cent from one year to the other. Since part of that revenue was regularly diverted to offset foreign debts and to pay interest and dividends to foreign companies, they could not rely on the production of raw materials and foodstuffs for their economic development. Consequently no improvement in their economic structure had been possible.

28. Generally speaking any increase in the prices of raw materials did not entail an improvement in the situation of the under-developed countries, because it was accompanied by an increase in the prices of industrial goods. On the other hand, every increase in the prices of industrial goods had a detrimental effect on the entire economic life of the under-developed countries. Those countries were therefore the last to benefit from the improved economic situation and the first to suffer the effects of economic crises. Moreover, the combined effect, in certain instances, of the drop in the prices of raw materials and of the increase in the prices of capital goods had put trade completely out of balance and had led to a deficit in the balance of payments. The capitalist Powers, primarily the United States, were responsible for that state of affairs. The Argentine delegation had shown the disastrous effects upon its country of the pressure exercised by the United States on the price of certain raw materials. Bolivia

and Chile had also been the victims of manoeuvres to depress the prices of tin and copper.

29. He also stressed the fact that, in order to maintain its dominant position in the raw materials market, the United States exercised pressure on the under-developed countries to prevent them from maintaining commercial relations with the Union of Soviet Socialist Republics and the Peoples' Democracies. In that connexion, he quoted from the November 1951 bulletin of the Economic Commission for Asia and the Far East, which stated that the control exercised by the United States over the destination of certain raw materials had caused a noticeable drop in the prices of those products.

30. At the sixth session of the General Assembly, the Second Committee, after studying the position of under-developed countries and particularly their foreign trade position, had unanimously adopted a resolution 523 (VI) entitled "Integrated economic development and commercial agreements", the draft of which had been submitted by his delegation. That resolution had dealt not only with the question of raw materials and foodstuffs exported by the under-developed countries, but also with the problem of the imports necessary to those countries. In particular, it had indicated as one way of obtaining the means necessary for carrying out economic development plans in under-developed countries, the creation of conditions under which those countries could more readily acquire capital goods for the goods and services exported by them. The resolution had visualized the possibility of facilitating the movement of capital goods through commercial agreements, provided that such agreements did not contain economic or political conditions violating the sovereign rights of the under-developed countries. He thought the resolution clearly defined the basis of the economic relations of under-developed countries with other countries. Its scope was greater than that of the draft resolution submitted by the Argentine delegation because, while attempting to create conditions favourable to raw material exporting countries, it would make it possible for the under-developed countries to receive the capital goods as well as the primary products necessary for their development. It was not therefore limited to the question of terms of trade.

31. He regretted that nothing had been done to implement the resolution. He thought the United Nations might, by taking energetic measures, make a noteworthy contribution to solving the problem of the financing of the economic development of under-developed countries, and achieve the aims of the Argentine draft resolution.

32. He therefore urged the Committee to insist on the implementation of resolution 523 (VI), and suggested that it should request a report on what had been done in that connexion. For its part, his Government was prepared to extend its commercial relations with the under-developed countries on the basis of the principles stated in the resolution.

33. Mr. HALIQ (Saudi Arabia) noted that while the various delegations agreed in recognizing the cogency of the principles underlying the Argentine draft resolution, views varied somewhat with regard to the operative part, and particularly with regard to paragraph 4 of the draft resolution. For his part, he did not share the opinions expressed by the French and United Kingdom delegations which, while agreeing with the prin-

ciples stated, had deemed that it was not necessary to proceed to a vote.

34. He emphasized that, after two world wars, the under-developed countries were confronted by industrialized States which, as a result of their dominant position, were able to influence the economic or political life of other Powers. The under-developed countries were therefore compelled to await the solution by the more favoured countries of the problems raised by their own economic development. It was unfair, and scientifically incorrect, to claim that the problem of the economic development of under-developed countries was a question of the provision of capital and technical assistance. He therefore thanked the Argentine representative for having, in his draft resolution, brought a number of problems to the attention of members of the Committee.

