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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 and A/C.2/L.171) (*continued*)

[Item 25 (a)]*

1. Mr. ENCINAS (Peru) wished to submit certain comments on paragraph 4 of the Argentine delegation's draft resolution (A/C.2/L.162 and Corr.1 & 2), which was the main section of the operative part.

2. First, the provisions of sub-paragraph 4 (a) were not intended to maintain a *de facto* situation but to ensure that the prices of primary commodities remained in an equitable relation to the prices of capital goods and other manufactured articles; that was, at least, the Peruvian delegation's interpretation. It was doubtless to be expected that Member States would be confronted with difficulties in practice, but it was advisable for the United Nations to take a stand on price relationships, even if only to attempt to establish an ideal standard. He therefore fully supported the text of the sub-paragraph.

3. His delegation was unable to accept sub-paragraph 4 (b). It feared that to halt the technological processes on which progress was based might have a detrimental effect on the welfare of the peoples of the world, particularly those of the under-developed countries. To impede the development of synthetic materials on the pretext that their appearance in large quantities on the world market would affect the demand for natural primary commodities was to stand in the way of progress. Adoption of the sub-paragraph might therefore have serious repercussions, and use of the word "un-

necessarily" was not an adequate safeguard against the sub-paragraph's possible detrimental effects. Again, it was difficult to define the implications of the word. Technological progress was proceeding at a pace which could not be changed and no one could say where it would end. Some technological processes might lead to the development of mass production methods which might benefit the peoples of the under-developed countries. It should also be noted that a provision like the one in sub-paragraph 4 (b) of the draft conflicted with the spirit of the resolutions adopted in connexion with the technical assistance programme. It would therefore be illogical, and even paradoxical and dangerous, to support it and his delegation could not vote for it.

4. The recommendation to Member States, in sub-paragraph 4 (c), to reduce restrictions on imports of primary commodities was really intended to establish an equitable relation between the prices of capital goods and those of primary commodities. That idea was already expressed much more specifically in sub-paragraph 4 (a), but he would nevertheless support sub-paragraph 4 (c).

5. For all those reasons his delegation would probably ask for a vote by parts on paragraph 4.

6. He fully supported the amendments submitted jointly by the delegations of Costa Rica, Guatemala, Honduras and El Salvador (A/C.2/L.169), but he reserved his position on the revised text of the amendments (A/C.2/L.169/Rev.1) which he had so far been unable to study.

7. Mr. WOULBROUN (Belgium) stated that his delegation was in a good position to understand the Argentine delegation's concern because Belgium, as a Power administering African territories, was both an industrialized country and a producer of raw materials. It was therefore not surprised that countries whose economic life depended in part on the existence of a favourable market for their generally rather limited

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

range of primary commodities were anxious not to be exposed to fluctuations in the relation of the prices of exports to those of imported industrial commodities. Such fluctuations might prove detrimental to their chances of economic development.

8. He recalled that the Belgian delegation had already supported the idea of inter-governmental agreements on primary commodities. Experience had shown the practical difficulties inherent in negotiating such agreements and the Canadian delegation, among others, had referred to them. But it was important for government to initiate such agreements and study them very closely in respect of each commodity.

9. With regard to sub-paragraph 4 (a) of the Argentine draft resolution, he pointed out that other representatives, including the Peruvian representative, had indicated the difficulties involved in defining an adequate, just and equitable relation between the prices of primary products and those of capital goods and other manufactured articles. Mention should be made *inter alia* of the difficulty of reaching prior agreement on a period of reference acceptable to all the parties concerned. He reserved his right to return later to the recommendation in sub-paragraph 4 (a).

