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ECONOMIC COMMISSION FOR LATIN AMERICA
Eighth Session
Panama City, Panama

COMMITTEE II

(Economic Sectors)

SUMMARY RECORD OF THE THIRD MEETING

Held at Panama City on Wednesday, 20 May 1959, at 10.10 a.m.

CONTENTS:

Draft resolution on the structural and institutional factors of agricultural development (Conference Room Paper No. 2/Rev.1)
Industrial development (E/CN.12/493/Add.1, E/CN.12/506, 508, 524 and Add.1-3, 525; Boletín Económico de América Latina, Vol. IV, No. 1, Conference Room Paper No. 18)

PRESENT:

<u>Chairman:</u>	Mr. MUSICH	Argentina
<u>Rapporteur:</u>	Mr. SIMPSON	United Kingdom of Great Britain and Northern Ireland
<u>Members:</u>	Mr. BALDINELLI Mr. LIVINGSTON	} Argentina
	Mr. GARCIA ROSSI	Brazil
	Mr. MAREY Mr. MORLIZON	} Chile
	Mr. HANNABERGH	Colombia
	Mr. VILASECA	Cuba
	Mr. MURRLAQUI	Ecuador
	Mr. CABOUAT	France
	Mr. PALACIOS	Guatemala
	Mr. SAFONT TRIA	Honduras
	Mr. ALANIS PATIÑO	Mexico
	Mr. de CASTRO	Netherlands
	Mr. RODRIGUEZ	Panama
	Mr. PARDO HEEREN	Peru
	Mr. TURNAGE	United States of America
	Mr. PONS	Uruguay
	Mr. VALMORE ACEVEDO) Mr. BENZO) Venezuela

ALSO PRESENT:

Observers from States
not members of the Commission:

Mr. MATEOS ALVAREZ Spain

/Mr. MIKHAILOV

Mr. MIKHAILOV

Union of Soviet
Socialist Republics

Representatives of
specialized agencies:

Mr. KOLJONEN

Food and Agriculture
Organization

Representatives of
intergovernmental
organizations:

Mr. de GERMAIN

European Coal and
Steel Community

Secretariat:

Mr. AQUINO)
Mr. QUINTANA)

Secretaries of the Committee

DRAFT RESOLUTION ON THE STRUCTURAL AND INSTITUTIONAL FACTORS OF ECONOMIC DEVELOPMENT (Conference Room Paper No. 2/Rev.1)

Mr. VILASECA (Cuba) introducing the revised Cuban draft resolution (Conference Room Paper No. 2/Rev.1), drew attention to the changes that had been made to the original draft resolution. Two of the preambular paragraphs had been fused into a single paragraph and the words "with particular reference to rural research, extension and educational services" had been added in sub-paragraph 2 of the second operative paragraph.

Mr. ALANIS PATIÑO (Mexico) said that he was prepared to support the revised draft resolution.

Mr. TURNAGE (United States of America) proposed the following amendments to the revised draft resolution. In the sixth preambular paragraph the words "the distribution of land and of rural income" should be replaced by the words "land tenure systems and the distribution of rural income". The opening words of sub-paragraph 1 of the first operative paragraph should be replaced by the following: "That they consider, whenever appropriate, land reform, the establishment of adequate farming units, the elimination of obsolete forms of labour contracts, the introduction of up-to-date agricultural methods and the more equitable distribution of income...". In the second operative paragraph, the words "that the resources of the two organizations allow" should be followed by "in co-operation with other appropriate international and regional bodies".

Mr. PALACIOS (Guatemala) and Mr. SIMPSON (United Kingdom) wholeheartedly supported the amendments proposed by the representative of the United States.

Mr. MURRIAGUI (Ecuador) supported the Cuban draft resolution. The Cuban
/representative had

representative had been right to use very general terms, for it was only after considerable thought that the problems of agricultural reform should be approached. Preliminary studies were required to ensure that reform was in keeping with the agricultural and social environment in which it was to be carried out, for otherwise it might well upset existing structures and create dangerous situations.

The CHAIRMAN suggested that, in the absence of any objections the Committee should approve the revised draft resolution as amended.

It was so decided.

INDUSTRIAL DEVELOPMENT (E/CN.12/493/Add.1, E/CN.12/506, 508, 524 and Add.1-3, 525; Boletín Económico de América Latina, Vol.IV, No. 1; Conference Room Paper No. 18)

Mr. QUINTANA (Secretary of the Committee) introducing the subject of industrial development, said that in Latin America the process of industrialization would have profound repercussions on the existing economic structure of the various countries. He drew attention to recent experience in industrialization in a number of Latin American countries and the problems that it had involved.^{1/}

Mr. KOLJONEN (Food and Agriculture Organization) drew attention to the progress report of the Pulp and Paper Advisory Group for Latin America (E/CN.12/506). The Group expected to complete the first phase of its work - i.e. the preparation of country studies - in the near future and would then prepare a report on the region as a whole, taking into account the possibilities of integrated markets. In view of the large amount of capital needed to facilitate low-cost competitive production it was important that

^{1/} The full text of this statement has been circulated as Information Document No. 45.