35. In examining economic development problems, it must always be borne in mind that such development would be the result of the evolution of international relations and not of the play of certain forces. What made economic development problems difficult to solve was not so much the need for establishing the bases of economic co-operation but the changes in the attitude of governments towards those problems. The draft resolution should therefore be considered from the viewpoint of the concrete implementation of the principles on which it was based. In that connexion, members of the Committee should remember that certain of the now industrialized countries had only recently achieved that status; their governments should be able to understand the reasons which had led the Argentine delegation to make itself the spokesman of the countries desirous of becoming economically developed and progressively industrialized. There was no organization more competent than the United Nations to make possible the free expression of those aspirations.

36. In submitting its draft resolution, the Argentine delegation had attempted to propose a remedy for the monetary instability and unjust practices which characterized international trade. That was a motive for congratulation, because there were many obstacles to the establishment of a healthy world economy. Those obstacles could certainly only be surmounted by international co-operation, which implied understanding of the problems peculiar to each country. International co-operation should relate, in particular, to the suppression of customs barriers and the creation of agencies to regulate or suppress practices harmful to the balance of international terms of trade. While the United Nations had taken measures to bring about the stabilization of exchange rates and of the flow of capital from the rich to the less favoured countries, it had failed to deal with questions concerning terms of trade and comparative prices of primary products and manufactured goods.

37. The establishment of equitable terms of trade between raw materials and capital goods raised a number of questions. Balanced terms of trade implied, for example, a balance between wages in the different industries and in the different countries. It implied that profits everywhere should form a comparable proportion of costs. It depended on differences in wages and cost prices. The difficulty was due to the fact that there was no code of international economic relations which all States were in a position to apply. The principle of free trade could be applied in a competitive

free market, but it could not be applied under a planned economy in which prices, wages, money costs and exchange rates were arbitrarily determined. The under-developed countries were therefore placed in a dilemma, which was brought out by the Argentine draft resolution, and which had been commented on by a number of delegations.

38. He described the part which the international trade organization, envisaged by the Havana Charter, should be able to play in the sphere of economic co-operation if a number of conditions were fulfilled. Among those conditions were the ratification of the Havana Charter by the most important trading countries, the need for Member States to make their economic structure sufficiently flexible and stabilize their currencies, and finally the participation by private undertakings in the export trade. All States, small or large, ought to participate equally in the decisions of the international trade organization. Finally, that organization ought to be able to back up its decisions by economic sanctions. As a result of national planning and the setting up of State monopolies of foreign trade, international economic co-operation had become possible only to the extent to which it could be obtained through international agreements. That was what the Central American and Greek delegations had wished to take into account in submitting their amendments. In his opinion, it would only be possible to ensure true international economic co-operation by seeking a realistic procedure. If the great Powers limited themselves to adopting resolutions representing mere pious hopes, it was useless to attempt to obtain results from such resolutions.

39. While bi-lateral agreements had serious defects, multi-lateral agreements, for their part, were no less difficult to apply; consequently they were rarely acceptable. But agreements, in order to be lasting, must be acceptable to all parties. He therefore warned the Committee against the danger of a resolution imposed by a majority vote of the Committee on the countries to which it was primarily addressed.

40. The Argentine draft resolution was an attempt to emerge from the impasse. The amendment submitted by the Greek delegation, which referred to the conclusion of inter-governmental commodity agreements for individual primary commodities, would improve the Argentine draft.

41. In conclusion, he had not wished to express any final opinion on the question under consideration. He had merely attempted to direct the discussion so as to give greater force to the recommendations the Committee would eventually adopt.