10. With regard to the provisions of sub-paragraph 4 (b) on the restricted manufacture of synthetic or substitute materials, he wondered whether it was possible to establish practical measures for limiting such production in a world in which recent progress was to a large extent due to scientific research and technology. Natural products and the synthetic materials which had similar uses were not necessarily rivals; they could be complementary. Natural and synthetic products were often used together and, in certain cases, the use of both could produce a finished article with properties superior to those of its constituent elements. Artificial fibres were an example; they were being mixed on an increasing scale with wool in manufacturing fabrics. The production of synthetic materials could also be rapidly increased if there was a higher demand, which was not so in the case of many natural products. For example, the production of artificial fibres had increased considerably in recent years, whereas between 1931 and 1949 wool production had varied between a minimum of 1,500,000 tons and a maximum of 1,770,000 tons. Lastly, the cost price of synthetic materials often remained relatively stable and sometimes tended to decrease, even in an economy prone to inflationary pressure. In some cases therefore the joint use of synthetic and similar natural materials could be considered as leading to stabilization of the prices of primary commodities.

11. He fully appreciated the reasons for which the Argentine representative had made the recommendations in sub-paragraph 4 (b) of his draft resolution. But the provisions of the sub-paragraph might embarrass even countries producing raw materials which wished to set up on their own territory factories to produce synthetic materials capable of replacing and competing with the natural materials which they lacked. The under-developed countries might regard the establishment of such industries as an effective method of stabilizing their balance of payments. He also felt that the provisions of sub-paragraph 4 (b) might impede the action taken by some governments to encourage the

establishment of new industries, particularly when that was done to combat structural unemployment.

12. Moreover, sub-paragraph 4 (b) of the Argentine draft resolution raised difficulties of interpretation. For example, he agreed with the Peruvian representative that the implications of the word "unnecessarily" were difficult to define. In submitting his draft resolution the Argentine representative had explained (214th meeting) that governments did not have to try to decrease the normal period of scientific research on projects likely to lead to the establishment of industries whose production might compete with natural primary commodities. That idea of the "normal period" also seemed very difficult to define.

13. His observations were in no way intended to minimize the importance of the problem, but simply to stress certain complex aspects of it. His delegation was energetically seeking methods of helping the under-developed countries to organize their production and to sell their primary products on terms compatible with the need to raise the living standard of their peoples and in a way which would enable them to secure the manufactured articles and capital goods which they required under the best possible conditions.

14. He welcomed the initiative of the Argentine delegation which, by its draft resolution, had placed before governments certain important problems which deserved their full attention. But he regretted that his delegation could not accept the draft as it stood.

15. Mr. DOMINGUEZ COMPANY (Cuba) stated that the Cuban delegation supported sub-paragraph 4 (a) of the Argentine draft resolution. He recalled that the Cuban delegations at the Bogotá Conference and in the Economic and Social Council had consistently maintained that an equitable relation must be maintained between the prices of primary products and those of capital goods. Similarly, during the Second World War, the Cuban Government had endeavoured to pursue a policy with the same objectives in its relations with the United States Government. He therefore would not hesitate to support the sub-paragraph.

16. With regard to sub-paragraph 4 (b), he fully appreciated the Argentine representative's concern in the matter of the production of synthetic and substitute materials and the problems they might raise for countries producing primary commodities. In addition to implying a restriction, however, he considered that the ideas were insufficiently worked out and might therefore lead to effects contrary to those intended. For those reasons, the Cuban delegation was not in a position to support that sub-paragraph.

17. On the other hand, it would vote for the recommendation in sub-paragraph 4 (c).

18. In conclusion, he recalled the example quoted by the Salvadorean representative at the previous meeting, and stated that bagasse could not become a substitute for wood-pulp in the manufacture of paper. Bagasse was a natural complementary material and a primary product which did not fall within the scope of the recommendations in sub-paragraph 4 (b) of the Argentine draft.

19. Sir Clifford NORTON (United Kingdom) said that there were few countries whose economy was so intimately linked with movements in international trade

as the United Kingdom. British national economy was highly sensitive to fluctuations in the terms of trade of both manufactured goods and primary commodities; the United Kingdom delegation therefore fully shared the feelings which had led the Argentine representative to appeal to governments to take into account the needs of other countries as well as their own before altering their commercial policies.