/there should

there should be sufficiently large markets. Considerably more data were required on timber available, trends in demand and production possibilities. If ECLA so decided, the proposed Timber Trends Study in Latin America and the future work of the Advisory Group would go hand in hand, so as to find the best means of meeting the requirements of the area.

Mr. ALANIS PATIÑO (Mexico) thought attention should be drawn to the following five types of questions with which the more developed countries in Latin America had to deal providing for industrial development: namely, the need to integrate economic development and ensure well-balanced progress, the need to find capital for types of industry requiring ever increasing capitalization, the need to ensure efficient organization and management of industry, the need for specialized personnel at all levels and the need for technological research. Without those basic requirements industrial development would not be possible. The ECLA programme for industrial development was of the greatest importance and his delegation would support any project for further research.

Mr. SIMPSON (United Kingdom) said that at the seventh session of ECLA the United Kingdom delegation had drawn attention to the fact that before a paper and pulp industry could be set up in any country, it was necessary to ensure conditions that would be both attractive to foreign capital and advantageous to the country concerned. He expressed his delegation's satisfaction with the work already done by the Pulp and Paper Advisory Group and considered its programme for the future to be thoroughly sound.

Mr. VILASECA (Cuba) wished to give a brief summary of the proposed policy for industrial development of the Cuban Revolutionary Government.

/While Cuba's

While Cuba's problems were similar to those of all the other under-developed countries of the area, it had some special characteristics that were worthy of note.

Capital investment in Cuba was well above the level normally associated with an under-developed country. Unfortunately most of that investment was in the sugar processing industry, which by its very nature could not provide employment for more than a fraction of the year. Such a situation required drastic remedies.

In Cuba no general industrialization plan had ever been drawn up. Development had been haphazard and often the result of self-interest. The Revolutionary Government had therefore decided to try to eradicate unemployment and under-employment by establishing new industries and to ensure a redistribution of the national income in accordance with the principles of social justice. As a first step, it had requested technical assistance from ECLA and had established a special Ministry to study the economic problems of the country. The Government had also enacted a series of measures designed to place the economy on a sounder basis: those measures included agrarian reform, legislation to prevent speculation in housing, tariff reform, the training of skilled labour and technicians, and labour reform. It had also revised the industrialization plans of the preceding Government, which would, however, be integrated as far as possible into the new industrialization plans, since they represented very considerable capital investment.

In conclusion, he gave a brief outline of some of the investment schemes that were being put into effect in Cuba as part of the general industrialization scheme for the future.

Mr. MARTY

Mr. MARTY (Chile) said that within a few months Chile would have completed a ten-year plan for economic development, including industrial development. It would then make a study of the results on which it would base programmes for the future, the aim being to increase production at an annual rate of 6 per cent.

The Mexican representative had referred to the need to raise the standards of management in industry. In Chile, an institute for efficient industrial administration had been set up by industrial leaders two years previously. Its purpose was to promote exchanges of ideas and experience relating to industrial administration. Three courses had been organized and had been attended by about 150 industrialists and managers, who had studied the various techniques of management under the guidance of professors from United States universities. Smaller seminars had also been organized on specific subjects and had been attended by a total of some 2,000 persons.

Mr. HANNABERGH (Colombia) said that there were grounds for concern about the quality of manufactured goods produced in Latin America as compared with those from the industrial countries. It would be very profitable if the system of quality control in mass production were applied in Latin American industry, possibly with the assistance of the industrial countries.

Mr. LIVINGSTON (Argentina) said that his country's economy was basically agricultural. Most of its industries derived from agriculture. For many years the principal products had been wheat and meat, followed by hides and other derivatives such as vegetable oils. The shortage of
/imports resulting

imports resulting from the First World War had led to the establishment of some other industries, which had not, however, prospered.

When the Second World War had brought about the same shortage some intermediate industry had been established. The advantage of intermediate production was that it required less capital investment than full-scale industrial production and created employment, thus increasing the industrial labour force. Raw materials had still to be imported however, and from 1950 onwards serious balance-of-payments difficulties had reduced import capacity. If the economy was to continue to expand, therefore, basic production of iron and steel, heavy machinery, wood pulp and so on - would have to be developed. His Government was concentrating its efforts in that field.

