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ECONOMIC COMMITTEE

SUMMARY RECORD OF THE HUNDRED AND FORTY-FOURTH MEETING

Held at Headquarters, New York,
on Wednesday, 14 April 1954, at 11.25 a.m.

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PRESENT:

<u>Chairman:</u>	Sir Douglas COPLAND	(Australia)
<u>Members:</u>	Mr. BUNGE	Argentina
	Mr. CORKERY	Australia
	Mr. BAUDHUIN	Belgium
	Mr. CHEN	China
	Mr. RIBAS	Cuba
	Mr. PSCOLKA	Czechoslovakia
	Mr. AVILES-MOSQUERA	Ecuador
	Mr. EL-TANAMLI	Egypt
	Mr. de SEYNES	France
	Mr. LALL	India
	Mr. SOLLI	Norway
	Mr. ADIL	Pakistan
	Mr. OZGUREL	Turkey
	Mr. SPANDARYAN	Union of Soviet Socialist Republics
	Sir Alec RANDALL	United Kingdom of Great Britain and Northern Ireland
	Mr. WYNNE	United States of America
	Mr. ALFONZO-RAMARD	Venezuela
	Mr. STANOVNIK	Yugoslavia
<u>Observers:</u>	Mr. NURADI	Indonesia
	Mr. van DIJL	Netherlands
<u>Representatives of specialized agencies:</u>		
	Mr. ROUX	International Labour Organisation
	Miss BIAU	Food and Agriculture Organization
	Mr. WILLIAMS	International Monetary Fund

Representatives of non-governmental organizations:

<u>Category A:</u>	Mrs. LUSARDI	International Chamber of Commerce
	Miss SENDER	International Confederation of Free Trade Unions
	Mrs. LONG	International Co-operative Alliance
	Miss KAHN	World Federation of Trade Unions
	Mrs. FOX	World Federation of United Nations Associations
<u>Secretariat:</u>	Mr. BLOUGH	Principal Director, Department of Economic Affairs
	Mr. ROSENBORG	Special Adviser to the Assistant Secretary-General
	Mr. CAUSTIN	Department of Economic Affairs
	Mr. DUMONTET	Secretary of the Committee

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES: (a) REPORT OF THE GROUP OF EXPERTS ON INTERNATIONAL PRICE RELATIONS (E/2519; E/AC.6/L.78, L.82); (b) REPORTS BY THE SECRETARY-GENERAL UNDER COUNCIL RESOLUTION 427 (XIV), PARAGRAPH 7, AND GENERAL ASSEMBLY RESOLUTION 623 (VII) (E/2438, E/2455, E/2456 and Add.1) (continued)

Mr. AVILES-MOSQUERA (Ecuador) said, in explanation of his Government's position, that his delegation approved of some of the conclusions presented by the group of experts in its report on Commodity Trade and Economic Development (E/2519) and considered the Argentine draft resolution (E/AC.6/L.78) to be very timely.

It was plain that an effort must be made to solve the grave problem of the instability of the proceeds accruing to the under-developed countries from primary commodity exports. To encourage the development of those countries was the only way to ensure world prosperity on the basis of "just and equitable" trade relations.

With regard to the joint Australian and Indian draft resolution (E/AC.6/L.82), which proposed that a decision should be postponed until the Council's nineteenth session, it should be remembered that the group of experts had pointed out that the grave and long-standing problem of fluctuations in primary commodity markets could only be solved by immediate action. He too considered that it was urgently necessary to establish a permanent advisory commission on international commodity trade to decide upon practical measures as soon as possible.

Mr. SPANDARYAN (Union of Soviet Socialist Republics) observed that most of the representatives who had spoken in the Committee had expressed concern about the condition of foreign trade, and particularly the deterioration of the position on the raw materials markets. The under-developed countries were disturbed by the substantial fluctuations in the demand for and the prices of the raw materials they produced and by the fall in the prices of raw materials in relation to those of manufactured goods.

The Chilean observer had rightly pointed out that owing to the restrictions on the export of raw materials on the grounds that they were "strategic", the situation in the under-developed countries exporting such raw materials was deteriorating daily, while the opportunities of some industrial countries pursuing

a restrictive policy in the raw materials trade were increasing. It was plain that a worsening in the position of the under-developed countries in the world market could not fail to have serious repercussions on the world economy. Hence it was urgent to take practical measures. The Soviet delegation had studied very carefully the documents submitted in connexion with the consideration of items 3 (a) and 3 (b), particularly the report contained in document E/2519. But that report unfortunately failed to point out the harmful effects on the economy of the under-developed countries of the policy of boycott and embargo pursued by certain industrial countries. Indonesia, for instance, was losing 300 million dollars a year simply because it might not have trade relations with China and the peoples' democracies.