20. Although in agreement on that point, the United Kingdom delegation feared that it could not agree with the Argentine representative's analysis (214th meeting) of the problem; it had been said that the movement of the terms of trade for the past twenty-five years had been increasingly unfavourable to primary producing countries and that the trend would probably continue. That assumption might be true for the pre-war period, but not for the post-war years, and there was no justification for thinking that it would be true for the future. Comparing the changes in the prices of products in the trade of three countries—the United Kingdom, the United States of America and Western Germany—over the past two years, he noted that, taking 1949 levels as 100, the price index of manufactured products exported by those countries had risen from 98 in 1950 to 120 in 1952, the price index of food imports from 123 in 1950 to 143 in 1952 and that of imported raw materials from 119 to 169. The disparity between the price of food imports and exported manufactured products had therefore increased by 19 per cent since 1949 and between that of imported raw materials and exported manufactured products by 41 per cent. It seemed clear, therefore, that the terms of trade had developed in favour of raw material and food producers, in spite of the decline in 1951 from the high peak reached after the outbreak of hostilities in Korea.

21. Although the future was open to conjecture, alarm over the prospects for the countries producing primary goods seemed unjustified. As the French representative had stressed, the prices of capital equipment and manufactured goods were unlikely to rise in a period when industry in a number of countries, including Western Germany, Japan and some of the under-developed countries themselves, was expanding.

22. There was, however, cause for serious concern over sudden wide fluctuations in the prices of primary commodities. The experience of the last few years had shown that such fluctuations were harmful to the interests of producing and consumer countries alike, whether industrialized or not. The United Kingdom delegation agreed with the experts' report on *Measures for International Economic Stability* (E/2156) in its view that the conclusion of bilateral or multilateral agreements relating to specific basic commodities offered the best means so far devised to guard against such fluctuations. Any measure to stabilize the price of a basic product had a steadying effect on the terms of trade as a whole. World trade could not fail to benefit from the conclusion of a number of such agreements. The Wheat Agreement was an example of what could be achieved by that method of international co-operation. The United Kingdom delegation's view was that governments should tackle the problem at the roots, commodity by commodity, rather than try to stabilize the prices of all basic commodities and manufactured products at arbitrary levels. The latter method would not be practical. Apart from the political and constitu-

tional difficulties which would arise, it did not seem feasible to relate the prices of primary products to the wide range of manufactured goods imported by the primary producing countries.

23. Thus, one of the best means of promoting the economic stability to which all nations aspired would be to conclude international commodity agreements, in accordance with the principles and methods approved by the Economic and Social Council in its resolutions 30 (IV), 296 (XI) and 373 (XIII). Such agreements or any other national or international measures designed to achieve the same effect, could not, however, be expected to hold demand or prices rigidly at artificial or pre-determined levels. They could only serve to reduce or eliminate short-term fluctuations. Any attempt to distort long-term trends, whether upward or downward, would divert resources into an uneconomic pattern of world production and thus intensify the difficulties which it was intended to resolve.

24. The Argentine representative was certainly right in saying that countries should not invoke the laws of supply and demand only when they operated to their advantage, and impose controls when they did not, but he did not think the industrialized countries could fairly be accused of that. It was true that a number of them continued to operate controls which had been necessitated by the war and for which, under ideal conditions, there would be no need. However, a system of price stabilization such as the Argentine draft resolution appeared to suggest, would have as serious disadvantages as the controls, because it would involve rigidities which could only warp, and ultimately destroy, the pattern of international trade, without ultimate benefit to anyone.

25. Adoption of the Argentine draft would also have other consequences. Its purpose presumably was to stabilize the prices of primary products at a relatively high level. A rise in the production costs of manufactured products would inevitably ensue and the cost to the under-developed countries of imports of capital equipment would rise in consequence. Furthermore, it should not be forgotten that most primary producing countries themselves imported some primary products and foodstuffs. The advantages they would gain from an increase in the price of their export products would therefore be wiped out by the inevitable increase in the cost of their imports.

