

United Nations

Nations Unies

ECONOMIC
AND
SOCIAL COUNCIL

CONSEIL
ECONOMIQUE
ET SOCIAL

UNRESTRICTED

E/CN.12/AC.3/SR.4

9 June 1949

ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA

Second Session

SUMMARY RECORD OF THE FOURTH MEETING

Held at Havana, Cuba on Thursday,
9 June 1949, at 10.30 a.m.

CONTENTS: Study of needs for technical assistance in Latin America (E/CN.12/84);
Joint draft resolution submitted by the Brazilian and United States delegations (E/CN.12/AC.3/W.4/Rev. Economic Development of Latin America (E/CN.12/89));
preliminary draft resolution submitted by the Chilean delegation (E/CN.12/AC.3/W.1 Rev.2);
Financing of economic development in Latin America: draft resolution submitted by the Uruguayan delegation (E/CN.12/AC.3/W.3);

Chairman: Mr. SANTA CRUZ Chile
later Mr. McCULLOUGH Panama

Present: Mr. VIEYRA Argentina
Mr. ALVARADO Bolivia
Mr. de ALMEIDA Brazil
Mr. SANTA CRUZ Chile
Mr. LOPEZ FRESQUET Cuba
Mr. CRUZ MORDAN Dominican Republic
Mr. BURON France
Mr. ZEPHIRIN Haiti
Mr. ZAMORA Mexico
Mr. RIEMENS Netherlands
Mr. FEARNLEY United Kingdom
Mr. de BEERS United States of America
Mr. GONZALEZ Uruguay

NOTE: Any corrections of this record should be submitted in writing in any of the working languages (Spanish, French or English) and within three working days, to the Executive Secretary, Escuela Municipal Valdes Rodriguez, Havana, Cuba. Corrections should be accompanied by or incorporated in a letter, on headed note-paper, bearing the appropriate symbol number and enclosed in an envelope marked "Urgent". Corrections can be dealt with more speedily by the services concerned if delegations will be good enough to incorporate them in a mimeographed copy of the record.

Representatives of specialized agencies:

Mrs. THIBERT	International Labour Organization (ILO)
Mr. LOPEZ-HERRARTE	International Bank for Reconstruction and Development (IBRD)
Mr. BUDNIK	World Health Organization (WHO)

Consultant of a non-governmental organization:

Mr. ROMUALDI	American Federation of Labor (AF of L)
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Secretariat:

Mr. MARTINEZ CABANAS	Executive Secretary
Mr. PREBISCH	Economic Consultant
Mrs. POULAT-DURAND	Economist

STUDY OF NEEDS FOR TECHNICAL ASSISTANCE IN LATIN AMERICA
(E/CN.12/84): JOINT RESOLUTION SUBMITTED BY THE BRAZILIAN
AND UNITED STATES DELEGATIONS (E/CN.12/AC.3/W.4/Rev.1).

Mr. de ALMEIDA (Brazil), introducing the joint resolution (E/CN.12/AC.3/W.4/Rev.1), said that he believed that it expressed the consensus of views expressed on the subject of the needs for technical assistance. Without prejudging the conclusions of the studies requested, he was certain that it would be confirmed that a sufficient number of adequately trained economists was not available to Latin American Governments. It was essential to draw that fact to the attention of the Economic and Social Council as rapidly as possible. The joint resolution, however, did not infringe upon the Executive Secretary's freedom to take whatever action he believed appropriate within the framework of his normal activities in the economic field.

His delegation had welcomed the proposal that the survey should be carried out in consultation with the Inter-American Economic and Social Council.

In practice, the findings of the survey and the recommendations of the Executive Secretary would be transmitted to the Secretary-General of the United Nations, who would thus be apprized of the specific needs of Latin America in that field. Since the United Nations extended technical assistance to Governments at their request, subject to full safeguarding of their sovereign rights, the relevant action would be the result of co-operation between the United Nations and the Governments concerned. The Executive-Secretary of ECLA would

act as the executive instrument of the Secretary General.