The report underestimated the importance of bilateral agreements to strengthen the position on the commodity markets. There were various kinds of bilateral agreements.

Bilateral agreements should not be imposed on the under-developed countries to the detriment of their interests, as the contracts for copper and tin had been imposed on Chile and Bolivia respectively by the United States; such agreements should be concluded on a basis of equality between the parties and should take account of mutual interests, as did the long-term agreement between the People's Republic of China and Ceylon for the exchange of rubber and rice at stable prices. The Soviet delegation considered that the conclusion of long-term contracts for the purchase of commodities those countries needed could represent an important contribution to the economic development of the under-developed countries.

The recommendation of the group of experts for the establishment of a trade stabilization commission deserved the Council's full attention, and the USSR delegation had no objection to it. It felt, however, that the Argentine resolution tended to restrict the commission's field of action. The stability of primary commodity prices was very closely linked with the stability of international trade as a whole, and the commission could be effective only by concentrating on placing international trade relations on a normal footing. Hence the USSR delegation supported the Czechoslovak amendment to broaden the commission's terms of reference, and hoped Argentina would accept it.

On the other hand it was unable to support the joint draft resolution submitted by Australia and India, for that resolution would delay a decision on the urgent and important question under consideration by the Committee.

In view of Mr. WYNNE (United States of America), the Argentine delegation's proposal for the establishment of a permanent advisory commission on international commodity trade, and that of the group of experts for the establishment of a trade stabilization commission, raised two basic questions: what exactly had to be done and whether it was necessary to establish a special agency to do it.

The United States delegation did not think the Council could properly take a decision on the Argentine proposal until those two questions had been answered. Before that could be done it was necessary to review the functions and activities of existing inter-governmental machinery for considering commodity problems and to take account of pertinent developments in that area: in other words, to carry out a study of the type proposed in the draft resolution submitted jointly by Australia and India.

The terms of reference which the Argentine delegation proposed for the permanent advisory commission specified that its main task would be to examine "measures tending to achieve relative stabilization of primary commodity exports". "Relative stabilization" probably meant the stabilization of primary commodity prices in relation to the prices of manufactured goods; it really referred to the terms of trade. But the United Nations had already produced numerous studies on that subject, among them "Relative Prices of Exports and Imports of Under-Developed Countries" (1949.II/B.3) and "Relative Prices of Primary Products and Manufactures in International Trade" (E/2455). Those detailed and objective studies emphasized the grave statistical difficulties in measuring change in the terms of trade over a long period, notably because of improvements in quality which were not reflected in trade returns. The originators of the latest report before the Council, "Commodity Trade and Economic Development" (E/2519), agreed that the terms of trade had sometimes moved against and sometimes in favour of primary producers. They concluded, however, that "the past offers no help in predicting the future secular movements of the terms of trade".

According to the Argentine draft resolution it was "urgent and essential, both for the under-developed countries and for the international economy as a whole, to find a rapid and effective solution of the grave and persistent problem of the instability of primary commodity markets and the secular deterioration of the terms of trade...". Reports prepared for the United Nations by experts of the highest qualifications found no evidence to warrant the assumption that there would be a persistent secular deterioration of the terms of trade; nor did they give any support to the idea of stabilizing terms of trade. The report on Measures for International Economic Stability, published in 1951 (E/2156), expressed the belief that no scheme for establishing "some kind of systematic international parity price" for raw materials or other primary products would be "either practicable or desirable". The report of the experts on Commodity Trade and Economic Development (E/2519) in effect presented a similar view. The experts stated that "there was no objective criterion for determining what constituted an 'adequate, just and equitable' relationship between the prices of primary products and the prices of manufactured goods." They also emphasized the dangers of interfering with the secular tendencies of the market and opposed the controlled economic system that interference would entail. The kind of price stability which needed to be sought was, they maintained, only the elimination of excessive short-term fluctuations around the long-run course of competitive market prices.