26. With regard to sub-paragraph 4 (b) of the Argentine draft resolution, he sympathized with the idea behind it, but doubted whether governments would accept the restrictions it would involve. All countries needed complete freedom of action to adjust their economies to technical advances. The adjustment was not always achieved without attendant evils, as the United Kingdom knew from its own experience, particularly in the textile industry. Nevertheless it would be unrealistic to attempt to stand in the way of progress. What governments could be asked to do was to prevent unnecessary or artificial restrictions on the use of natural products and to permit free competition between them and any synthetic or substitute products that might be invented. If that were the meaning of sub-paragraph 4 (b), the United Kingdom would be willing to subscribe to it.

27. In conclusion, his Government was ready to participate in any inter-governmental consultations that

might be arranged to study measures to reduce the danger of instability and sudden fluctuations in the terms of trade. The United Kingdom delegation recognized that the governments of under-developed countries could plan their economic development programmes with greater assurance if they could be certain of being able to sell their primary products at fair prices and derive a stable income from their exports. It also recognized that the aim of that development should be to raise the standards of living of the peoples of the under-developed countries. It did not, however, think that an attempt should be made to find a general solution for so complex a problem. Domestic measures could well affect price stability as much as international agreements on primary products would. He reminded the Committee that the group of experts under Mr. Angell had made a very thorough study of *Measures for International Economic Stability*; he doubted whether further studies by experts at the present stage would be very useful: the next step was for governments to study the whole problem carefully. The adoption of a draft resolution by the Second Committee did not, therefore, seem necessary.

28. Mr. LUBIN (United States of America) said that his Government was aware of the difficult problems that arose for all countries from the instability of the prices of primary products and the changes in the terms of trade. In submitting its draft resolution, the Argentine delegation had attempted to overcome some of those difficulties. The draft resolution recommended that the governments of Member States should be invited to take measures to facilitate the institution of an international price parity system. It was suggested that that would serve "to ensure that the prices of primary commodities remained in an adequate, just and equitable relation to the prices of capital goods and other manufactured articles".

29. The reason for measures of that kind, according to the Argentine delegation, was that the terms of trade were now unfavourable to the countries producing primary products; furthermore, according to that delegation, the experience of the past 50 or 75 years was a forecast of what was bound to happen to those countries in the future.

30. Contrary to the contention that the terms of trade were now unfavourable to the producers of primary commodities, there was evidence suggesting that, for most countries, the trend since the end of the Second World War had been favourable. It was true that the prices of primary commodities had fallen from the peaks which they had attained shortly after the outbreak of war in Korea and that the prices of certain individual primary commodities were lower than they had been before 1950, but the prices of primary commodities as a whole had increased as compared with that of manufactured goods.

31. He recalled a statement by the Executive Secretary of the Economic Commission for Latin America that between 1946 and 1950 Latin America's terms of trade had increased by about 66 per cent as compared with the 1940-1945 level. Moreover, they had then also been 62 per cent higher than in the period 1930-1940.

32. As compared with 1938, world prices of primary commodities entering into international trade had been 36 per cent higher in 1950 than those of manufactured

goods. According to statistics prepared by the United Nations, the price index of primary commodities imported by the United States had risen by one-third more between 1938 and 1948 than the index of United States exports of manufactured goods. In other words, the United States had had to export 33 per cent more manufactured goods in 1948 than it had done in 1938, in order to pay for the same quantity of imports of primary products.

33. A rapid rise in the prices of primary commodities between June 1950 and June 1951 had been superimposed upon the gradual increase in prices since 1938. The International Bank estimated that countries producing primary products had increased their foreign exchange earnings by 2,300 million dollars in 1950 and by 3,200 million dollars in 1951, namely by a total of 5,500 million dollars in two years as compared with their earnings between January 1948 and September 1949.