42. Mr. BETETA (Mexico) said that Mexico attached great importance to the question raised in the Argentine draft resolution. At the sixth session of the General Assembly in Paris, the Mexican delegation had already indicated the need to place the commercial and monetary relations of the various nations on a more equitable basis and had argued that the best method would be to institute an international price parity scheme similar to that applied by the United States in the domestic sphere. The Mexican delegation had pointed out that the terms of trade had gradually changed in the previous century to the disadvantage of the primary producing countries, except in rare emergency periods, and had added that the under-developed

countries were unable to derive any benefit from the currency reserves they were able to accumulate in such periods, as export of the capital and consumer goods they needed was generally restricted at such times; at the end of such periods, their reserves had considerably less purchasing power since the removal of the export restrictions almost always coincided with the removal of price controls. The countries of the American continent had endeavoured to remedy the situation; they had made a careful study of the question, particularly at the Conference of Central Bank Technicians at Washington the previous year and at the meeting of the Inter-American Economic and Social Council in Panama the previous April.

43. His country, which had taken part in those inter-American studies, was glad that it had been made an international issue through the initiative of the Argentine delegation and he proposed to vote for the Argentine draft resolution as a whole. Although sub-paragraph 4 (a) contained certain concepts which were difficult to define, such as that of a "just and equitable" relation between prices, the Mexican delegation approved of that provision in principle since its application would certainly promote the economic development of the under-developed countries and, hence, world economy and security, as there could be no economic stability or lasting peace as long as the standard of living of the under-developed countries remained as low as it was at present. His delegation would abstain from voting on sub-paragraph 4 (b) since, while recognizing the dangers indicated by the Argentine delegation, it realized that that provision might appear somewhat restrictive to certain members of the Committee. In conclusion, he said that before stating his views on the various amendments, he would like to know which of them the Argentine delegation would be prepared to accept.

44. Mr. HUEZO (El Salvador) recalled that in his last statement (216th meeting), the United States representative had referred to the recent increase in the price of various primary commodities and foodstuffs, including coffee, to prove that the trend of the terms of trade was in favour of the primary products producing countries. The United States representative had been able to speak of a marked increase because he had taken 1937 prices as the basis of comparison; if he had taken 1926 prices, however, he would have seen that in 1949 the index of the rise in the price of primary commodities had been only 47 as against 51 in the case of manufactured goods. As regards the period following the opening of hostilities in Korea, the following situation obtained: between 22 June 1950 and December of that year, the local price of coffee had risen from 49 to 55 cents a pound, an increase of 12 per cent; that of a ton of steel had risen from \$34.50 to \$44, an increase of 26 per cent.

45. He pointed out that the increase in the price of coffee had coincided with the removal of the price controls applied by the United States Government to raw materials during the recent war. Moreover, the increase had represented merely a necessary and equitable adjustment in the face of the higher prices of manufactured goods, and of the increased demand; according to the Pan-American Coffee Bureau, not only had the number of coffee consumers increased in the United States, but there had also been an appreciable rise in

*per capita* consumption. It would be difficult to prevent the price of coffee from being affected by the inflationary pressures exerted by those various factors.

46. Generally speaking, it would be very difficult to determine on what level to fix the prices of the various primary commodities so as to preserve the desired relationship between them and the prices of manufactured goods. There were certain factors, however, which might serve as a guide. The most important factor to be taken into account was the latent depreciation to which primary commodities were subject, as the result either of indirect action by the industrial countries or of a policy of price compression openly pursued by those countries. Most of the primary producing countries had derived very limited benefit from the recent rise in the price of raw materials.

47. During the recent war, the countries which had succeeded in accumulating dollar reserves had been unable to use them to purchase the machinery and capital goods needed for the normal operation and the development of their economies. At that time dollars had been merely monetary symbols with no immediate purchasing power and United States export permits alone had had any real value. The return of normal conditions had brought a substantial decline in the purchasing power of the dollar. In those circumstances it could not be said that trade had been conducted under equitable conditions. Moreover, irrespective of the apparent improvement in the terms of trade, no equation could express the privations which the peoples of the primary producing countries had had to suffer.