To sum up, it appeared that the members of the Council - in common indeed, with all the experts - agreed in thinking that efforts must be made to attain a greater degree of stability in primary commodity markets. The question was complicated, however, and care must be taken not to reach a hasty decision as to what might be done. The measures proposed must be feasible. There was, for example, no point in giving extended consideration to the proposal for a commodity reserve currency scheme, since there was little or no possibility that Governments would be prepared to give it any serious consideration in the foreseeable future. It was important for the Council to clarify its ideas on the subject of what approaches to the problem of reducing price instability in primary commodity markets appeared practicable and to bear in mind that no proposals could be worth much unless there appeared to be at least some possibility of their proving acceptable to the countries without whose support they could not be implemented.

Even when the Council had clarified all those questions and arrived at a strict definition of the work to be done, it would still have to examine very carefully past experience and impending developments which were pertinent to a decision as to what body should do the job. In particular it would be necessary to study whether the job could not be effectively done by existing United Nations organs. Only when those matters had been thoroughly explored, would there be an adequate basis for determining whether any new machinery for considering problems of price instability was needed.

The Argentine draft resolution appeared therefore ill-conceived and premature, and the United States delegation could not support it. It would, however, support the joint draft resolution submitted by Australia and India, the provisions of which were clearly more wise and reasonable.

Sir Alec RANDALL (United Kingdom) thought that the Argentine and Ecuadorean representatives were right in stressing the importance and urgency of the problem of fluctuations in primary commodity prices. The same could not be said of those who implied that the members of the Council who opposed the establishment of a trade stabilization commission wished nothing to be done. The latter alleged that the primary concern of the industrialized countries was to buy cheaply the commodities produced by the under-developed countries. It was hardly necessary to refute those allegations; the Council and its Economic Committee had ample evidence of the desire of the Governments and agencies of the advanced countries to contribute to the development and prosperity of less favoured nations. In his excellent statement, the Indian representative had pointed out the great assistance on which a country such as his could rely when it was sincerely anxious to make the best possible use of its vast resources and its large population. In that connexion it was enough to mention the United Nations Programme of Technical Assistance, the Point Four Programme, the Colombo Plan, and the activities of the International Monetary Fund and of the International Bank for Reconstruction and Development.

He had felt obliged to stress the point in order to make it clear that those who opposed the establishment of a trade stabilization commission were not shrinking when confronted with a difficult problem, any more than they were indifferent to the needs of the under-developed countries.

It should also be remembered that machinery already existed in the Interim Co-ordinating Committee for International Commodity Arrangements (ICCIICA) for studying and making proposals in connexion with these commodities upon which, as experience showed, there was a very reasonable prospect of successful co-operation. Moreover, the whole question of the problems arising in connexion with commodities in international trade was to be re-examined in general discussions later in the year. The establishment at the present stage of a new permanent body, which would have to have very broad terms of reference, would only complicate the examination of a problem which was already very complex.

His delegation agreed with the majority of the experts that the best way of remedying the instability of primary commodity prices was to deal with each product separately. It also believed that the problem would be solved primarily by national action, supplemented by international measures.

In any case, he felt sure that the Council's adoption of the joint Australian and Indian draft resolution would not mean that the question would be shelved. His delegation would vote in favour of the resolution and hoped that it would be adopted by the Council.

Mr. CHEN (China) stated that his country was a great sugar exporter and that consequently it was extremely interested in the stabilization of primary commodity prices at "reasonable" levels. It therefore favoured in principle the establishment of a stabilization commission, but he hoped that the Council, before reaching a decision, could be supplied with fuller documentation on the technical aspects of the question.

In the first place, the financial implications of the proposal had to be made known. In particular, the nature of the proposed commission and how it would differ from existing bodies should be explained. The group of experts stated that the commission would have to deal with the problem of stabilization in a general way but it was vague on the methods to be used. There was reason to fear, from a perusal of the report, that the commission would once again have to resort to the present piecemeal method and deal with each commodity individually. His delegation was therefore in favour of a compromise solution.

Mr. EL-TANAMLI (Egypt) thought that the report on Commodity Trade and Economic Development (E/2519) was a valuable document. The group of experts had perhaps given too much attention to the problem of stabilization of primary commodity prices to the detriment of the question of stabilizing terms of trade, although that question had not been neglected entirely as could be seen from paragraphs 48, 49 and 50, which stressed the economic interdependence of nations.

He had already emphasized that it was possible to take practical steps to establish "just and equitable" price relationships and ensure stability in terms of trade. He had in particular proposed the relaxation of the restrictions on international trade imposed by some countries. Much could undoubtedly be done in that connexion. The question was whether there existed a real desire to expedite the development of the under-developed countries.