34. While the prices of raw materials had not returned to the record level they had reached after the outbreak of the Korean war, the producers of primary products nevertheless remained in a very favourable position as compared to the pre-war period, at least so far as trade with the United States was concerned. Taking the period 1936 to 1938 as 100, the unit value of United States imports from Latin-America at the end of the first half of 1952 had been 357. The unit value of United States exports to Latin-America in the same period had been 203. In other words, during the first half of 1952 the United States had had to export 78 per cent more of its products to Latin-America in order to obtain the same amount of imports from Latin-America as during the period 1936 to 1938.

35. A comparison of the price movements of certain primary products imported by the United States from Latin-America with the price movement of manufactured goods exported by the United States between 1937 and 1951 showed that the increase in prices of many primary products, for example Brazilian coffee, wool, cacao and copper, had varied during that period from 124 per cent to more than 800 per cent. On the other hand, the price index of manufactured goods exported by the United States had increased by only 97 per cent, as a result of price controls applied by the United States Government in 1950 and 1951 to commodities intended for export as well as to commodities for domestic consumption. Had there not been such control, the price index of manufactured goods exported by the United States would have been much higher. The same would probably have been true of the prices of raw materials exported by the United States.

36. If the provisions of the Argentine draft resolution were implemented, either the export prices of United States manufactured goods would have to be increased in order to maintain an "adequate, just and equitable" relationship between those prices and the prices of raw materials imported by the United States, or the prices of United States raw materials imports would have to be lowered in order to establish an equitable relationship between those prices and the prices of the manufactured goods exported.

37. It might also be wondered whether the terms of trade, in the years to come, would continue to be favourable to the producers of raw materials. According to

the Paley Report, the United States had consumed 2,700 million tons of primary products in 1950. It had, for example, used half the world production of petroleum, rubber and iron ore. The Paley Report estimated that over the next 25 years the United States gross national product would continue to increase at the same rate as over the last century; on that basis it was expected that in 1975 the United States demand for metals, fuels and non-metallic materials would be 40 per cent greater than in 1950. That increase would obviously help producers of raw materials to obtain dollars more easily.

38. It was not possible to negotiate a general agreement on the relationship of the prices of primary products to the prices of manufactured goods. In the first place, there was no objective criterion for determining exactly what constituted an "adequate, just and equitable" relationship. Any multilateral negotiations on the prices of a large number of primary products considered simultaneously would merely delay the adoption of measures to reduce fluctuations in the price of a given important primary commodity.

39. However, assuming that governments could establish some relationship between the two sets of prices, it would be necessary, in order to maintain that relationship, to apply permanent international controls over the production and allocation of the commodities in question. At the very least, it would be necessary to apply national or international control over the prices of all important goods moving in international trade. That would mean that States would themselves have to control their foreign trade. The United States Government was not prepared to undertake such a commitment.

40. The Argentine draft resolution sought to give under-developed countries means of financing their economic development. It might however be wondered whether the artificial support of international parity prices for primary products would be the most appropriate method. The under-developed countries themselves had to import large quantities of primary products. Obviously an increase in the price of the products they lacked would not be to their advantage. Moreover, many developed countries exported large quantities of such primary commodities as wood pulp, sulphur, wheat, cotton and nickel ore.

41. There was no doubt that any international arrangement to provide artificial support for the prices of primary commodities would benefit the developed countries at least as much as the under-developed countries. Conclusion of such an agreement would not therefore facilitate the financing of economic development of the under-developed countries. In considering the problems raised by the Argentine delegation, it must be remembered that the price relationships between the different primary products were just as important as those between primary products and manufactured goods.

42. The Argentine draft resolution called for the appointment of a small group of experts to prepare a report on practical measures which would bring about an adequate, just and equitable relationship between the prices of primary commodities and the prices of manufactured goods. The same problem had already been studied by another group of experts at the request of the Economic and Social Council. In that connexion, he drew the Committee's attention to the report on

Measures for International Economic Stability (E/2156) and read paragraph 44 of that report, which stated that, in the long run, the artificial maintenance of any particular set of price relationships necessarily implied the permanent operation of international controls over the production or the allocation of the commodities concerned; and that the main beneficiaries would be the producers in the richer and often highly industrialized countries, which furnished the greater part of the world's commercial supplies of most primary products.