Special attention was being given to fuel extraction. At present, Argentina could satisfy one third of its oil needs from domestic production, the rest being imported. A plan was under way to develop the oil industry, and prospective projects had shown that there were sufficient deposits to meet the whole demand, even if it should increase in future years. Two large pipelines, for oil and natural gas, should be ready to operate in 1960 and agreements had been signed with foreign enterprises for the exploitation of oil deposits discovered in southern Argentina.

Argentine coal consumption amounted to something over 1 million tons a year, but it was hoped to cut imports by working a coal deposit discovered in the south, which, though not of the best quality, could satisfy part of the country's needs. With regard to petroleum by-products, two agreements had been reached with United States companies for their production in

/Argentina.

Argentina. In wood pulp the problem was that the forests were remote, the trees mixed and communications bad. A tax on timber imports, however, would make it possible to carry out a forestry development programme, which would increase production of wood pulp. Sugar production was to be increased and some cane would be available for the production of pulp.

Some progress was being made in light industry - for instance, in the motor industry - but that meant greater imports of steel and rolled steel. A steel plant had therefore been established and iron ore deposits were being explored.

He agreed with the representative of Colombia that the quality of light industry products in Latin America was often low; that was bound to be so in the initial stages of any industry and he was confident it would improve with experience.

Mr. BENZO (Venezuela) stated that his country suffered from high production costs as a result of its economic structure. The aim of his Government, therefore, was to develop industry which was economical and efficient, or could become so in time. Industrial credit programmes were being expanded, with special attention to those branches of production which needed large-scale capital investment to become fully industrialized. His Government was encouraging the development of heavy industry, such as oil and iron and steel. The country had the necessary oil resources, which could be developed in an economical manner. Iron and steel resources had been studied and it would be possible to develop the industry so as to diversify production and substitute for imports. Steel plants had been
/installed near

installed near the sources of raw materials and had been fully mechanized to reduce labour costs. The first target was to raise production to 600,000 tons a year, but since the demand for pipes, rails, wire, construction materials and so on was rising rapidly that would not satisfy domestic needs. Even the second target of 1.2 million tons might not meet all domestic and foreign demand. Since however, iron resources were plentiful and power was cheap, it should prove possible to sell industrial products on the world and Latin American markets at competitive prices.

Mr. GARCIA ROSSI (Brazil) recalled that his country's programme of industrial development had already been outlined in the plenary meeting. He would therefore confine himself to the report of First Meeting on Railway Equipment, (E/CN.12/508) held at Córdoba, Argentina, from 2 to 5 March 1959. The Meeting had been a new departure, bringing together producers and consumers to discuss specific objectives. It had also enabled those who attended to become personally acquainted with the problems and achievements of Argentine industry. His country had invited a group of Chilean industrialists and government representatives to visit Brazil and study its industry. Both sides would thus be able to exchange information, discover each other's needs and learn from each other's mistakes. Such interchanges were very valuable; they could lead to the establishment of joint groups to co-operate in the solution of common industrial problems, as had already happened in some cases. In that way progress would be made towards the common market.

/Particular stress

Particular stress had been laid at the Córdoba meeting on the problem of financing the development of railway equipment. It was to be hoped that the International Bank for Reconstruction and Development would consider the possibility of granting a loan which could be used to satisfy the needs of a group of countries rather than assisting one industry in one country. The collaboration of the Inter-American Bank should also be sought. Argentina, Mexico, Chile and Brazil together spent \$80 million yearly on railway equipment but it had become clear at Córdoba that \$40-45 million could be saved by complementary production. That example showed what benefits would result from complementarity in all fields of industry, which should be strongly encouraged by ECLA.

The draft resolution submitted jointly by his delegation and that of Chile (Conference Room Paper No. 18) was based on the idea of co-operation which he had just outlined. The establishment of a committee on the basic metal and metal transforming industries, to be assisted by associations of manufacturers and consumers and the projected Latin American Iron and Steel Institute, would be of great value to countries developing those industries. Amongst other things, it would help to avoid duplication of activities and inefficient production methods.

Mr. HANNABERGH (Colombia) supported the draft resolution.

Mr. LIVINGSTON (Argentina) said that in principle his delegation supported the draft resolution but felt that discussion should be postponed in order to allow time for its full implications to be studied.

Mr. BENZO (Venezuela) said that he could not take a stand on the draft resolution until he received instructions from his Government.

/The CHAIRMAN

The CHAIRMAN asked whether the proposed Committee was to be composed of Government representatives or of experts.

Mr. MARTY (Chile) said that the proposed Committee would be of the same nature as the Trade Committee.

After further discussion, in which Mr. PARDO HEEREN (Peru), Mr. PONS (Uruguay) and Mr. ALANIS PATIÑO (Mexico) took part, the CHAIRMAN suggested that interested delegations should meet informally to try and prepare a generally acceptable text.

It was so decided.

The meeting rose at 12.30 p.m.