During the last session of the General Assembly the question of financing the development of those countries had been considered and it had been proposed to finance them through a Special United Nations Fund for Economic Development (SUNFED) and an International Finance Corporation. Those solutions had been deferred, however. With respect to the part that private capital could play, results so far obtained and future prospects were hardly encouraging. Thus it seemed that the only way of encouraging the economic development of the under-developed countries was to improve the terms of trade.

Both draft resolutions had something to offer. Paragraph 1 of the operative part of the joint Australian and Indian draft resolution was of particular interest, because the Secretary-General, in carrying out his assignment, would undoubtedly take into account the opinions expressed during the debates at the current session. Paragraph 2 was well advised because it did not compel the Council to take a hasty decision. The Argentine draft resolution had the advantage of taking into account the urgency of the problem and of considering it in its two-fold aspect: stabilization of primary commodity prices and stabilization of terms of trade.

His delegation stood somewhere between the enthusiasm of Argentina and the prudence of Australia and India. He thought that a compromise between the two draft resolutions could be reached; the entire preamble of the Argentine draft

resolution could be kept, and the need for achieving unanimous agreement emphasized and the operative part could deal with the establishment of an ad hoc committee to examine the proposal of the group of experts and, in particular, to determine the membership and terms of reference of the stabilization commission.

He hoped that Argentina would accept that compromise. In any case he wished the Secretary-General to transmit the Argentine draft resolution, which contained useful recommendations, to the various States and to the ad hoc committee if it was created.

Mr. de SEYNES (France) stated that if one tried to sum up the matter at the end of the current debate, one was left with an impression of uncertainty. It seemed that the only certainty was that a lasting solution of the problem was possible only within the framework of a constantly expanding world economy. But agreement did not seem to have been reached even on the aims to be pursued. Some delegations still maintained the hope that it was possible to change the secular trends of terms of trade; others, on the contrary, thought that any action depended on cyclical fluctuations.

It must be noted that the conclusions at which the Committee of Experts had arrived did not follow upon the premises from which they started. The report, which was extremely pessimistic - a fact that could not be denied - contained very few concrete recommendations apart from those outlining possible national action or those referring to the conclusion of single-commodity agreements. The experts themselves emphasized the difficulty, and even the impossibility, of arriving at the solutions to which they aspired.

It was debatable whether the new commission proposed by Argentina would produce better results than those already in existence. That commission could scarcely make recommendations which even experts hesitated to make. If it was merely a matter of furnishing additional information, it seemed hardly necessary to establish yet another commission to fill the few gaps remaining in the already wide theoretical study which the United Nations had made of the problem as a whole.

On matters of commercial policy, such as the terms of trade or the stability of commodity prices, no action could be effective unless it was supported by all the parties concerned; and if the problem was to be really approached on a multilateral basis, the only method was that of conferences of the States concerned. It remained to be seen whether the chances of such a step succeeding justified the effort involved.

He also drew the Committee's attention to the Interim Co-ordinating Committee for International Commodity Arrangements, which the Council had established in 1947 under resolution 30 (IV), and whose terms of reference it had reaffirmed in resolution 462 (XIV). That Committee had already prepared some excellent reports on problems concerning certain commodities. But that was not necessarily all it could do. The Council could easily ask it to transmit more detailed data on the general condition of commodity markets more regularly, and the ICCICA was perfectly capable of providing such information. Moreover it had the advantage of being composed of experts who did not represent Governments, and there was nothing in its terms of reference which prevented it from convening study groups or even international conferences. There was no other body, GATT, whose work was also based on the principle of general agreement among parties and consequently carried out in the spirit proper to the study of problems concerning raw materials. That autumn, GATT was to review its work and organization. It would be rather unwise to undertake further action before the results of that self-examination were known.

His delegation reserved its position regarding the compromise solution advocated by the Egyptian representative, and wanted to study it more thoroughly before coming to a decision. At first sight, however, he feared that it would be useless to establish an ad hoc committee whose only function would be to prepare the way for the establishment of another committee.

The CHAIRMAN, in summing up, emphasized that, due to the complex and highly technical nature of the question, it was important that the final decision should be such as would rally the unanimous support of the Council. He therefore urged the members to display the greatest possible spirit of conciliation so that a reasonable compromise could be reached.

The meeting rose at 1 p.m.