43. With regard to sub-paragraph 4 (b) of the Argentine draft resolution, it was to be noted that a large number of under-developed countries were developing manufacturing industries which produced or made use of substitutes and synthetics; to recommend that governments should not encourage the manufacture of such products would harm the interests of the under-developed countries themselves. His Government was not prepared to accept such a recommendation.

44. The amendment proposed by the five Central American countries drew attention to the useful work which might be undertaken with regard to the prices of primary commodities. Sharp fluctuations in those prices had serious consequences for all or nearly all countries. In order to reduce such fluctuations, international agreements on primary commodities would have to be negotiated in accordance with the principles and methods approved by the Economic and Social Council. The means available were quite adequate for that purpose and his Government was willing to participate in negotiations relating to one or several primary commodities, whenever such negotiations were likely to be successful. When a buying or a selling country sincerely desired an agreement on a specific commodity, it could always ask the Interim Co-ordinating Committee for International Commodity Arrangements and the United Nations Secretary-General to set up a study group, and then convene a conference which would take the study group's work into account. Whenever the United States, as producer or consumer of a given product, saw that it was to its interest, it would be fully prepared to participate in the work of a study group or conference of that kind.

45. Mr. DIAS CARNEIRO (Brazil) confirmed that the price of coffee had more than doubled in 8 or 9 years, as the United States representative had indicated. The sale of coffee, however, was the only dollar source on which Brazil could draw to pay for its purchases of capital goods from the United States. The rise in the price of coffee had made it possible for Brazil to have recourse less frequently than in the past to the Import-Export Bank, to reduce its foreign debt and to take a more indulgent view of transfers of profits by United States capitalists. Brazil was striving to bring about its economic development as rapidly as possible and could not be blamed for taking advantage of the situation as long as it lasted.

46. Mr. SALAMANCA FIGUEROA (Bolivia) said his delegation would vote for the Argentine draft resolution, although it was fully aware of the difficulties which might arise in its application.

47. The under-developed countries had suffered a great deal from the policy pursued by certain nations which had attempted to maintain the price of primary

commodities at an artificial level, on the pretext that the world was going through a crisis. That unjust situation was all the more serious since producers of primary commodities had to obtain the manufactured goods they needed on the free market, at prices swollen by inflation. Such conditions prevented the formation of domestic savings and hindered any social progress. For 10 years the under-developed countries had been attempting in vain to obtain the application of the principle of reciprocity in international trade. A system of parity prices would contribute more to financing the economic development of the under-developed countries than a special fund of the kind it was proposed to create. If freedom of international trade could be restored, the Argentine draft resolution would no longer have any point; but that did not seem to be the case, and no one could foresee the end of the present world crisis. In the circumstances, it certainly appeared that measures must be taken to remove the present economic instability and to establish a more equitable relationship between the prices of manufactured goods and the prices of primary products.

48. U Tint SWE (Burma) said he would vote for the Argentine draft resolution and for the amendment by the five Central American Powers.

49. His country, which was under-developed and had been devastated during the war, was encountering great difficulties in reaching the goal of reconstruction and rehabilitation it had set itself. It was therefore very natural that it should attempt to derive the greatest possible benefits from the raw materials it produced.

50. His delegation fully supported sub-paragraph 4 (a) of the draft resolution and hoped that all Member States would respect its spirit.

51. Although Burma did not produce any synthetics and did not anticipate doing so in the near future, his delegation had closely studied the provisions of sub-paragraph 4 (b) because it understood the apprehension they aroused. It thought, however, that the reservations made therein with regard to national security in times of war and technological research and progress limited the paragraph sufficiently.

The meeting rose at 12.10 p.m.