In the absence of any objections, the resolution submitted jointly by the Brazilian and United States delegations (E/CN.12/LC.3/W.4/Rev.1) was adopted.

ECONOMIC DEVELOPMENT OF LATIN AMERICA (E/CN.12/89): PRELIMINARY DRAFT RESOLUTION SUBMITTED BY THE CHILEAN DELEGATION (E/CN.12/LC.3/W.1/Rev.2).

Mr. J. McCULLOUGH (Panama), Vice-Chairman took the Chair

Mr. SANTA CRUZ (Chile), introducing his delegation's preliminary draft resolution on economic development (E/CN.12/LC.3/W.1/Rev.2) observed that the work of all the Commissions during the second session of ECLA came within the Commission's general terms of reference to study aspects of economic development and stability likely to raise living standards in the region. A general resolution had been considered opportune because the majority of under-developed countries, particularly the Latin American, Asian and Middle Eastern countries, had criticized the Economic and Social Council at the third session of the General Assembly for paying too little attention to that problem. Resolutions submitted to the relevant sub-committee had been unified in resolution 198 (III). In that resolution, the Council was requested to prepare further studies and action as a matter of urgency. At the eighth session of the Economic and Social Council, the Chilean delegation had obtained the adoption of resolution 179 (VIII) in which it was requested that the relevant study should be submitted to the fourth session of the General Assembly.

Mr. Santa Cruz outlined the further steps taken in connection with these proposals, which explained the inclusion of that item in the agenda of the second session of ECLA. The only aspect left uncovered in that agenda had been those on the financing of development and on the insufficiency of capital. It might be appropriate to await a study in progress by the Secretary-General and the International Bank for Reconstruction and Development, but the Executive Secretary should continue to prepare the ground by studies, on the basis of which ECLA could make concrete recommendations. In that connection the proposal submitted by the Uruguayan delegation (E/CN.12/LC.3/W.3) was of considerable importance.

Mr. Santa Cruz explained the substance of the proposal submitted by his delegation. With regard to the reference to the survey made by Mr. Prebisch (E/CN.12/89), the Commission should not necessarily accept the author's conclusions but should place on record its appreciation of that type of work.

It was imperative that in the interval before the third session the Executive Secretary should continue work on that type of study - particularly with regard to cyclical fluctuations in Latin America and their incidence upon domestic economies - in order to provide the Commission with a basis for concrete action.

Mr. LOPEZ-FRESQUET (Cuba), supporting the Chilean resolution in principle, said that his delegation had decided to submit a resolution expressing the Commission's thanks to the Secretariat and to Mr. Prebisch for his report (E/CN.12/89); its substance might be included in

the third sub-paragraph of paragraph 2 of the Chilean resolution. With regard to the operative clause, the expression "the overall economic development of the area" might be open to misinterpretation to mean that the studies concerned would be consolidated surveys leading to general conclusions rather than the analytical studies of individual countries, the need for which his delegation had repeatedly emphasized in that and other contexts. Although he would not, at that stage, insist on drafting changes in all texts already adopted by the various Committees, he felt that the Executive Secretary should take that consideration into due account in all future studies.

Mr. ZAMORA (Mexico) supported the principle of the Chilean resolution and the Cuban proposal with regard to the expression of gratitude to Mr. Prebisch. Mr. Prebisch's report had gone far towards meeting the Mexican delegation's feeling that there existed a certain lack of dynamic co-ordination between the series of monographs prepared by the Secretariat.

With regard to the Chilean resolution, the first recital should be more specific, or should at least include the stipulation that the economic structures of the countries concerned should be transformed by the strengthening and diversification of their economies.

In the operative paragraph, the text might be interpreted to mean that the Executive Secretary was requested to prepare merely historical studies of cyclical fluctuations in Latin America. It was rather the nature of such fluctuations which should be studied, particularly since Latin American economies with the honourable exception of Mr. Prebisch - had applied

somewhat mechanically to that region the methods and theories which had been developed to explain the economic phenomena in the more advanced regions. The words "the nature of" should therefore be inserted in the operative paragraph before the words "cyclical fluctuations in Latin America".