48. The International Monetary Fund had prepared a document entitled *The World Payments Situation* for the seventh meeting of the Governors of the Fund and of the International Bank for Reconstruction and Development. In that document it was stated that, on the basis of 1950 prices, there had been a decline of approximately 8 per cent in the terms of trade of the United States. It was stated that from the beginning of 1950 to the date of publication of the report, the United States had imported primary commodities to a value of \$1,600 million and, furthermore, that in that same period the gross national income of the United States had been \$300,000 million. In other words, comparison of the sum spent by the United States on the purchase of primary commodities with the gross national income showed that purchases of raw materials did not even represent one per cent of the national income. Any fluctuations which affected only one per cent of the total income—whether of an individual or of a country—were of little significance. No parallel could therefore be drawn between the effect of a readjustment of primary commodity prices on the United States, on the one hand, and on the primary producing countries on the other hand. It was enough to remember that what constituted merely a very small fraction of the national income of the United States represented a large proportion of the national income of the countries which produced the raw materials imported by the United States. That explained why the primary producing countries attached such importance to the question of the terms of trade. It was their firm belief that the desired aim, which was to ensure that all countries received a just and equitable price for the raw materials they produced, could only be achieved if a very detailed study were made of the relationship of prices on the



world market, and of the factors determining those prices.

49. Mr. BUNGE (Argentina) was prepared to accept the amendments proposed by the delegations of the Central American Republics (A/C.2/L.169/Rev.1) if those delegations for their part accepted the amendment proposed by the Indonesian representative (A/C.2/L.176). He also accepted the amendments proposed by the Indonesian delegation (A/C.2/L.175) and the Chilean delegation's amendment (A/C.2/L.174).

50. Mr. FACIO (Costa Rica) said that he and the other sponsors of the amendments (A/C.2/L.169/Rev.1) accepted the amendment proposed by the Indonesian delegation (A/C.2/L.176), subject to the insertion of the word "multilateral" before the words "international arrangements".

51. Mr. NURADI (Indonesia) accepted that amendment. He asked whether a new draft of the Argentine draft could be submitted to the Committee, incorporating the amendments accepted by the Argentine representative.

52. Mr. BUNGE (Argentina) agreed to revise his draft resolution.

53. The CHAIRMAN said that the Secretariat would prepare a revised text of the Argentine draft.

54. Mr. GUTIERREZ GOMEZ (Colombia) emphasized that discussions such as those currently taking place under United Nations auspices were of great interest for the development of world economy. It was most encouraging for all those who directed the economic affairs of their countries to see that questions as closely linked to the peace and welfare of mankind as the economic development of the under-developed countries were being examined with such competence and from such different angles. A simple analysis of the remarks occasioned by the Argentine draft resolution would help towards the achievement of the purpose for which it was intended. The Colombian delegation, for its part, wished to associate itself with that draft and to explain the reasons for its support.

55. All those who had taken part in the debate had agreed in approving the substance of the recommendations to Member States proposed by the Argentine delegation. The reservations expressed by a number of speakers had no doubt been prompted by the undue scope which they had attributed to some expressions used in the draft resolution or by their reluctance to commit their governments on certain points which were not of basic importance. In order to help reach agreement within the Committee, he proposed to recapitulate the considerations on which the Argentine draft resolution was based, and which his own delegation unreservedly approved.

56. In the first place, the economic equilibrium of the under-developed countries was particularly sensitive to fluctuations in the price of basic commodities. That was an axiom so obvious that it hardly needed any explanation. He wished to recall, however, that the national income of certain countries largely depended upon the production and export of a limited number of basic products, or even of a single product. Thus, in Latin America a single commodity at times represented almost 90 per cent of the total value of a given country's exports, and the financing of a quarter of all imports

of commodities and various services could depend upon the proceeds of the sale of that product. That detail was sufficient to show how serious the consequences of fluctuations in the price of basic commodities could be for the economic development of the countries concerned and for the welfare of their inhabitants.