Mr. ALVARADO (Bolivia) supported the Cuban representative's proposal on the expression of gratitude to Mr. Prebisch. He supported the Mexican representative's amendment to the operative paragraph but preferred the original text of the first relation.

At ECLA's first session, not only the Latin American countries but the European countries and the United States had agreed on the vital importance of diversification. It might be argued that the Executive Secretary lacked the time and resources for such an extensive study as that proposed by the Chilean representative, whose resolution he fully supported. The history of the Commission, however, provided grounds for believing that those difficulties had been exaggerated.

Although ECLA had been given a trial period of only three years, it was clear that the Economic and Social Council and the Secretary-General of the United Nations were aware that its work was urgently required. Before the Commission had been set up, Latin American gatherings had confined themselves mainly to the discussion of political and diplomatic affairs. The Commission had at once become a centre for the discussion of vital economic matters. Admittedly the Commission could not transform the economy of Latin America within the three years at its disposal; it could,
/ and would,

and would, however, immensely increase mutual understanding of the problems common to all the peoples of that region. There was every hope that the Economic and Social Council would recognize that valuable function and extend the life of ECLA indefinitely. Such an extension would automatically solve the question of the insufficiency of resources. The resolutions adopted by the Commission should therefore be regarded as directives for the guidance of the Executive Secretary in planning future work.

Turning to the question of foreign investment, Mr. Alvarado pointed out that that question could not be approached as a single whole. Some countries - Chile, for example - offered prospects for a rapid return on the money invested in such branches of industry as steel and electric power. There were many countries and types of investment, however, which needed long-term credit, a low rate of interest and a number of years before the amortization of the capital invested could begin.

The representative of the National Association of Manufacturers at a previous meeting had stated that investors would require safeguards for their investments and the payment of profits and amortization in the currency of the country from which that investment had originated. Investors, however, must learn to take into account contemporary conditions, risk was the main characteristic of investment not only in under-developed countries but even in highly developed areas under existing circumstances. Investment was no less liable to risk from labour disturbances, for example, in one type of area than in the other. The situation in Latin America was an organic part of the world situation

as a whole. Realistically, Latin America needed large amounts of credit at low rates of interest and on a long term basis but could no more offer full safeguards than any other region could.

The representative of the National Association of Manufacturers had raised a very serious difficulty by demanding that profits and amortization should be paid in the currency of the country of the origin of the credits. Current difficulties had arisen precisely as a result of lack of such foreign exchange. Any Latin American country - except Cuba and Venezuela - which accepted any such terms would be undertaking something beyond its power to fulfill. The stipulation was admittedly fair; but it was almost impossible of application. The Executive Secretary, therefore, should examine the practicability of finding particular forms and methods of agreement in that connection. The problem was becoming increasingly complex and augmenting the disequilibrium in the Latin American countries' balances of payments.

Mr. de BEERS (United States of America) supported the Chilean proposal with the Mexican amendment to its operative paragraph. The Cuban representative's proposal for the expression of gratitude to Mr. Prebisch was, however, inopportune since it might be interpreted as an acceptance by the Commission of Mr. Prebisch's findings - contrary to that author's own expressed desires.

In the English text of the second relation, the word "escasez" would be better rendered by "insufficiency" rather than by "lack", as it stood in the existing text.

Mr. GONZALEZ (Uruguay) supported the Chilean resolution.

He wished to place on record his appreciation of the fact that the adoption of resolution 179 (VIII) of the Economic and Social Council had been directly due to the efforts of the Chilean delegation.

With regard to the Cuban representative's proposal concerning the expression of gratitude to Mr. Prebisch, it would be more appropriate that such an expression together with the reservation made by the United States representative should be incorporated in a separate resolution.

Mr. SANTA CRUZ (Chile) thanked the Uruguayan representative. The Chilean delegation in the Economic and Social Council had always regarded itself as representing the interests of the Latin American countries as a whole.

With regard to the Uruguayan proposal, the appropriate place for an expression of the Commission's appreciation of the fact that the Executive Secretary had obtained the collaboration of such a distinguished economist as Mr. Prebisch was in the Rapporteur's report rather than in a separate resolution. Such an expression would not prejudice any opinion as to the conclusions to be drawn from that study.

The proposals of the Mexican representative could be met if the closing phrase of the first relation were made to read "by strengthening and diversifying their economies" and in the operative paragraph the relevant phrase read "cyclical fluctuations in Latin America and their nature", respectively.

Mr. GONZALEZ (Uruguay), Mr. LOPEZ-FRESQUET (Cuba) and Mr. ZAMORA (Mexico) accepted the Chilean representative's proposals.

Mr. de ALMEIDA (Brazil) supported the Chilean resolution

as amended, but wished to see the inclusion in the operative paragraph of a specific reference to the importance of industrialization. The words "including the role which industrialization would play" should therefore be inserted after the words "overall economic development of the area".

Mr. SANTA CRUZ (Chile) pointed out that the word "overall" covered industrialization. The specific reference might lead to underestimation of the problems of agriculture.

Mr. FERNLEY (United Kingdom) regretted that the records of the relevant discussions in the Economic and Social Council had not been available to the Commission.

With regard to the English text of the third relation, the word "protection" might seem to be inconsistent with the principles of the Havana Charter; the word "safeguard" should be substituted. That change did not affect the Spanish text.

He supported the Mexican amendments but agreed with the representative of Chile that the Brazilian proposal was inopportune.

Mr. de ALMEIDA (Brazil) insisted that the phrase which he had proposed should be inserted in the operative paragraph. Industrialization had developed very little in Latin America; that aspect of the economic problem must be emphasized.

The resolution on economic development submitted by the Chilean delegation (E/CN.12/AC.3/W.2/Rev.1), as amended, was adopted.

Mr. MARTINEZ CABRERAS (Executive Secretary) expressed his appreciation that the Committee had understood the Secretariat's intention in submitting for information Mr. Prebisch's report (E/CN.12/89). He had always been anxious to obtain for the Commission economic studies of the

Mr. PREBISCH (Economic Consultant) expressed his emotion at the tribute paid to him by the Committee, particularly by the representative of Cuba. He would accept that tribute as a stimulus to further work in that field. Such work was of great importance because no systematic study had yet been made of Latin American problems. Although the appropriate theoretic method of treating the economic problems of Latin America was not basically different from that appropriate to more highly developed areas, the economists in those areas suffered from the fault of over-generalizing their methods and conclusions as a result of their lack of full and specific information on Latin America, Latin American economists had been at fault because they had not previously supplied such studies; the confidence expressed by the Economic Commission for Latin America would encourage that work in the future.

FINANCING OF ECONOMIC DEVELOPMENT IN LATIN AMERICA: PROPOSAL SUBMITTED BY THE URUGUAYAN DELEGATION (E/CN.12/LC.3/W.3)

Mr. de BEERS (United States of America) supported the Uruguayan resolution on investment of foreign capital (E/CN.12/LC.3/W.3). The similar work of the Inter-American Economic and Social Council already in progress in that field should not, however, be overlooked. An additional relation should therefore be inserted referring to the desirability of taking the work of that body and of the specialized agencies concerned into account and requesting the Executive Secretary to consult with the Executive Secretary of the Inter-American Economic and Social Council with the view to the preparation of the study concerned on a co-ordinated basis.

/ Mr. LOPEZ-FRESQUET (Cuba)

Mr. LOPEZ-FRESQUET (Cuba) proposed the deletion of the words "include all or part of the countries of Latin America and" in the second paragraph of the operative clause. The studies should not be regarded as completed until they had embraced every country concerned.

Mr. GONZALEZ (Uruguay), supported by the representatives of Argentina, Bolivia, Cuba and United Kingdom, accepted the Uruguayan proposal as amended by the representative of the United States.

At the suggestion of Mr. LOPEZ-FRESQUET (Cuba), the CHAIRMAN suggested that the Uruguayan proposal should provisionally be regarded as adopted, subject to the incorporation of the United States amendment at a second reading.

It was so decided.

The meeting rose at 12.40.p.m.