57. Secondly, price movements in the world market had had an unfavourable effect on the terms of trade of the under-developed countries. The Committee had heard statistics intended to refute that assertion. He would not go into the figures that had been quoted, but he wished to point out that the study of the prices of a limited number of basic commodities during two arbitrarily chosen periods did not provide an adequate basis for definitive conclusions in a matter as complex as terms of trade. The choice of the period or periods considered was actually very important. In the case of coffee, for example, it could be seen from the prices quoted from 1928 to 1952 that price fluctuations on the world market had been of the order of 200 per cent. If the statistical analysis was based exclusively on the period from the beginning of the Korean war to the end of 1952, a slight fall in price, of less than 5 per cent, was to be observed; on the other hand, if the period under consideration extended from before the Second World War to 1952, the percentage rise did in fact reach the very high figure quoted by the United States representative. It would be possible to adduce equally valid reasons for the choice of one period or another as the basis for a study of coffee price trends on the world market. But the fact was that since 1946 all primary producing countries without exception had suffered from a shortage of foreign currency and a chronically unfavourable balance of payments. The chronic adverse balance of payments certainly had also other causes, such as—to cite one example only—the need of raw material producing countries to import capital goods for the development of their economy; but in any case the dominant factor was undoubtedly their unfavourable terms of trade. It was true that the price of basic commodities had stood highest on the world market during the post-war period, starting in 1946; but economics was an essentially relative science, and the imports of all the raw material producing countries, together with the fundamental changes in the structure of their exports, needed to be carefully studied in order to understand why the rise in the price of basic commodities had not made up for that of capital goods and manufactured articles. In that connexion, he cited the example of his own country, whose situation was analogous to that of most other Latin-American countries. The foreign currency reserves that Colombia had managed to build up between 1942 and 1946, owing to the fact that imports were hindered by the war and despite the fact that the price of coffee had been controlled in a manner disadvantageous to that country, had not been sufficient to balance its trade during the period immediately following the cessation of hostilities; in fact, Colombia had lost more than 30 per cent of its total foreign currency reserves during 1947 alone. Since then, the Colombian Government had attempted to restore equilibrium in its balance of payments by adopting domestic measures in connexion with imports and monetary control which had radically altered the structure of its foreign trade. The apparently favourable position of coffee on the world market was actually belied by the constant difficulties ex-

perienced by coffee-producing countries in obtaining foreign currency, difficulties which had led them to regulate and cut down their imports.

58. Thirdly, in order to attain the goal which the United Nations had set itself and help it to contribute towards the economic development of the under-developed countries, it was important that governments which found it necessary to adopt measures affecting the price of primary commodities, should pay due attention to the possible effects of those measures on the terms of trade of the countries in the process of development. In support of that statement he felt that it was sufficient to recall that the trade situation of most of the countries in the process of development had been so precarious and so vulnerable during the previous five years, in spite of the satisfactory tendency shown by the prices of their export commodities, that they would have faced financial disaster if the big raw material importers had acted unilaterally.

59. Such was the spirit in which he interpreted the Argentine draft resolution. That draft was by no means intended to fix prices rigidly by means of government

or international controls. The basic provisions of the draft were contained in sub-paragraph 4 (a). In order to assist the financing of the economic development of the under-developed countries it was indispensable, in view of the serious repercussions of steps taken by primary commodity importing countries on the vulnerable economy of raw material producing countries in the process of development, that the industrial countries, if they found it necessary to interfere with the play of supply and demand and the natural movements of prices, should pay attention, not only to the interests of their own inhabitants, but also to the difficulties and needs of the countries producing the raw materials the price of which they wished to control.

60. While approving the Argentine draft resolution as a whole, the Colombian delegation would abstain on sub-paragraph 4 (b) and 4 (c), as it realized that those sub-paragraphs could give rise to controversy; deletion of them would in no way affect the scope of the introductory paragraphs or the operative part of the resolution.

The meeting rose at 6 p.m.